CLOVER INDUSTRIES LIMITED

INTEGRATED ANNUAL REPORT

for the year ended 30 June

2015

KEY FINANCIAL INDICATORS

Nature of this Integrated Annual Report for the financial year ended 30 June 2015

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 2014 to 30 June 2015. 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 our quest to enhance the interest and welfare not only of all our stakeholders but, indeed, the broader community within which we conduct our businesses and affairs.

The Board acknowledges our responsibility to ensure the integrity of the Integrated Annual Report. The Board have applied their collective minds in the preparation of the Integrated Report, ensuring that the Integrated Annual Report is presented in accordance with the International Integrated Reporting Framework. 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.

For more information regarding the contents of this report please contact:
Elton Bosch: Executive: Business Development, Risk & Africa
Tel: +27 (0)11 471 1445

WI Büchner
Chairman

JH Vorster
Chief Executive

15 September 2015

8,6%
REVENUE
Increased to R9,3 billion

69,0%
HEPS
Increased to 173,6 cents

86,1%
EPS
Increased to 190,4 cents

70,3%
HEADLINE EARNINGS
Increased to R319,3 million

80,3%
OPERATING PROFIT
Increased to R509,1 million

75,0%
TOTAL DIVIDEND PER SHARE
Increased to 56,0 cents

SIX CAPITALS

CONTENTS

HUMAN

NATURAL

MANUFACTURED

INTELLECTUAL

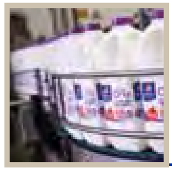
SOCIAL AND RELATIONSHIPS

FINANCIAL

CLOVER AT A GLANCE

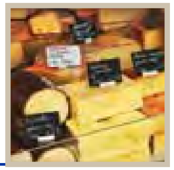
Clover Industries Limited ("Clover" and/or "Group"), a branded foods and beverages Group, has enjoyed a long and successful history as part of the development of South Africa's dairy and fast moving consumer goods industry. Clover has been a household name for 117 years, with listings on the Johannesburg Stock Exchange (JSE) on 14 December 2010 and on the Namibian Stock Exchange on 22 April 2015.

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:



PRODUCTION of dairy and non-dairy beverage consumer products.

DISTRIBUTION of chilled and ambient consumer products.



SALES AND MERCHANDISING of consumer goods.

Clover's strategic pillars and competitive strengths drive the business forward as a sustainable and growing branded consumer goods giant. Its roots are firmly established in the South African dairy industry and Clover strives to provide its customers with nutritional food and beverage products of the highest quality.

With an eye on expansion, we have diversified our product offering by acquiring and developing additional brands and currently produce 70% percent dairy related products and 30% non-alcoholic beverages and food products.

The Group's business platform spans throughout the value chain from collection at the farms, 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 only sources raw product from quality suppliers and loyal producers in order to fill consumer demand. We procure approximately 600 million litres of raw milk annually from 173 producers. Products are produced at one of our 16 production facilities, all of which are ISO-9001 and HACCP certified. From farm to shelf, our products go through our standard 55 point safety check and testing procedure.

Clover has one of the best outbound call centres in South Africa to ensure that our network of about 2 500 permanent merchandisers can provide service to over 3 000 retail and wholesale outlets, dispatching to about 14 550 delivery points throughout South Africa using approximately 552 trucks daily. Throughout this process, we aim to be a responsible corporate entity by constantly reviewing and implementing the latest technologies that will reduce our carbon footprint. Responsible environmental excellence makes us way better than our peers.

Since listing on the JSE, we have burst into the Top 10 favourite brands awarded by the Sunday Times, and have been experiencing steady market growth. Clover's dual listings on the Namibian Stock Exchange and the JSE provides local investors with an opportunity to directly participate in the Group's value creation as well as provide input on the strategic direction of the company.

At Clover, we believe that doing good, is good business and that investment capital should be measured as a whole. Investment in people and societies is the key to a sustainable future. That is why our CSI project achieves immeasurable results and has won numerous awards.

Our CSI project is not a social "responsibility", but Clover Mama Afrika is a facilitator and an enabler, improving the lives of South African communities. This is done through upliftment, training and empowering people which is at the heart of Clover's vision and mission.

Driven by exceptional performance under the guidance of our dynamic and forward thinking senior management team, Clover is now ready and geared towards future expansion. As an iconic and trusted brand, Clover has strong exportable skills and a solid foundation in all facets of our business.

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 Dairies 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 to a public company took place during November 2003. A name change to Clover Industries Ltd was also approved. 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.

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. 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 minority interests in Clover West Africa (45%), Clover Botswana (30%), Clover Manhattan (49%) and 100% of Real Juice Co Holdings from AVI Limited; and
- Clover acquires assets of Butlers Cheese.

2013
The Clover Waters joint venture associates Clover with global brands such as Nestlé Purelife and Nestea, opening 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. The Real Beverages Company (Pty) Ltd, a wholly-owned subsidiary of Clover S.A (Pty) Ltd, acquired from Dairybelle (Pty) Ltd its UHT milk manufacturing, marketing and distribution business with effect from 1 December 2014.

2015
Real Beverages Company (Pty) Ltd, acquired from Dairybelle (Pty) Ltd its yoghurt business with effect from 1 January 2015. Clover S.A (Pty) Ltd acquired the entire business of Nkunzi MilkyWay (Pty) Ltd through a subsidiary company called Clover MilkyWay (Pty) Ltd on 1 June 2015. This facility specialises in the production of dairy products on behalf of Woolworths Holdings Ltd.

CLOVER TIMELINE

CLOVER'S VISION AND MISSION

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

- Preferred employer
- Being a responsible corporate citizen
- Way Better operations across supply chain to provide sustainable shareholder value
- Develop or acquire brands to occupy number one or two position in chosen segments
- Providing consumers with quality and trusted products, underpinned by leading dairy businesses
- Reaching the Group's widely dispersed consumers/ customers on a daily basis

SUPPORT SERVICES

PROCUREMENT AND SUPPLY CHAIN PLANNING

PRINCIPAL FACTORIES

AFRICA EXPANSION

DISTRIBUTION FACILITY

MILK PROCUREMENT

PRODUCTION

CONSOLIDATE INDUSTRY

BRANDS AND MARKETING

SALES AND MERCHANDISING

PG 12
GROUP STRUCTURE

BRANDS AND MARKETING

The department ensures that 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

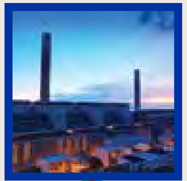
CONCENTRATE AND INGREDIENT SUPPLIERS

PG 133
ANNUAL FINANCIAL STATEMENTS

PG 76
REPORT ON SIX CAPITALS

PG 19
BUSINESS REVIEW

PG 40
SIX-YEAR FINANCIAL REVIEW



PRINCIPAL FACTORIES

The distribution and in-store merchandising services at retailers for Clover and its principals in return for service fee income.

PRIMARY DISTRIBUTION

DISTRIBUTION FACILITY

Distribution of Clover's products to its customers within its extensive national distribution footprint across 14 550 delivery points.

PG 21, 27 AND 33
CHAIRMAN'S, CE'S AND CFO'S REPORT

PRODUCTION

(16 factories)

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.

SECONDARY DISTRIBUTION

(28 distribution centres)

MILK PROCUREMENT

(Procurement, collection and transport of raw milk).

SALES AND MERCHANDISING

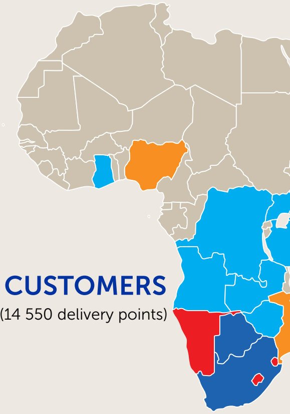
Maintains a strong relationship with consumers, principals, retail and wholesale businesses as well as agents and distributors.

PG 44
REPORT ON GOVERNANCE, RISK AND COMPLIANCE

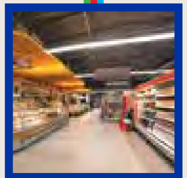
PROCUREMENT AND SUPPLY CHAIN PLANNING

Procures high quality ingredients and packaging materials from carefully selected suppliers.

AFRICA EXPANSION



RETAILERS AND OUTLETS



PACKAGING SUPPLIERS

CUSTOMERS

(14 550 delivery points)

CONSUMERS

People (HR)
Process
Technology
Support services

Output
Input

PG 60
REPORT ON REMUNERATION

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 by 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

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

Finance

- Maintain and ensure accurate and complete financial records in accordance with IFRS;
- Oversee and prioritise highly profitable projects to increase operating margins; and
- Maintain and administer key financial controls.

CORPORATE SOCIAL RESPONSIBILITY

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

COMBINED ASSURANCE

The Social and Ethics Committee has obtained partial assurance over the Business Model and Six Capitals, as depicted on page 132 of the Integrated Annual Report. 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 with 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 the Integrated Annual Report.

OUR BUSINESS MODEL AND THE SIX CAPITALS

SOCIETY

ORGANISATION

INPUTS

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

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

INFRASTRUCTURE, BUILDINGS AND EQUIPMENT

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

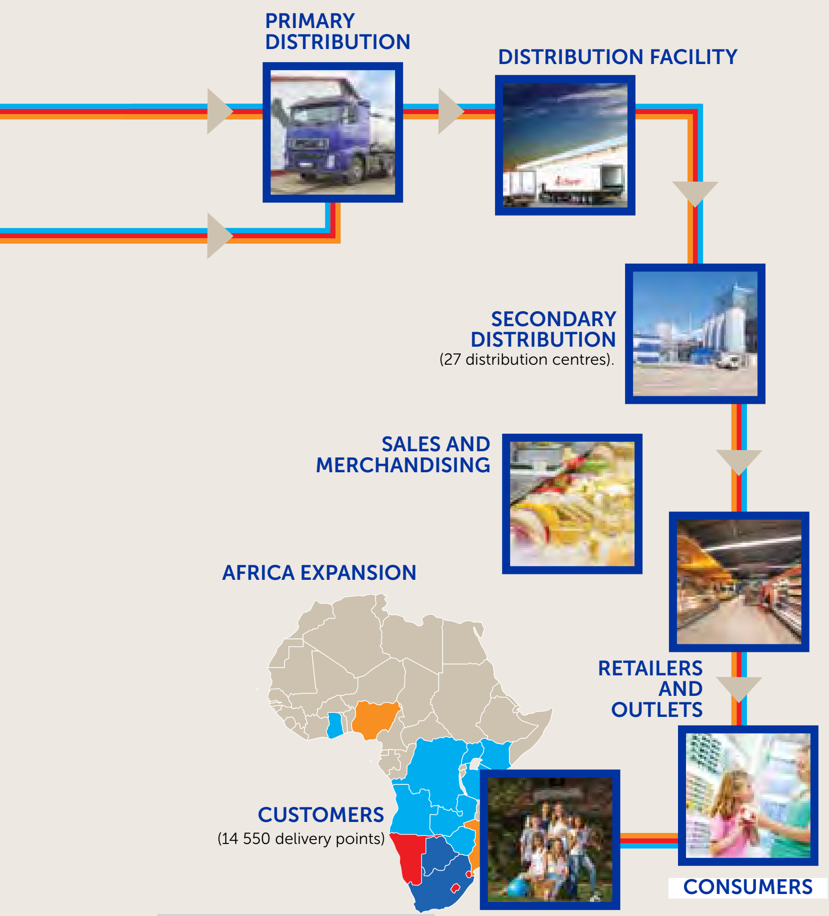
STAKEHOLDER RELATIONSHIPS AND SOCIAL INVESTMENT
(Shared norms, common values, behaviours, stakeholder relationships and dependencies)

FINANCIAL CAPITAL
(Equity, debt and grants)

EXTERNAL ENVIRONMENT

THIS IS HOW WE ADD VALUE THROUGH OUR BUSINESS ACTIVITIES:

STRATEGY AND RESOURCE ALLOCATION



FUTURE OUTLOOK

OUTPUTS

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

NATURAL CAPITAL
(Air, water, land minerals, forests, bio-diversity and ecosystem health)

MANUFACTURED CAPITAL
Infrastructure, buildings and equipment

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

SOCIAL AND RELATIONSHIP CAPITAL
(Shared norms, common values, behaviours, stakeholder relationships and dependencies)

FINANCIAL CAPITAL
(Equity, debt and grants)

ORGANISATION

SOCIETY

People (HR)
Process
Technology

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

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.

MATERIAL STRATEGIC PILLARS OF THE CLOVER GROUP

- To constantly adapt Clover's human resources capabilities in order to fit its business model.
- To actively support the business in the most effective and efficient manner.
- 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 actively seek value-enhancing corporate activity.

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

COMPETITIVE STRENGTHS OF THE CLOVER GROUP

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

CLOVER'S VALUES

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.

CLOVER'S FUTURE VALUE CREATION PHILOSOPHY

TODAY

Clover is a dynamic

DEMAND-DRIVEN CONSUMER PRODUCTS BUSINESS WITH ATTRACTIVE GROWTH PROSPECTS.

Originally a co-operative society, Clover converted to a public company in 2003 and listed on the JSE in 2010.

"Way Better" is not just a slogan, it's also our philosophy and the rationale behind...

PROJECT CIELO BLU.

This project was implemented to address historical inefficiencies within the supply chain to...

INCREASE PRODUCTION CAPACITY AND IMPROVE LONG-TERM PROFITABILITY. BY STRATEGICALLY RELOCATING AND UPGRADING KEY FACTORIES AND WAREHOUSES, WE SIGNIFICANTLY REDUCED COST, STREAMLINED LOGISTICS...

AND OPTIMISED KEY OPERATIONAL ASPECTS OF THE BUSINESS.

In rolling out this project we have created the perfect platform for future expansion, making Clover an attractive investment.

TOMORROW

At Clover, all of our business units are carefully interwoven, allowing us to

MAINTAIN CONTROL OVER OUR SUPPLY CHAIN AND ANY ASSOCIATED COSTS.

Because most of our products have a shorter shelf life, we have a high rotation system in place supported by **OUR IMPROVED DISTRIBUTION CHAIN.** The frequency of milk delivery and the associated infrastructures we have implemented is the perfect base from which to operate and expand.

The growing demand for natural resources will force dairy companies to process products more efficiently by making use of the latest global technologies and thereby reducing the industry's carbon footprint and water usage.

IN ADDRESSING OUR DISPERSED FACTORY LOCATIONS, CLOVER IS EVALUATING OPTIONS TO CONSOLIDATE OUR FACTORIES AND INSTALL THE **LATEST TECHNOLOGY**, ENABLING US TO **IMPROVE COST COMPETITIVENESS**, WHILE ALSO **ACHIEVING SYNERGIES IN THE SUSTAINABILITY OF OUR OPERATIONS.**

To do this, we are evaluating government incentives which will benefit milk producers while simultaneously supporting the development of previously disadvantaged farmers.

CLOVER'S **ESTABLISHED PARTNERSHIPS** WITH THE LIKES OF **FONTERRA, NESTLÉ AND FUTURELIFE** HAVE ENSURED THAT THE COMPANY IS TRUSTED INTERNATIONALLY. OUR AIM IS TO CEMENT MORE STRATEGIC PARTNERSHIPS, BOTH LOCALLY AND INTERNATIONALLY, IN ORDER TO SECURE THE NUMBER ONE POSITION IN THE MARKET by **DEVELOPING NEW PRODUCTS AND LEVERAGING EXISTING BRANDS.** We are also continuously monitoring potential mergers and acquisitions as well as joint venture opportunities.

Clover's "Project Driven" targets our human resources and focuses on

SKILLS DEVELOPMENT AND TRAINING.

We strive to cultivate loyalty and trust between employer and employee and use a mentoring structure to ensure that knowledge is transferred and developed. It's because of "Project Driven" and our participative management style that Clover ranks THIRD ON DELOITTE'S SCALE OF "BEST COMPANIES TO WORK FOR", an award we were extremely proud to achieve.

THE PAST COUPLE OF YEARS HAVE BEEN A GAME CHANGER. NEW PRODUCTS, NEW TECHNOLOGIES AND NEW PLANS. WE ARE, AND WILL CONTINUE TO BE, "WAY BETTER".

GROUP STRUCTURE

Clover Industries Ltd

Clover S.A. (Pty) Ltd
100%

Over 117 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.

Divisions

Milk Procurement, Production, Primary Distribution and Supply Chain Management, Marketing, Sales, Secondary Distribution and Support Services.

Clover West Africa Ltd
100%

Clover Swaziland (Pty) Ltd
100%

Clover Dairy (Namibia) (Pty) Ltd
100%

Clover Botswana (Pty) Ltd
100%

The Real Beverages Company (Pty) Ltd
100%[1]

Clover Waters (Pty) Ltd
70%

Lactolab (Pty) Ltd
100%

Clover MilkyWay (Pty) Ltd
100%[2]

Clover Fonterra Ingredients (Pty) Ltd
51%

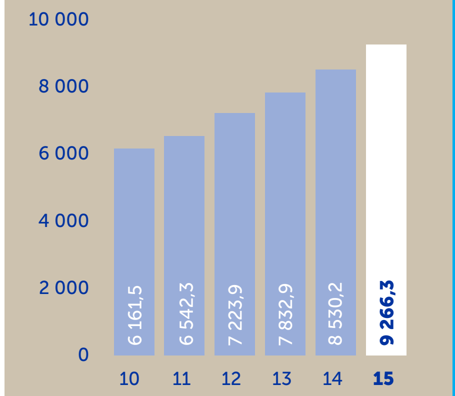
Clover Futurelife (Pty) Ltd
50%

[1] *The Real Beverages Company Proprietary Limited, a wholly-owned subsidiary of Clover S.A Proprietary Limited, acquired from Dairybelle Proprietary Limited its UHT milk and yoghurt manufacturing, marketing and distribution business with effect from 1 December 2014 and 1 January 2015 respectively. Included in the range of yoghurts acquired is the iconic 'Fruits of the Forest' brand.*

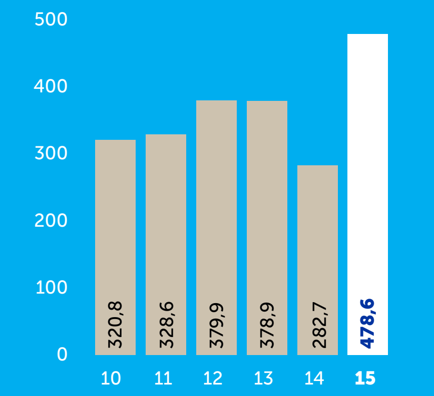
[2] *With effect from 1 June 2015, Clover S.A Proprietary Limited acquired the entire business of Nkunzi MilkyWay Proprietary Limited through a subsidiary company called Clover MilkyWay Proprietary Limited. This facility specialises in the production of dairy products on behalf of Woolworths Holdings Limited.*

FINANCIAL HIGHLIGHTS

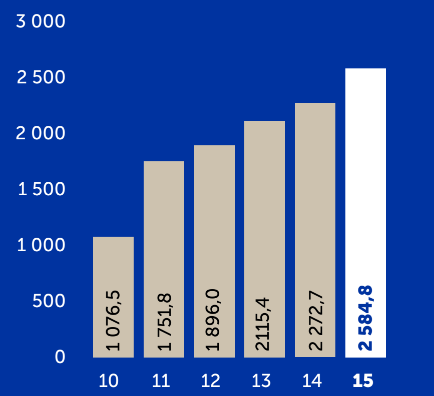
REVENUE
R'm



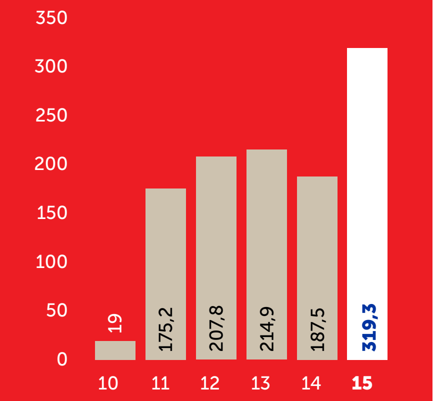
NORMALISED OPERATING PROFIT
R'm



NET ASSET VALUE
R'm



HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
R'm



NORMALISED PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
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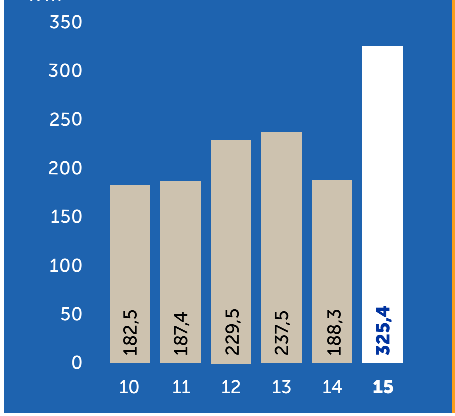
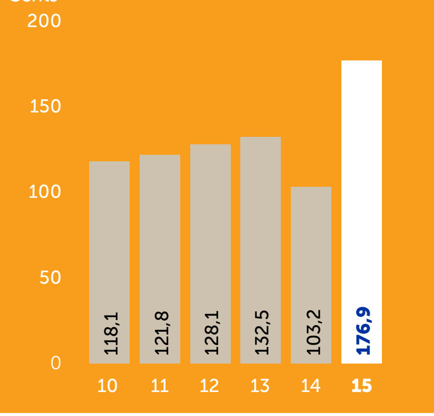
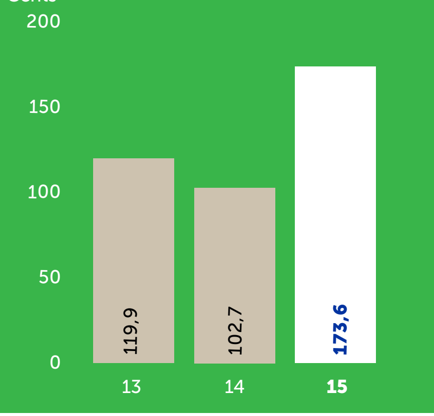


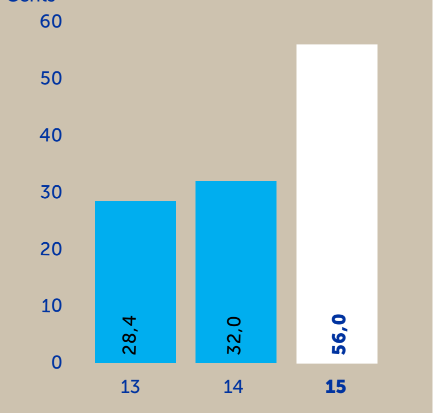
NORMALISED EARNINGS PER SHARE
Cents



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 40 to 42.

OUR SHAREHOLDERS AND SHAREHOLDER INFORMATION

Shareholder analysis – Clover Industries Ltd – ordinary shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	1 080	42,02	441 191	0,24
1 001 – 5 000 shares	760	29,57	1 881 322	1,00
5 001 – 10 000 shares	168	6,54	1 282 298	0,68
10 001 – 50 000 shares	228	8,87	5 760 986	3,07
50 001 – 100 000 shares	103	4,01	7 321 071	3,90
100 001 shares and over	231	8,99	171 044 270	91,11
Totals	**2 570**	**100,00**	**187 731 138**	**100,00**

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	32	1,25	23 804 187	12,68
Close Corporations	22	0,86	80 494	0,04
Endowment Funds	23	0,89	1 242 354	0,66
Individuals	1 843	71,71	26 574 192	14,16
Insurance Companies	26	1,01	4 458 286	2,38
Investment Companies	16	0,62	5 537 535	2,95
Medical Schemes	5	0,19	365 018	0,19
Milk Producers Trust	1	0,04	22 553 000	12,01
Mutual Funds	88	3,42	43 391 786	23,12
Other Corporations	16	0,62	76 752	0,04
Private Companies	45	1,75	855 596	0,46
Producers	95	3,70	16 519 110	8,80
Public Companies	1	0,04	41 000	0,02
Retirement Funds	159	6,19	38 117 219	20,30
Trusts	198	7,71	4 114 609	2,19
	2 570	**100,00**	**187 731 138**	**100,00**

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non - Public Shareholders	19	0,74	40 048 610	21,33
Directors of the company	14	0,54	16 083 900	8,57
Strategic Holdings (more than 10%)	1	0,04	22 553 000	12,01
Other Executives	4	0,16	1 411 710	0,75
Public Shareholders	2 551	99,26	147 682 528	78,67
	2 570	**100,00**	**187 731 138**	**100,00**

Beneficial shareholders holding 3% or more	Number of shares	%
Clover Milk Producers Trust	22 553 000	12,01
Allan Gray	14 511 159	7,73
Government Employees Pension Fund	12 285 059	6,54
Vorster, JH	8 346 599	4,45
Investment Solutions	6 285 065	3,35
Letko Brosseau	6 187 733	3,30
Totals	**70 168 615**	**37,38**

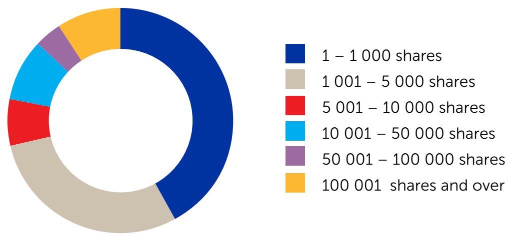
Company:
Clover Industries Limited

Register date:
26 June 2015

Issued Share Capital:
187 731 138

Shareholder spread

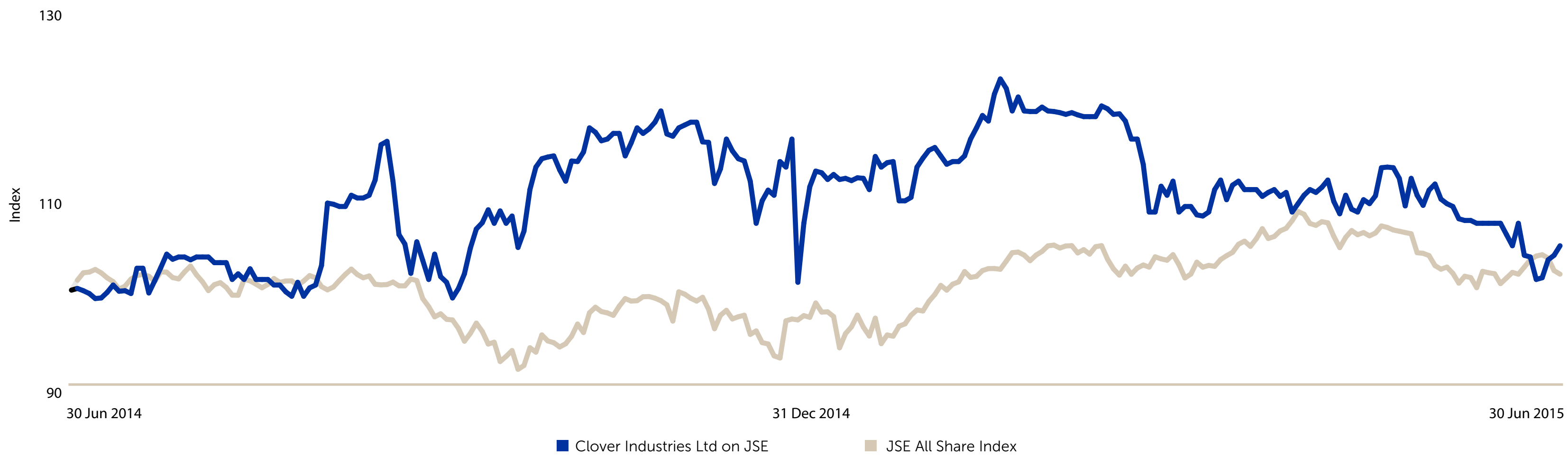
Number of shareholders (percentage)



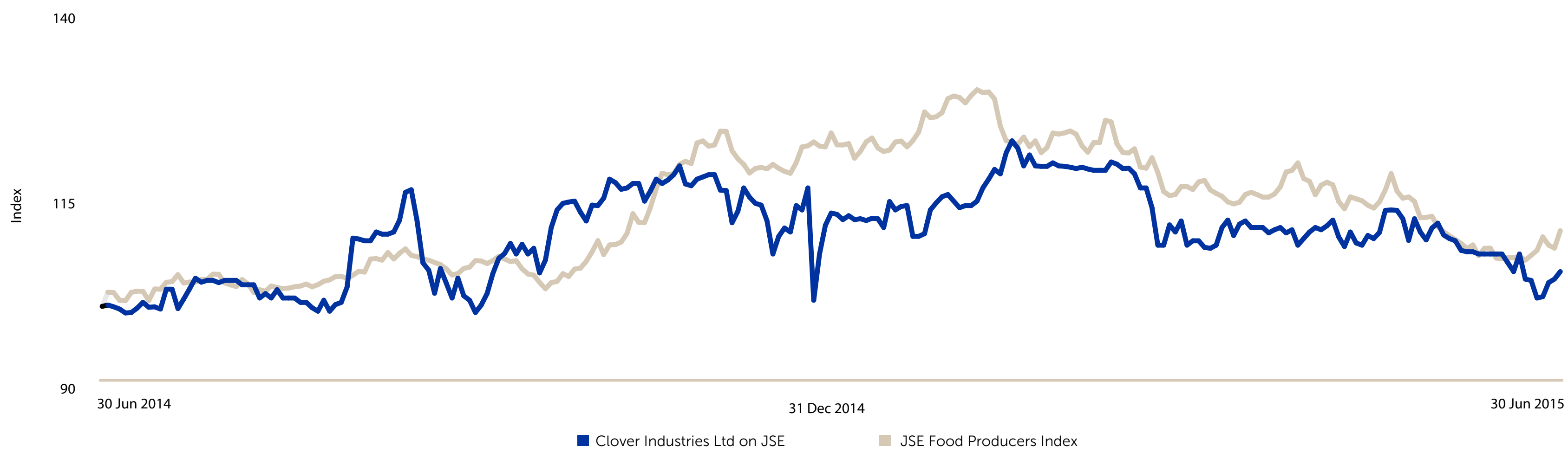
Distribution of shareholders

Number of shareholders (percentage)

CLOVER INDUSTRIES LTD VS. ALL SHARE INDEX



CLOVER INDUSTRIES LTD VS. FOOD PRODUCERS INDEX



EXECUTIVE COMMITTEE

Johann Hendrik Vorster (51)

Chief Executive

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

Christiaan Philippus Lerm (Dr) (58)

Executive: Brands and Marketing

Appointed to Exco: 2002
DCom

Elton Ronald Bosch (38)

Executive: Business Development, Risk and Africa

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

Hendrikus Lubbe (45)

Executive: Supply Chain, Distribution and Milk Procurement

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

Jacques van Heerden (30)

Executive: Legal, Secretarial and Strategic Projects

Appointed to Exco: 2014
LLB (Cum Laude), ACIS

Louis Jacques Botha (53)

Chief Financial Officer and Executive: Information Services

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

James Henry Ferreira Botes (Dr) (52)

Executive: Commercial

Appointed to Exco: 2009
DPhil

Marcelo Marques Palmeiro (50)

Executive: Brands and Corporate Development

Appointed to Exco: 2012
BA, IME

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Johann Hendrik Vorster (51)

Chief Executive

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

Louis Jacques Botha (53)

Chief Financial Officer and Executive: Information Services

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

Christiaan Philippus Lerm (Dr) (58)

Executive: Brands and Marketing

Appointed: 2007
DCom

NON-EXECUTIVE DIRECTORS

Werner Ignatius Büchner (49)

Non-executive Director – Chairman

Appointed: 2006
B Eng

Peter Ronald Griffin (56)

Non-executive Director

Appointed: 2014
BSc Agric

Nigel Athol Smith (59)

Non-executive Director

Appointed: 2011
Agric Dip

INDEPENDENT NON-EXECUTIVE DIRECTORS

Thomas Alexander Wixley (75)

Lead Independent Director

Appointed: 2007
BCom, CA(SA)

Babalwa Ngonyama (41)

Independent Director

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

Stefanes Francois Booysen (Dr) (53)

Independent Director

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

Neo Violet Mokhesi (54)

Independent Director

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

Johannes Nicolaas Stephanus Du Plessis (65)

Independent Director

Appointed: 2010
BCom, LLB

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

On behalf of Clover's Board, it gives me great pleasure to present the 2015 Integrated Annual Report. In accordance with the International Integrated Reporting Council (IIRC) framework, Clover is already in its second year of adoption of the six capitals for the purpose of Integrated Reporting. As a board we acknowledge our responsibility to ensure the integrity of the Integrated Report. These capitals provide insight into Clover's strategy and our ability to create value over the short, medium and long term. We value the nature and quality of the relationships with our key stakeholders, and in order to create value over time, we take into account their legitimate needs and interest.

The concept of value therefore focuses on Clover's ability to respond to relevant matters from the Board as well as the key stakeholders.

The Board appreciates that these capitals are interlinked and therefore continuously seeks a balance between short-term earnings with long-term growth aspirations, specifically for the providers of financial capital. We have included information about matters that substantively affect Clover's ability to create value, in the context of the six capitals throughout this Integrated Report.

OPERATIONAL OVERVIEW

As discussed in my previous report, Clover had to increase its selling prices to recover significant escalation in especially raw milk and other cost, as well as traditional inflationary increases in costs. The Board decided that it was prudent to apply a pragmatic approach to selling price increases in order to limit market share and volume losses.

The year under review saw Clover being successful in implementing these selling price adjustments. The resulting increase in prices and profitability nonetheless resulted in volume and market share losses in some product categories as anticipated. Volume losses to some extent was offset by the exceptional sales of Clover's range of yoghurts and custard following our entry into the market during January 2015, after the expiry of the restraint of trade on 31 December 2014 with Danone and the acquisition of the Dairybelle yoghurt and UHT businesses. Current yoghurt production capacity is being expanded to meet the unanticipated market demand.

Given Clover's strong brands and price elasticity, finding an optimal balance between volumes, market shares and price points are ongoing. Consumers remain under pressure, as evidenced by the overall market contraction in the Group's beverage categories. A more detailed discussion on this can be found in the Chief Executive's Report.

As a result of exceptional competition for raw milk for cheese manufacturing in the Eastern Cape, as well as Danone's entrance into the market for raw milk (after their milk supply agreement with Clover lapsed at the end of December 2014), farm gate milk prices saw above inflationary increases during the last quarter of the previous year. These high prices in relation to on-farm costs saw substantial increases in raw milk production in comparison to the previous year. On the positive side, Clover has managed to restore its inventory levels, but the growth in national milk production is still far above the growth in the demand.

Werner Büchner

MANUFACTURED CAPITAL: DAIRY INDUSTRY OVERVIEW

Global overview

The impact of fluctuating weather conditions has been evident throughout agricultural markets over the past decade. Particularly in the dairy industry, it has been a key driver of market volatility, due to its impact on both the cost of feed and productivity of the global dairy herd.

Unlike most agricultural commodities, only about 8% of dairy production is traded in the global market. Dairy markets are often characterised by seasonal and cyclical patterns, as price and production peaks induce a supply response that often creates market price volatility. The steepness of these cycles in recent years reflect dramatic changes in weather conditions, at times combined with macroeconomic instability that created supply and demand dynamics that induced drastic shifts in dairy markets.

International dairy commodities traded at record high levels during the start of 2014, while feed grain prices traded at low price levels for most of the past twelve months. This created the platform for favourable supply conditions, but this also coincided with reduced demand as the Russian ban on dairy products from the European Union ("EU") was introduced, and demand from China stagnated. The result of these factors is that by June 2015, the Food and Agricultural Organisation ("FOA") dairy price index had fallen to levels not observed since 2002. Powder prices in particular have fallen sharply on the back of booming production levels.

The effect which the abolishment of the EU system of milk quotas will have on global supply is still uncertain although the OECD-FAO outlook projects a smooth transition. It might, however impact on the dairy industry in South Africa sooner than we think, as quite a number of big players have identified Sub-Saharan Africa as a future market and are already opening offices in South Africa and the rest of Africa.

Local overview

As in the global market, seasonality and production cycles are mirrored in the South African dairy sector. In line with global trends and the perishable nature of the products concerned, trade continues to represent a very small share of fresh dairy consumption domestically, resulting in a tight balance of supply and demand and consequently a volatile domestic market.

South African milk production is utilised in two different market segments; liquid milk products (including pasteurised milk, UHT milk, yoghurt and buttermilk) account for just under 60% of total dairy consumption, while concentrated products (including cheese, butter, milk powders and condensed milk) make up the balance.

The volatility evident in the market for fresh products is significantly reduced in concentrated products, mainly due to the nature of these products, which allows a greater role for international trade in correcting domestic supply and demand imbalances.

Following a steady decline from 2008 to 2011, farm gate milk prices turned sharply upwards in 2012 in response to elevated feed prices that coincided with unfavourable weather conditions and firm demand for dairy products. While these elevated price levels induced the expected supply response, demand remained firm and consequently nominal prices have also been on an upward trend since 2011. Despite the decline in international prices of dairy products, South African prices have remained firm as a result of significant exchange rate depreciation and by March 2015 the producer price of raw milk, in nominal terms, had reached record levels.

Despite the volatility in the market, South African milk production has reflected an upward trend, expanding in response to rising demand over the past decade. By 2014, raw milk production in South Africa approached 3 million tons, and in the early part of 2015, milk deliveries reached unprecedented high levels in response to the recovery in milk to feed price ratios in 2014.

Considering seasonality typically evident in milk production, 2015 looks set to be a year of record production in excess of 3 million tons.

(Information on the global and local dairy industry was sourced from The Bureau for Food and Agricultural Policy's 11th baseline agricultural outlook covering 2015 to 2024.)

FINANCIAL CAPITAL

Overview

As a result of increased selling prices across market categories the gross and operating margins improved considerably. This resulted in a headline earnings per share ("HEPS") increase of 69,0% to 173,6 cents (2014: 102,7 cents). Earnings per share ("EPS") commensurately increased by 86,1% to 190,4 cents (2014: 102,3 cents). The improvement in HEPS and EPS was further supported by the recognition of deferred tax assets in group subsidiaries which were not previously recognised. This contributed 5,8% towards the increase in HEPS and EPS over the prior year.

As mentioned, gross and operating margins improved considerably to 30% (2014: 26,2%) and 5,5% (2014: 3,3%) respectively.

Foreign Shareholding

During the year under review, Clover continued with its Level I Sponsored ADR programme through the Bank of New York Mellon. This programme provides for the active promotion of Clover's investment case in the USA at no additional cost to the Company.

Since listing, the Group has noticed a steady increase in foreign based institutional holdings, especially from the USA and Canada. Currently foreign fund managers constitute just under 25% of total fund manager holdings, with US based fund managers holding 13,3% and Canadian fund managers holding 5,6% respectively.

Secondary listing on the Namibian Stock Exchange (NSX)

On 22 April 2015, Clover successfully listed on the NSX under the share code CLN. The Company's primary listing remains on the main board of the Johannesburg Stock Exchange.

The Board believes that the NSX listing will broaden Clover's investor base by enabling Namibian investors to invest directly in Clover's shares. The listing will further assist in building relationships with Namibian stakeholders, especially considering the Group's long-term strategic plans which include further expansion into Africa.

Dividend

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 the Group 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, the Board declared a final dividend of 33,4 cents per share, bringing the total dividend for the financial year under review to 56,0 cents per share, an increase of 75% on the previous financial year total dividend of 32 cents per share.

INTELLECTUAL CAPITAL

In January 2015, Clover launched its traditional brand of yoghurt as a premium product under "The Classic" brand. This yoghurt is richer and creamier than ordinary yoghurt and has been exceptionally well received by the market.

Following the acquisition of DairyBelle's yoghurt business during the year under review (effective 1 January 2015), Clover has revitalised the "Fruits of the Forest" brand and expanded its market reach, with excellent uptake by the market.

In addition, Clover also re-entered the custard market also under "The Classic" brand, after selling its Ultra-Mel brand to Danone in 2007.

Clover's acquisition of the DairyBelle brand included the Bliss range of double cream yoghurt. Dessert ranges were one of the value added growth categories identified by Clover as part of its diversification strategy. A range of Bliss desserts, currently manufactured in Italy was launched late during the year under review, with encouraging uptake.

On 23 April 2015 the Competition Commission approved Clover's acquisition of the business of Nkunzi MilkyWay Proprietary Limited ("Nkunzi"). The acquisition saw Clover entering the Ayrshire milk market, where it will manufacture and pack fresh milk, cream and other dairy and non-dairy products for Woolworths at the acquired Nkunzi facility as well as its Clayville plant in Midrand, Gauteng.

HUMAN CAPITAL

Over the past number of years, Clover has actively worked on improving its Broad-Based Black Economic Empowerment (B-BBEE) status. I am therefore excited to report that significant headway has been made in this regard. During the year under review, Clover achieved a Level 4 Contributor Status for the 2014 financial year – a noteworthy step up from the prior year's Level 6 contributor status.

The Group's focus regarding empowerment is to target the broadest possible base, and therefore the areas where Clover reported the most improvement include Skills Development, Preferential Procurement and Enterprise Development.

Going forward, Clover may benefit from its Level 4 Contributor Status by becoming eligible for incentives such as the Manufacturing Competitiveness Enhancement Programme (MCEP) administered by the Department of Trade and Industry (DTI).

These requirements, amongst other, lie at the heart of Clover's strategy and the Company believes that these incentive opportunities will assist it in increasing its competitive advantage to the benefit of customers and other stakeholders.

During the review period, Clover successfully concluded wage negotiations at a 7,25% annual increase.

NATURAL CAPITAL

Growing demand for natural resources will force fast moving consumer goods companies to process products more efficiently through lowering its carbon and water footprint. Clover has implemented a number of initiatives to reduce its water, electricity and fuel consumption in addition to minimising waste.

I am proud to announce that we are making good progress, and in most cases we are nearing international best practice in relation to utilizing natural resources. More information on these initiatives and improvements in this regard can be found on page 94 of this Integrated Annual Report.

SOCIAL AND RELATIONSHIP CAPITAL

The Competition Commission initially expressed concern over the impact of the Nkunzi acquisition on small farmers and employment when it was first announced. I am very happy that through continued engagement we could address these issues satisfactorily and establish a win-win environment.

In terms of the approval, Clover undertook not to retrench any employee as a result of the acquisition. In addition, Clover will invest in production capacity and facility upgrades, which will in part be driven by Woolworths' 2020 growth strategy.

Clover has also taken over Nkunzi's supply agreements with producers on the same terms and conditions, or renegotiated supply agreements on an individual basis with producers.

The Group understands its responsibility to its customers and the communities in which it operates. More information on Clover's corporate citizenship and interaction with communities at large – including the acclaimed Mama Afrika initiative – is available on page 118 of this Integrated Annual Report, as well as on the website, www.clover.co.za.

GOVERNANCE

Clover's approach to governance is discussed in the Report on Governance, Risk and Compliance on page 44 of this Integrated Annual Report.

In line with the six capitals, and in particular Relationship Capital, Clover's interactions with stakeholders are outlined in the Report on Governance, Risk and Compliance on page 44 of this report. More information on Clover's shareholders is also available on page 14 in the Overview section of this document.

Clover's board composition takes into account its strategic objectives against the identified six capitals and as such offers sound independent counsel, extensive in-depth industry knowledge and experience including the aptitude to drive the Company's transformation objectives.

OUTLOOK

As reported during the half-year results, milk flow in South Africa has been much higher on a month-on-month basis than in comparative prior year periods. According to statistics published by the Milk Producers Organisation, milk production in South Africa during the first six months of 2015 was 10,6% higher than during the same period last year. This oversupply of raw milk negatively impacts local market prices, which are further exacerbated by current very low international dairy commodity prices.

Although Clover's unique milk procurement system (CUMPS) maintains a balance between its milk intake and sales, the Group will be exposed to downwards pressure on overall market prices.

All services supplied to Danone Southern Africa were phased out during 2014/15 which will lead to a revenue reduction during 2015/16, as well as, available capacity in Clover's supply chain. The group intends to replace this revenue and utilise the available capacity over time with revenue from its own product sales, selective new principals and acquisitive growth. In addition certain cost savings will mitigate the effect on profit to some extent.

With effect from 1 June 2015 Clover commenced with providing sales, distribution, merchandising and credit control services to Dairybelle (Pty) Ltd which will further lessen the impact of the loss of revenue from Danone.

THE FUTURE: VALUE CREATION

Short-term

The Group's immediate strategy will continue to focus on the revision and revitalisation of its marketing strategy by growing its brands and overall brand basket including maintaining existing market shares as far as possible.

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.

Medium to long-term

As part of Clover's growth strategy the Company continuously monitors potential mergers and acquisitions and joint venture opportunities with the view to unlock potential synergies in its supply chain, provided that it meets internal hurdle rates.

The extent to which the Agri Sector codes will be amended in accordance with the new amended BEE Codes released in October 2013 remains uncertain. The Group however continues to evaluate a number of government incentives available in Agro processing to benefit milk producers whilst supporting black farmer development.

APPRECIATION

I would like to thank my fellow Board members for their support during the year and commend Johann Vorster, his executive management team and all the Clover staff for their continued diligence and hard work that culminated in solid results for the year.

Werner Büchner
Chairman of the Board

15 September 2015

CHIEF EXECUTIVE'S REPORT

FINANCIAL PERFORMANCE

Revenue increased by 8,6% to R9 266 million from R8 530 million in the prior year whilst operating profit increased significantly by 80,3% from R282,3 million to R509,1 million.

The Group's operating margin commensurately increased to 5,5%, up from 3,3% reported in the prior year and the 4,7% reported for the 2013 financial year.

In addition, the recognition in a group subsidiary of a deferred tax asset not previously recognised, resulted in a reduction in the effective tax rate.

As a result, earnings per share increased by 86,1% to 190,4 cents and headline earnings per share of 173,6 cents was reported, an increase of 69,0% on the prior year's 102,7 cents.

Clover's Margin on Material (MoM) for the dairy fluids product group (consisting mostly of UHT and fresh milk, which also constitutes the bulk of raw milk usage) increased substantially following successful selling price increases. These increases however came at a loss in sales volumes and market share, especially in the aforementioned categories.

Additional sales volumes from Clover's new yogurt and custard products, supplementary UHT production by its acquired Western Cape facility and the recently acquired Nkunzi MilkyWay business, however, brought about overall volume growth of 2,8% (overall sales volumes were equal to the prior year when concentrated products are converted to milk equivalent volumes rather than shown in kilograms) compared to the previous year.

Relatively high farm gate prices during the raw milk shortage experienced in the latter part of the previous financial year have resulted in a sharp increase in national milk production which continued during the peak production summer months.

The market was further stimulated at the time by a competitor paying above market prices in an attempt to secure raw milk supply. This lead to an unsustainable situation where supply far outstrips demand and the market will very likely experience an oversupply of raw milk in the current financial year.

As discussed in the Chairman's Report, Clover strategically exited commoditised markets such as bulk cheese and milk powder. In addition, its unique milk procurement system (CUMPS) protects Clover against volume risk, since it balances raw milk intake against demand.

The Group will, however, invariably be impacted by overall downward pricing pressure in the market due to the oversupply, and subsequent margin erosion. Management will use all levers within their means to minimise any impact it might have.

To mitigate the situation as far as possible, Clover has already reduced the price it pays for raw milk and has withdrawn B quota contracts in consultation with farmers who have not exercised their option to produce in terms of these contracts.

Johann Vorster

MANUFACTURED CAPITAL

The Group's brand reputation provides for relative price elasticity, allowing Clover to trade at a premium to its competitors. The optimal equilibrium between selling prices, volumes and market share is unfortunately not an exact science and requires careful consideration of a number of external factors to ensure a sustainable, profitable business.

As in 2010 with *"Project Reset"*, management and the board continuously monitors the trade-off between profit margins and volumes (reflected in overall market share) to maintain an ideal range.

The phased exit from the supply agreement with Danone resulted in a revenue loss of around R180 million. Vacant distribution capacity was partly taken up by some volume from Clover's own product distribution, including yoghurt and custard, although there will be an anticipated lag before the entire vacancy has been utilised.

During the year under review, Clover successfully concluded an agreement with Dairybelle as a new principal to distribute and merchandise cheese and fruit juice on their behalf. Discussions with additional principals are ongoing.

The launch of "The Classic" range of premium smooth yoghurts, supported by the relaunch of "Fruits of the Forest" everyday yoghurt exceeded even the most optimistic expectations. Production at the acquired Bloemfontein plant which runs around the clock, seven days per week already reached maximum capacity.

Additional manufacturing lines have been ordered, the first of which is expected to be commissioned before December 2015 and the second towards March 2016.

During the year under review, Clover continued with its diversification strategy into value added dairy products with the launch of its premium range of desserts under the "Bliss" brand. Currently the range is imported from Italy and take-up has been in line with expectations. Once critical mass has been reached, consideration will be given to manufacturing the product locally.

The much anticipated launch of the "Futurelife" range of nutritious and convenient 'smart drinks' have been delayed due to manufacturing challenges. Clover is confident that the range will reach shelves during the current financial year.

Corporate activity

During the year under review, Clover acquired the Dairybelle UHT and yoghurt businesses with effect from 1 December 2014 and 1 January 2015 respectively. The aforementioned acquisition was approved by the Competition Tribunal on 28 November 2014, subject to certain conditions.

The Dairybelle acquisitions provided Clover with access into the highly attractive and profitable yoghurt market in which Dairybelle already enjoys a good brand presence. We also believe that combining their assets with the Group's sales and distribution capabilities enabled us to develop the current Dairybelle brands and also provided Clover with the required capacity to launch Clover's branded yoghurt products in this market.

On the UHT side, Dairybelle' s business add significant scale to our market position, entrench our presence in the Western Cape and improve efficiencies through the more effective utilisation of raw milk supply in that region.

Clover further successfully acquired the business and assets of Nkunzi MilkyWay Proprietary Limited ("Nkunzi"). The acquisition has seen Clover entering the Ayrshire and organic milk markets, where it manufactures and packs fresh milk and cream in addition to other niche dairy and non-dairy products for Woolworths Holdings Limited (Woolworths).

The Ayrshire brand has grown tremendously over the past two decades as a result of substantial and ongoing investment by Woolworths. In addition to promoting the Ayrshire brand through continued high-quality dairy products, Clover will invest further in capital equipment and facility upgrades which will in part be driven by Woolworths' 2020 growth strategy.

Clover has taken over the existing Nkunzi supply agreements with producers on the same terms and conditions, or renegotiated supply agreements on an individual basis with producers.

During the year the following projects were concluded:

Clayville chilled warehouse expansion
Tropika 125/ 200ml UHT Prisma line installed
Queensburgh plastic UHT processing capacity expansion
Port Elizabeth fire protection
Port Elizabeth auto palletising
Bloemfontein yoghurt production facility upgrade
Clayville Futurelife product expansion
Parow/Stikland consolidation
Ixopo milk procurement depot expansion
Nestea relaunch
Manhattan Ice Tea relocation to Inhle

INTELLECTUAL CAPITAL

All the market share and market growth statistics discussed below are based on the independent "Nielsen Total Trade Desk" data ("Nielsen data") which only comprises Shoprite Checkers, Pick n Pay, Woolworths, Spar group and Fruit and Veg City data. Wholesalers are excluded from these statistics and Clover's volume growth reported here may therefore differ from Clover's overall volume growth reported elsewhere in the annual report. Kindly note that the market statistics quoted in the 2013/14 annual report was from Aztec which excluded Woolworths and

Fruit and Veg City data. Clover has decided to rather use Nielsen data going forward and all prior year statistics have been restated accordingly.

The Nielsen data covers all sales in the abovementioned outlets for the year ending on 30 June 2015 and market shares are expressed as Clover's sales for the year as a percentage of total market sales for the year. Therefore, where Clover introduced products during the year, the Nielsen market shares may be misleading.

Fresh and Ultra Pasteurised milk

Clover's market share by volume contracted 8,3% against the prior year, mainly as a result of high price increases implemented during the reporting period and high levels of national milk supply. The total market for fresh milk grew by 3,9% against the comparative year also reflecting the high levels of raw milk in the country. Clover's market share for the year reduced from 27,9% to 24,6%.

UHT milk

Continued aggressive pricing by retailer house brands resulted in overall total market volume growth of 2,3% albeit slower than the 8,7% market growth recorded in the prior year. The shortage experienced in the last quarter of the prior financial year curtailed Clover's ability to retain market share during that year but during the current year Clover's UHT volumes in the Nielsen channels grew by 3,3% assisted by the acquisition of the Dairybelle UHT business. As a result, Clover's market share increased from 16,3% to 16,4% for the year. However, Clover only took over the Dairybelle UHT on 1 December 2014 and Clover's market share of 19,5% for the month of June 2015 rather than the annual figure may therefore be more relevant.

Cream

Total market volume growth was encouraging at 9,1% for the year under review. Clover's market share however decreased by 2,9% to 31,6% largely as a result of less cream available to sell due to the lower fresh milk sales during the year.

Maas

Overall market volume growth of 3,0% was reported whilst Clover's volumes grew by 14,0%. Clover continued making inroads into this segment, reporting market share growth of 0,8% and a market share of 8,1%.

Feta Cheese

Clover grew its market share by volume by 1,7% to 26,1% on the back of a 11,9% volume growth compared to the 4,7% overall growth reported in the market segment.

Pure Juices

Overall volumes in the pure fruit juice market continued to decrease, reflective of reduced discretionary consumer spend. Despite a contraction of 9,5% in the overall market, Clover's volumes declined by 5,8% which saw its market share increase by 1,7% to 44,1%.

Iced Tea – ready to drink

The ice tea category continued its strong growth, reporting a volume increase of 19,5% (Clover: 15,9%). Despite Clover's healthy volume growth its market share in this competitive category declined by 0,5% to 17,6%. The market shares now shown include the volume of ice tea sold under the "Nestea" brand which was only launched in October 2014.

Dairy Fruit Mix

Volumes in the overall dairy fruit mix market continued to contract, albeit at a much slower rate of 0,6% for the year under review. Despite this decline, Clover continued to increase its market share through its popular "Tropika" and "Danao" brands by 2,5% to 78,9% and a 2,6% volume growth.

Bottled water

The total market volume in this segment increased by 12,9% during the year under review while Clover Waters' market share in this segment however declined by 0,8% to 13,0% mainly as a result of strong competition.

Pre-packed cheese

The overall volumes for natural pre-packed cheese grew by 16,5% during the year under review. Clover's market share in this category contracted significantly from 29,8% to 19,1% due to:

- significant competition in the market as traditional bulk cheese volumes have been replaced by price competitive 800 or 900 gram bulk pre-packed cheeses;
- higher imports on the back of much lower international prices;
- the delisting of certain of Clover's pre-packed cheese sku's by a retailer early in the year;
- gouda cheese capacity constraints in Clover's Lichtenburg factory; and
- Clover's milk shortage during the winter of 2014 and resulting very low inventory levels at the start of this year.

Flavoured milk

Despite a slight contraction in overall market volumes of 0,3%, Clover's "Super M" brand increased its volumes by 1,5% and its market share by 0,4% to 26,5%.

Yoghurt

Clover entered the yoghurt category in January 2015 by introducing its own range of yoghurts under "The Classic" brand in addition to the manufacturing and distribution of the acquired and relaunched "Fruits of the Forest" brand.

The total market volume grew by 3,8% during the year under review. Clovers market share for the whole year (although only participating in this category for half of the year) came to 4%. Its market share at June 2015 was, however, 9,2%.

Manufacturing capacity constraints at its Bloemfontein plant hampered market growth severely which should be addressed in the 2015/16 financial year once additional manufacturing capacity has been installed.

Custard

Similar to yoghurt Clover only entered the custard market in January 2015. Volumes in this market category grew by 11,9% and Clover's share of this market's annual sales volumes was 2,6%. The consumption of custard is highly seasonal (October to December are traditional high consumption months) and therefore the true market share of Clover's newly launched "The Classic" in January 2015 will only be visible in the next financial year. The market share for June 2015 was 5,4% which might be the more relevant market share to take into consideration.

Butter

The total market volumes contracted by 1% as a result of low inventory levels at the start of the year due to the 2014 winter milk shortage.

Clover was able to grow its volumes by 6,5% and its market share in this constrained environment by 2,5% to 35,5% despite also not being able to fully supply the market during the early part of the year.

STAKEHOLDERS

Clover is cognisant of its responsibilities to all stakeholders to ensure long-term sustainability. The Group engages whenever relevant with its constituency through numerous channels of two-way communication to consider the impact that the business has on its stakeholders.

Recent discussions with dairy producers and organisations revolved around the production capability of the primary industry in South Africa and the challenge of finding supplementary markets to absorb this capacity. From our discussions, it is clear that volume is not an issue for dairy producers – but price is.

Herein lies the opportunity, provided that the entire industry commits to addressing the challenge.

Significant investment in dairy plants and technology in Africa has been practically non-existent over the past decade. In contrast, Fonterra – the world's largest dairy exporter – has constructed several industrial parks with the latest technology to ensure economies of scale across the world – yet there is not a single similar facility on our continent.

To utilise the available volume of raw milk, the industry has to provide the export market with a sustainable supply of dry products with a longer shelf-life.

In order to attract the appropriate investments and latest technology, government and dairy farmers (including those who deliver to Clover and those who don't) need to commit to a similar industrial park with economies of scale to compete effectively. This will require ongoing commitment, irrespective of the local dairy price, as sustainable exports depend on continuous supply.

From our discussions with government, the commitment to subsidise such an initiative appears to be there, provided that new job opportunities will be created and that emerging farmers will benefit from such a facility.

We will continue to engage with all role players on this important matter.

AFRICAN EXPANSION

The weakening of the Rand against major currencies had a positive impact on some of Clover's foreign subsidiaries, most notably Botswana. Operations in that country performed well on larger volumes and was further buoyed by the exchange rate.

As mentioned in the previous report, local and immediate opportunities which became available following the termination of Clover's restraint of trade with Danone Southern Africa took priority during the year under review.

To further facilitate its expansion into the continent, Clover successfully listed on the Namibian Stock Exchange. The listing will assist in building relationships with Namibian stakeholders and is important to the Group, especially considering its long-term strategic growth plans.

OUTLOOK: VALUE CREATION

Clover strongly believe that the secondary industry in South Africa is too fragmented, for a number of reasons. Consolidation will result in significant cost savings to the benefit of farmers and consumers. Too many manufacturers have their own supply chain, their own distribution, milk collection, merchandising, storage facilities, etc. with resultant huge inefficiencies in the secondary industry as a whole.

Clover cannot speak for the rest of the secondary industry but similar to the primary industry, it seems as though the secondary industry has also enjoyed decent trading conditions during the year under review. Milk production over the past eight months has, however, substantially outgrown market demand and together with UHT and other ready-to-use imports, are starting to manifest in a reduction in market prices (despite normal inflationary increases in non-milk costs). This will negatively affect the whole dairy industry for as long as milk production growth and market growth are not matched.

This unbalanced situation is not new nor is it unique. Through future consolidation several synergies can be unlocked that will reduce overall unit costs. Economies of scale will also result in the local industry protecting itself from international price fluctuations and cheap imports.

Clover will continue to investigate consolidation opportunities. In addition it will invest further in research and the development of new, differentiating products either through its in-house facility or in collaboration with industry counterparts.

The Group will further seek to maximise its relationship with the trade, leveraging and growing its extensive investment into IT systems. Clover continue to engage with retailers in this regard.

Clover is still focused on seeking various opportunities in the rest of Africa and its strategy in this regard is as follows:

- to grow Clover's footprint in a number of African countries, Clover intends to take a minority stake in existing African businesses that offers infrastructure, brands, and route-to-markets;
- Clover will focus on small to medium size business that are scalable through bolting-on Clover's existing basket. Clover will also provide expertise and resources to make these businesses more efficient throughout the value chain enhancements.
- forging partnerships with these existing businesses will:
  - be mutually beneficial;
  - offer local market knowledge;
  - create a platform to expand the operations to meet growing demand; and
  - ensure benefits from economies of scale, and provide Clover with a low risk entry strategy.
- While efficiencies are being realised and operations are being scaled up, Clover will progressively increase its stake in these businesses over time.

Clover is currently investigating various opportunities in Nigeria, Angola, Zambia, Tanzania, Kenya, Mozambique and Zimbabwe. During the year under review, Clover successfully established an export distribution model in Mozambique by partnering with a local reputable distributor. The renewed focus on the Mozambique market resulted in it being able to increase its 12 month accumulated sales to the trade in Mozambique from approximately R20 million to R140 million over a very short period.

This report would not be complete without reiterating Clover's commitment to reducing its environmental footprint. These efforts not only include Clover's own responsibilities but extends to its supply chain partners who, through their supply to Clover, have a significant environmental impact.

The Group will furthermore continue to focus on safety and health across all areas of the business.

HUMAN CAPITAL

Appreciation

I would like to thank the Board for their commitment and active involvement in plotting Clover's long-term growth strategy in an ever changing environment. A special thanks goes to our Chairman, Mr Werner Büchner, for his guidance throughout the year. Clover is very proud of the partnership it has with its top quality milk producers and on behalf of management, I'd like to extend a sincere appreciation of their support and engagement throughout the year.

As mentioned earlier, we continue to build on the solid relationship fostered with our supplier partners and thank you for the significant role you play in our sustainability and success.

I wish to thank all staff and their families for living the Clover brand and contributing to our success during the year. Much still needs to be done, but we can reflect on a successful year despite numerous challenges.

Lastly, a final word of thanks goes to my executive team for their hard work and unwavering commitment to doing it "Way Better" throughout the year. 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.

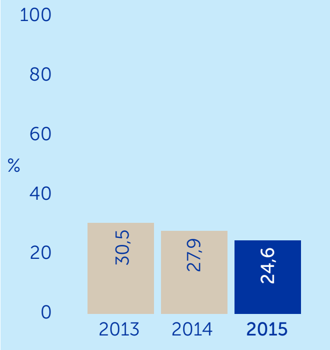
Johann Vorster
Chief Executive

15 September 2015

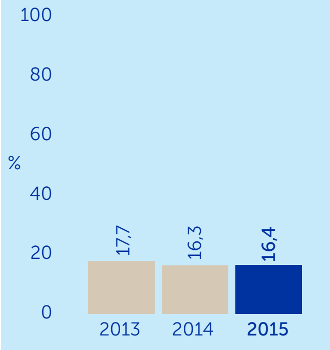
MARKET SHARE

Kindly note that the market statistics quoted in the 2013/14 annual report was from Aztec which excluded Woolworths and Fruit and Veg City data. Clover has decided to rather use Nielsen data going forward and all prior year statistics have been restated accordingly.

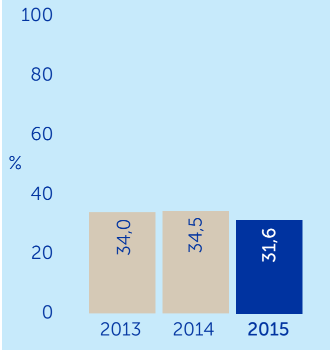
FRESH AND UP MILK



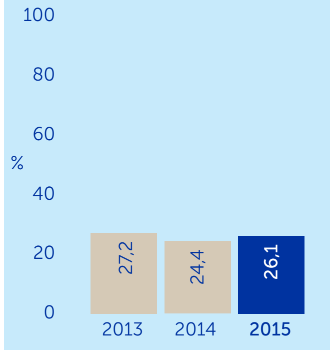
UHT MILK



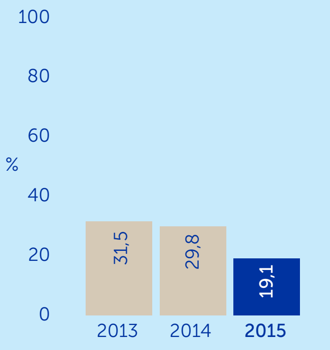
CREAM



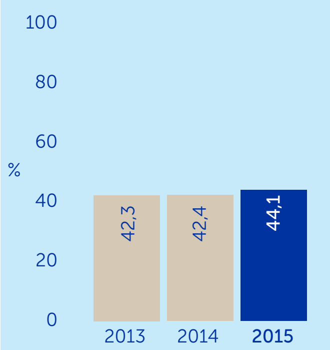
FETA CHEESE



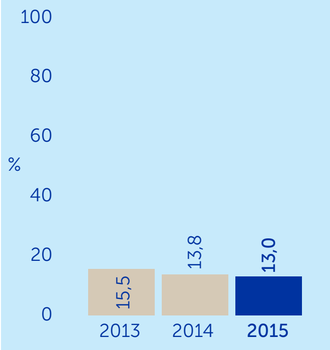
PRE-PACKED CHEESE



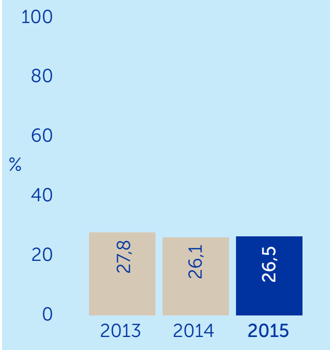
PURE FRESH JUICES



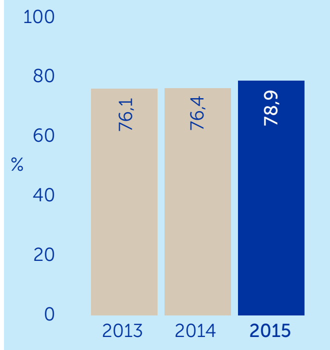
WATER BRANDS



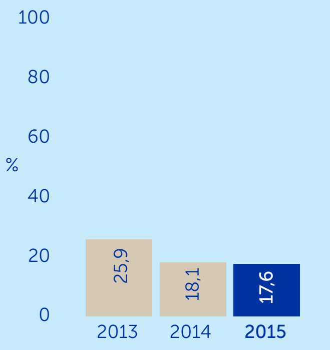
FLAVOURED MILK



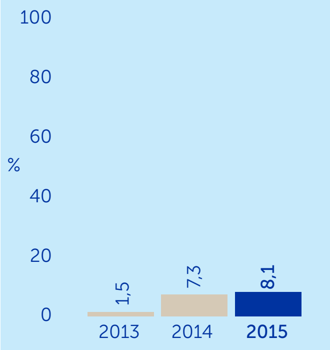
DAIRY FRUIT MIX



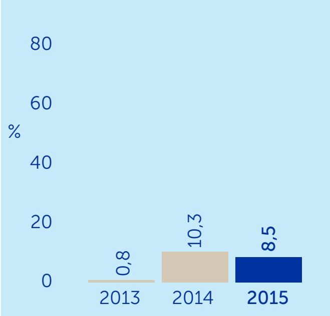
ICED TEA



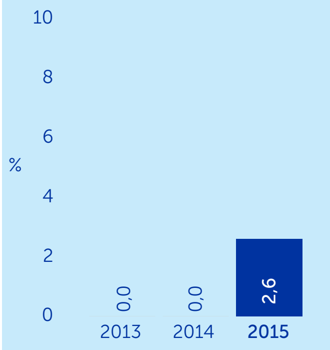
MAAS



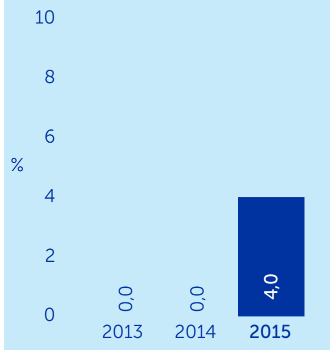
PROCESSED CHEESE SLICES



LIQUID CUSTARD



YOGHURT



CHIEF FINANCIAL OFFICER'S REPORT

FINANCIAL HIGHLIGHTS

	2014/15 R'000 unless otherwise stated	2013/14 R'000 unless otherwise stated	% change
Revenue	**9 266 251**	8 530 237	8,6
EBITDA	**686 659**	414 464	65,7
EBITDA (%)	**7,4**	4,9	2,5
EBIT	**509 072**	282 276	80,3
EBIT (%)	**5,5**	3,3	2,2
Headline EBITDA	**647 709**	410 765	57,7
Headline EBITDA (%)	**7,0**	4,8	2,2
Headline EBIT	**470 122**	278 577	68,8
Headline EBIT (%)	**5,1**	3,3	1,8
Normalised EBITDA	**656 181**	414 886	58,2
Normalised EBITDA (%)	**7,1**	4,9	2,2
Normalised EBIT	**478 594**	282 698	69,3
Normalised EBIT (%)	**5,2**	3,3	1,9
Net finance cost	**(74 064)**	(57 809)	28,1
Effective tax rate (%)	**22,5**	20,9	1,6
Headline earnings	**319 343**	187 464	70,3
HEPS (cents)	**173,6**	102,7	69,0
Diluted HEPS (cents)	**165,9**	97,8	69,6
Normalised earnings	**325 443**	188 276	72,9
Normalised EPS (cents)	**176,9**	103,2	71,4
Capital expenditure	**489 753**	387 999	26,2
Return on equity (%)	**14,5**	8,6	5,9
Cash generated from operations	**160 261**	403 067	(60,2)
Dividends per share (cents) – Interim	**22,6**	16,0	40,6
Dividends per share (cents) – Final	**33,4**	16,0	108,8

We believe the financial statements present fairly, in all material respects the financial position, financial performance and cash flows of the Group and 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 Report. As members of management of the Group and Company, we believe that the Group and 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.

Jacques Botha

OVERVIEW

High cost inflation forced the Group to increase selling prices considerably at the end of the previous financial year. As a result sales volumes and market shares declined in most product categories with the exception of UHT milk, butter and feta cheese. However, sales volumes from the new yoghurt and custard categories assisted in achieving overall sales volume growth of 2,8% (when expressing sales volumes of dairy concentrated products in raw milk equivalent rather than in kilograms, overall sales volumes declined by 0,7%).

Low inventory levels at the start of the year, following the raw milk shortage experienced during the winter of 2014, severely constrained Clover's ability to supply the market in cheese and UHT milk. This further contributed to volume and market share losses in cheese and hindered the strong volume growth achieved in UHT sales during the year.

The continuing weak volume performance in the beverages segment reflects the reduction in consumers' discretionary spend evidenced by overall market contraction in the fruit juices category.

On average, the rand strengthened slightly against the euro when compared to the prior year which helped to limit the increase in carton packaging material. The rand, however, weakened considerably against the dollar which was fortunately more than offset by the much lower international oil prices which also indirectly limited the increase in plastic packaging material. In addition the Group benefitted from lower fuel prices.

Farm gate milk prices remained high in relation to on-farm costs throughout the year. This was mainly as a result of the national shortage of raw milk during the last quarter of the previous financial year and volatility in the raw milk market in anticipation of and following Clover's cessation of raw milk supply to Danone on 31 December 2014. These relatively high farm gate milk prices have resulted in a sharp increase in national milk production during the year. Milk production for May 2015 was approximately 10% more than during May 2014. Clover warned at the release of its interim results during March that the strong growth in national raw milk supply may lead to lower dairy product market prices during the spring and summer of 2015. This has started to materialise even before the 2015 peak production season and in response, Clover has reduced its farm gate milk prices with effect from 1 August 2015 by 12% on average.

ECONOMIC VIABILITY

In order to remain economically viable, Clover needs to continuously evolve its business, partnerships and products. During the year, 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 between 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. These considerations are done in parallel with maintaining Clover's traditional dairy business. The Group only considers opportunities that will sustainably enhance margin and shareholder return.

COMPREHENSIVE INCOME

Headline earnings

Headline earnings increased by 70,3% or R131,9 million to R319,3 million. This increase in headline earnings constitutes:

- headline operating profit, which increased by 68,8% or R191,5 million;
- net finance costs which increased by 28,1% or R16,3 million;
- headline income tax which increased by 79,3% or R40,8 million. The effective tax rate based on headline profit before tax and headline tax increased by 1,4% to 22,7% which is still well below the 28% companies tax rate as explained under "Profit for the year" below;
- share of profit of a joint venture which decreased by 23,5% or R3,4 million; and
- non-controlling interests which decreased by 302,2% or R7,0 million.

Headline earnings per share increased by 69,0% (70,9 cents) or 1,3% less than headline earnings as a result of equity settled share appreciation rights during the year.

Profit attributable to shareholders of Clover Industries Limited grew by R31,8 million more than the growth in headline earnings mainly due to profits of a capital nature of R31,0 million, after tax, which are excluded from headline earnings.

Revenue

Revenue improved by 8,6% or R736,0 million to R9 266,3 million. The cessation of raw milk supply to Danone Southern Africa (at cost with no contribution to profit) at 31 December 2014, however, masks the real revenue growth of 13,7% when excluded. Raw milk sales declined by 70,1% to R152,8 million as the supply of raw milk to Danone was systematically phased out and ceased on 31 December 2014.

Sale of products increased by 15,0% to R8 272,1 million on an overall volume increase of 2,8%. Overall average price inflation and mix changes, mostly due to the new higher value yoghurt and custard sales, accounted for 12,2% of this revenue growth.

Services rendered to principals contributed R838,1 million to revenue which was 2% higher than the previous year. Notwithstanding annual tariff increases and additional contract manufacturing income from the Group's Bethlehem creamer factory, the phasing out of the services rendered to Danone Southern Africa during the second half of the year caused the low growth in this revenue. Most services to Danone were completely phased out by the year end.

Cost of sales

Cost of sales increased by 3% or R191,0 million. Similar to revenue the cessation of raw milk supply to Danone

Southern Africa at 31 December 2014, however, skews the real growth in cost of sales of 9,5% when excluded.

The aggressive selling price increases necessitated increased cooperative advertising and hence charges against sales increased by R28,3 million or 18,8%.

The cost of raw materials and finished goods acquired for resale increased by 0,8%. However, if the raw milk sales to Danone are excluded, these costs increased by approximately 13,2% mainly as a result of the full year effect of the 15% milk price increases during the third quarter of the previous financial year and a further 6% on average farm gate milk price increase in the third quarter of the year under review. Average raw milk prices were 12,4% higher than during the previous year.

During the third quarter of the prior financial year local plastic prices rose by 14% followed by a further 4,8% increase during the first quarter of the 2014/15 financial year. A portion of plastic packaging prices are directly linked to oil prices and the collapse in the international oil price at the end of 2014 led to a 14% reduction in the plastic component of local high density polyethylene prices during the third quarter of 2014/15. Unfortunately this relief was again undone by a 14,7% strengthening of the oil price during May and June 2015 followed by a matching increase in plastic costs. A portion of the cost of most of the Group's carton packaging is linked to the rand/euro exchange rate. The rand weakened in excess of 19% from July 2013 to February 2014 of which 12,5% occurred during the period December to February 2014. Carton packaging costs for the 2014/15 year reached very high levels early on before the rand recovered gradually until April 2015, with accompanying gradual carton packaging cost reductions, followed by a further decline towards year end. As a result packaging costs for the year increased by 11,6% on volume growth of 2,8%.

Lower fuel prices and the cessation of raw milk supply to Danone drove the 11,4% reduction in milk collection costs despite annual inflationary cost increases.

Manufacturing costs increased by 10,4% when compared to the prior year. The newly acquired ex Dairybelle yoghurt, ex Dairybelle UHT and ex Nkunzi MilkyWay factories together with the further costs to service the additional creamer contract manufacturing, mostly accounted for this above inflation increase. The year however started with very low inventory levels following the raw milk shortage experienced during the autumn and early winter of 2014 and as a result, factory throughput during the year was significantly higher than usual in order to restore inventory levels. Due to the predominantly fixed nature of manufacturing costs and the excess capacity available, unit manufacturing costs reduced markedly. This cost reduction was further augmented by savings achieved from the consolidation of the Group's Parow and Stikland factories.

Primary distribution costs benefitted from the lower fuel prices during the year, the move of the Group's Mayfair factory to Clayville during the previous year and the consolidation of the Stikland and Parow factories, resulting in an 8,3% reduction in primary distribution costs.

Gross profit

Cost of sales increased by only 3% or R191,0 million in contrast to the 8,6% or R736,0 million growth in revenue. This resulted in the gross profit percentage increasing from 26,2% to 30,0% and gross profit increasing by 24,3% or R545,1 million. When excluding the effect of raw milk sales revenue increased by 13,7% compared to a 9,5% increase in cost of sales with a resulting increase in the gross margin from 27,9% to 30,5%.

Other operating income

Other operating income of R58,0 million mainly constitutes:

- profit on the sale of PPE and scrap – R44,9 million; and
- R9,8 million of foreign exchange gains.

Selling and distribution costs

Selling and Distribution costs increased by 12,8%. The above inflation increase is mainly attributable to the Group's entry into the yoghurt and custard categories in both selling and distribution costs as well as the conversion of labour broker staff to permanent staff as required by the amended Labour Relations Act.

The Group in total spent 31,8% or R64,6 million more on advertising, marketing, research and development costs during the year.

Administrative expenses

Contrary to the previous financial year, the Group achieved and exceeded its profit targets set by the board and accordingly a provision was raised for profit based short-term incentives to staff. This provision of R66,9 million makes up 33,1% of the 58% increase in administrative expenses.

In addition, uninsured damages at two factories of R8,5 million, the reversal of R5,5 million of previously straight-lined lease costs on the cancellation of a lease during the prior financial year and R14,8 million additional spend on training and conferences further contributed to the above inflation increase in administration costs.

Restructuring expenses

During the year, R8,2 million was spent on retrenchment costs which is classified as restructuring expenses.

Operating profit

Operating profit increased by 80,3% to R509,1 million. Excluding capital profits, headline operating profit grew by 68,8% to R470,1 million. However, the Group's restructuring costs decreased by R7,6 million and after taking this into account, normalised operating profit increased by 69,3% to R478,6 million.

The operating margin improved to 5,5% from 3,3%. The normalised operating margin (normalised operating profit as a percentage of revenue excluding raw milk sales) similarly increased from 3,3% to 5,2%.

Profit for the year

Profit for the year ended 82,9% or R156,7 million higher at R345,7 million after the R226,8 million increase in operating profit, a R16,3 million increase in net finance charges, a R50,5 million increase in the income tax expense and a R3,3 million reduction in the share of profits from the Clover Fonterra Ingredients joint venture.

An increased investment in working capital and capital expenditure largely contributed to a R378,3 million increase in interest bearing debt which caused the increase in net finance charges.

The effective tax rate came to 22,5% which is well below the 28% normal corporate tax rate. The effective tax rate was reduced by 3,0% through the recognition of deferred tax assets relating to historical tax losses in subsidiaries not previously allowed and by a further 1,2% after tax deductions claimed on the equity settled share appreciation rights. Further the disclosure of the Group's share of CFI's net after tax income, above the profit before tax line, contributed a 0,7% reduction in the effective tax rate. In addition, prior year tax adjustments accounted for a further 0,5% reduction in the effective tax rate.

Return on equity

Together with the increased profitability the Group's return on equity improved from 8,6% to 14,5%.

DIVIDENDS

The Company declared and paid an interim dividend of 22,6 cents per share during April 2015. A final dividend of 33,4 cents was declared by the board, which will bring the final dividend for the current financial year to 56,0 cents.

The board previously stated that it will during the medium term progressively reduce the dividend cover to lower levels. The total dividends for 2014/15 represent a dividend cover of 3,1 times compared to the 2012/13 dividend cover of 3,75 times. The dividend cover for 2013/14 was 3,2 times but for that year the dividends were maintained at the 2012/13 level in line with the board's policy to as a minimum maintain dividends in the event that HEPS are less than the previous year.

FINANCIAL POSITION

Non-current assets

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

Capital expenditure on tangible assets was R468,1 million which net of the depreciation charge accounted for a R335,3 million increase in property, plant and equipment from June 2014.

Major Capital projects during the year were:

	R'm
Clayville chilled warehouse expansion	**114,4**
Tropika 125ml/200ml UHT Prisma line	**38,4**
Queensburgh plastic UHT capacity expansion	**32,7**
Port Elizabeth fire protection	**11,6**
Port Elizabeth auto palletising	**10,1**
Bloemfontein yoghurt production facility upgrade	**8,5**
Clayville Futurelife product capacity	**5,2**
Parow/Stikland consolidation	**4,4**
Ixopo milk procurement depot expansion	**2,8**
Nestea relaunch	**2,3**
Manhattan Ice Tea relocation to Inhle	**1,7**
Electrical Power Emergency Supply	**1,0**

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 Program (MCEP). During the year the Group received R38,1 million in government grants of which R1,6 million was recognised as income through the income statement and the rest applied to reduce the cost of the assets purchased. These grants received are dealt with in terms of section 12P of the Income Tax Act.

Current assets

The raw milk shortage experienced during the last quarter of the previous financial year depleted UHT and cheese stocks to a large extent at 30 June 2014. During this year raw milk became available from the phasing out of milk supply to Danone which enabled the Group to restore its inventory levels with a resulting significant increase in inventory. The Group's new yoghurt, custard, ex Dairybelle UHT milk and ex Nkunzi MilkyWay products further contributed to the increase in inventory. In addition the Group built up some excess milk powder stock which will be utilised in the manufacturing of its products during the 2015/16 financial year. Together with the 6% farm gate milk price increases during the year, inventory increased by R372,3 million.

Trade and other receivables were 18,8% higher than at June 2014 resulting from:

- the 12% effective price increase resulting from selling price increases and mix changes mostly caused by the introduction of the higher values custard and yoghurt products;
- the additional VAT included in accounts receivable caused by the introduction of the vatable custard and yoghurt products; and
- a temporary increase of the debtor days outstanding after the implementation of a new ERP system during the year.

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 R103,9 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

An increased investment in working capital and capital expenditure largely contributed to a R378,3 million increase in interest bearing debt.

Other than the aforesaid, non-current liabilities ended largely at the same levels as the previous year with the exception of the deferred tax liability that increased by R9,2 million resulting from accelerated wear and tear allowances.

Current liabilities

Raw milk prices during June 2015 were 12,4% higher than in June 2014 and together with the new yoghurt, custard and desserts (launched during June 2015) activities accounted for the R159,7 million or 13,4% increase in trade and other payables.

GEARING

Group gearing increased from 38,6% to 48,6% at 30 June 2015. The increased investment in working capital was brought about mostly from the restored stock levels and the working capital requirements of the new yoghurt, custard, dessert and Clover MilkyWay businesses. The Group's gearing is well within its ability to service interest and repayments and it has further capacity to extend its gearing to fund future growth.

CASH FLOW

The net current assets ratio weakened from 1,6 to 1,4. Excluding inventory, the position weakened from 1,22 to 0,9. The funding of the Dairybelle yoghurt and UHT businesses and the Nkunzi MilkyWay business from operating cash flows were largely responsible for this reduction.

Cash generated from operations, before working capital changes, was R566,7 million compared to R338,4 million reported in the prior year. The higher cash generation followed mostly from the higher profit for the year. However, during the year under review, working capital absorbed R406,6 million of cash compared to a cash release of R64,7 million in the prior year. The restoration of the inventory levels, to a large extent depleted at the end of the previous year due to a milk shortage at the time (which greatly improved cash flow for that year), was the main cause of the difference in working capital changes between the current and prior years.

Investment activities consumed R556,8 million in cash compared to R351,7 million in the previous year after the acquisitions of the Dairybelle yoghurt and UHT businesses and the Nkunzi MilkyWay business.

R154,7 million was paid for finance costs and dividends (2013/14: R134,4 million). R378,3 million of additional debt was utilised at the end of the year when compared to the previous year to fund the shortfall in cash generated after investing activities, finance costs and dividends.

The Group reported a net decrease in its cash position for the year of R178,5 million as a result.

SEGMENTAL PERFORMANCE

The segmental information is only disclosed to Margin on Materials ("MOM") level as the Group's assets and operations are largely integrated between segments making the allocation of overhead costs to the different segments impractical. Overheads are managed at Group level. MOM refers to revenue less raw material, ingredients and packaging costs. The entry into the yoghurt, custard and desserts categories necessitated the introduction of a new product group being the fermented products and desserts group. This product group contains the yoghurt, custard, maas (previously included under dairy fluids) and dessert products.

Dairy Fluids

The dairy fluids segment is now made up of fresh milk, UHT milk, steri milk, ultra-pasteurised milk and cream but no longer includes maas which is now reported under fermented products and desserts.

Dairy fluids volumes grew by 2,4% for the period. The South African market for drinking milk during this year saw a reverse of the trend of the last number of years with fresh and ultra-pasteurised milk's 3,9% growth exceeding the 2,3% growth of UHT milk. Clover's UHT volumes increased by 11,1% whilst fresh and ultra-pasteurised milk volumes declined by 6,5%.

Included in the dairy fluids segment is the sale of raw milk to Danone at cost. Therefore, it has no MOM impact and should be excluded from any analysis of this segment's performance. Excluding this revenue, the MOM margin improved by 1,8% to 39,5%, mainly as a result of price increases exceeding cost increases. MOM for fluids increased by 22,3% to R1 738,3 million. Price inflation was 14,4% on average while the cost of materials and packaging increased by 10,8% net of the volume effect following the higher (12,4%) average raw milk prices for the year.

Concentrated products

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

Clover's concentrated dairy product volumes reduced by 1,9% following from:

- significant competition in the market as traditional bulk cheese (Clover exited this category during 2009) volumes are being replaced by price competitive 800 or 900 gram bulk pre-packed cheeses;
- imports on the back of very low international prices;
- the delisting of certain pre-packed cheese stock keeping units by a retailer early during the year;
- gouda capacity constraints;
- low inventory levels at the start of the year as a result of Clover's milk shortage during the winter of 2014;
- Clover's average price increases of 13,5%; and
- a 60,1% further decrease in bulk cheese volumes after a strategic exit from the diced/grated cheddar market early during the year.

Feta cheese and processed cheese slices volumes increased by 12,1% and 9,1% respectively but pre-packed natural cheese volumes reduced by 21,3%. Butter volumes were up by 10,9% while condensed milk volumes were down by 14,4%.

Revenue for this product group grew by 11,6% based on average price inflation of 13,5%. The price of packaging and raw materials increased 6,1% or 8,0% net of the volume effect. MOM as a result increased by 26,1% and the MOM margin gained 3,7% to end the year on 32,0%.

Ingredients

Although Clover is not an active participant in the international dairy ingredients market, it still produces (as part of seasonal milk balancing and cheese production) and normally sells excess skimmed milk and whey powder into the local ingredients market every year.

Very low international dairy commodity prices forced Clover to rather hold back on its skimmed milk powder stock for use in its own products during 2015/16 and consequently sales volumes shrunk by 4,3%. On average prices increased by 7,7% mostly due to creamer price increases. Material and packaging costs were slightly lower net of the volume effect and mostly due to the lower cost whey powder's bigger contribution to total sales volumes. Revenue increased by 3,5%, MOM grew by 28,5% and the MOM% increased by 6,3% to 32,2%.

Non-alcoholic beverages

The Group's sales of fruit juices, dairy fruit mixes, flavoured milk, water and ice tea are recorded in this segment.

Beverage volumes decreased by 1,7% on the back of a continued overall market contraction in the fruit juice market of 9,5%. Dairy fruit mix and fruit juice volumes declined by 1,3% and 6,6% respectively when compared to the previous year. Water, ice tea and flavoured milk volumes were flat on the previous year.

Prices were 8,7% up on the previous year resulting in revenue increasing by 7,0% and the MOM% improving by 2,8% to 53,2%.

Fermented products and desserts

This product group houses the Group's yoghurt, maas, custard and other desserts products. All these products were launched since January 2015 with the exception of maas that was previously included in dairy fluids.

The comparative figures for 2013/14 were restated to reflect maas in this product group.

Volumes grew by 123,5% on the previous year that contained only maas. Maas volumes increased by 6,9%.

Overall product group revenue was up 188,0% following the introduction of higher value yoghurt, custard and desserts and the MOM% improved from 19,0% to 25,3% for the same reason.

CONCLUSION

At the time of writing, the Rand exchange rate continued to weaken against major international currencies on the back of a slowdown in the Chinese economy that has led to fears of lower growth in most emerging markets. From a South African dairy perspective, although a weak Rand buffers the industry from imports, it significantly impacts on on-farm and secondary industry input costs.

Consumers remain under pressure and discretionary spend will further be affected by rising inflation and resultant interest rate increases.

Jacques Botha
Chief Financial Officer

15 September 2015

SIX YEAR FINANCIAL REVIEW

Summarised results for the year	Increase/ (decrease) 2015 vs 2014	2015 R'000	2014 R'000	**2013 R'000	**2012 R'000	**2011 R'000	**2010 R'000
Revenue	**8,6%**	**9 266 251**	8 530 237	7 832 911	7 223 863	6 542 321	@6 161 483
Operating profit	**80,3%**	**509 072**	282 276	371 624	371 232	319 019	*558 970
Net financing cost							
Current and long-term liabilities	**28,1%**	**(74 064)**	(57 809)	(46 717)	(1 855)	(16 081)	(41 228)
Debt portion of preference share capital		**–**	–	–	(22 007)	(21 359)	(22 290)
Profit before tax from continuing operations	**93,8%**	**435 008**	224 467	324 907	347 370	281 579	495 452
Taxes	**101,4%**	**(100 286)**	(49 791)	(99 022)	(137 654)	(97 534)	(191 662)
Share of profit of joint ventures	**(23,5%)**	**10 939**	14 306	13 974	–	–	–
Profit after tax from discontinued operations		**–**	–	–	–	–	32 123
Non-controlling interest	**(302,2%)**	**4 684**	(2 316)	(1 233)	(4 426)	(4 446)	(5 094)
Profit attributable to equity holders of the parent	**87,7%**	**350 345**	186 666	238 626	205 290	179 599	*330 820
Headline earnings attributable to equity holders of the parent	**70,3%**	**319 343**	187 464	214 894	207 800	175 177	19 000

Normalised earnings		2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Operating profit		**509 072**	282 276	371 624	371 232	319 019	558 970
Adjusted for exceptional items:							
(Profit)/loss on sale and scrapping of property plant and equipment and other assets		**(38 950)**	5 102	(11 680)	(878)	(7 277)	940
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)	–	–	–	–
Retrenchment costs		**8 156**	7 174	17 184	3 629	6 628	84 900
Option fee paid to HCI on capital restructuring			–	–	–	–	11 400
Legal and professional services costs associated with the listing		**75**	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		**241**	8 721	18 517	5 944	1 780	10 700
Normalised operating profit		**478 594**	282 698	378 947	379 927	328 649	320 810
Net financing cost		**(74 064)**	(57 809)	(46 716)	(23 862)	(37 440)	(63 518)
Tax expense							
Total tax expense		**(100 286)**	(49 791)	(99 022)	(137 654)	(97 534)	(191 662)
Other non-recurring tax adjustments		**–**	–	–	18 254	–	–
STC paid on capital restructuring		**–**	–	–	–	–	52 200
Taxation adjustment on exceptional items		**5 576**	(4 286)	(8 453)	(2 745)	(1 845)	69 765
Share of profit of joint ventures after tax		**10 939**	14 306	13 974	–	–	–
Non-controlling interest		**4 684**	(2 316)	(1 233)	(4 426)	(4 446)	(5 094)
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		**325 443**	188 276	237 497	229 493	187 384	182 501

@ *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.*

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

** *From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect, the figures from 2010 to 2012 have not been restated.*

	2015 R'000	2014 R'000	***2013 R'000	***2012 R'000	***2011 R'000	***2010 R'000
Dividends						
Equity dividends – ordinary shares	**71 624**	69 342	41 912	53 734	58 720	–
Equity dividends – preference shares	**–**	–	–	–	–	370 030
Preference dividends recognised as interest	**–**	–	20 346	22 007	21 359	22 290
Earnings and dividends per share	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Equity dividends per ordinary share – Interim	**22,6**	16,0	10,0	15,0	10,0	–
Equity dividends per ordinary share – Final	**–**	16,0	22,0	13,4	15,0	32,95
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
Earnings per ordinary share	**190,4**	102,3	133,1	114,6	116,7	**214,0
Diluted earnings per ordinary share	**182,0**	97,3	123,8	107,4	108,9	**214,0
Headline earnings per ordinary share	**173,6**	102,7	119,9	116,0	113,8	**33,1
Diluted headline earnings per ordinary share	**165,9**	97,8	111,5	108,7	106,2	**33,1
Normalised earnings per share, calculated by dividing the normalised profit by the weighted average number of ordinary shares	**176,9**	103,2	132,5	128,1	121,8	*118,1
Summarised statement of financial position	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Non-current assets	**2 752 656**	2 302 052	1 997 482	1 526 306	1 361 355	1 202 482
Deferred taxation asset	**32 696**	8 919	6 722	492	3 262	18 840
Current assets	**2 689 485**	2 298 621	2 413 733	2 336 745	2 180 874	1 710 880
Total assets	**5 474 837**	4 609 592	4 417 937	3 863 543	3 545 491	2 932 202
Shareholders' funds	**2 571 338**	2 252 270	2 113 116	1 894 244	1 742 362	1 048 358
Non-controlling interest	**13 510**	20 471	2 309	1 796	9 443	28 108
Non-current portion of interest-bearing borrowings	**681 601**	662 357	666 640	21 686	432 833	592 504
Non-current portion of provisions	**74 901**	67 615	60 814	61 637	62 522	50 457
Non-current portion of trade and other payables	**21 459**	4 351	9 267	6 904	13 357	6 320
Deferred taxation liability	**188 253**	179 023	137 313	116 950	32 015	6 363
Current portion of interest-bearing borrowings	**573 576**	214 495	172 646	421 376	173 828	66 947
Current liabilities excluding interest-bearing borrowings	**1 350 199**	1 209 010	1 255 832	1 338 950	1 079 131	1 133 145
Total equity and liabilities	**5 474 837**	4 609 592	4 417 937	3 863 543	3 545 491	2 932 202
Net assets	**2 584 848**	2 272 741	2 115 425	1 896 040	1 751 805	1 076 466
Replacement value of property, plant and machinery [@]	**7 577 153**	7 577 153	6 106 300	5 746 800	5 445 700	5 112 800

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

* *The earnings per share from continuing operations adjusted for exceptional items for year 2010 is 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.*

*** *From 2014 all joint ventures were equity accounted.The figures for 2013 were restated to show this effect. The figures from 2010 to 2012 have not been restated.*

A list of all definitions used in the above calculation is set out on page 220.

SIX YEAR FINANCIAL REVIEW (CONTINUED)

Number of shares in issue	2015	2014	**2013	**2012	**2011	**2010
Number of ordinary shares in issue at year-end	**187 731 138**	182 478 589	181 218 149	179 111 867	179 111 867	#123 849 962
Weighted average number of ordinary shares	**183 989 596**	182 478 589	179 267 674	179 111 867	153 882 447	#154 595 442
Weighted average number of ordinary shares for calculation of diluted earnings	**192 466 775**	191 767 408	192 750 186	191 127 152	164 890 519	#154 595 442
Number of preference shares in issue at year-end	**–**	–	–	89 442 022	89 442 022	89 442 022
Weighted average number of preference shares	**–**	–	–	89 442 022	89 442 022	87 516 207
Cash flow	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Cash flow from operating activities	**160 185**	403 067	219 198	417 910	256 927	347 077
Cash (used in)/from investment activities	**(556 822)**	(351 734)	(515 811)	(256 150)	(253 323)	1 005 113
Cash flow/(outflow) from financing activities	**218 097**	(97 780)	297 159	(272 951)	391 333	(1 196 887)
Cash flow from operating activities per share (cents)	**87,1**	220,9	122,3	233,3	167	224,5
Ratios and returns	**%**	**%**	**%**	**%**	**%**	**%**
Operating profit to revenue	**5,5**	3,3	4,7	5,1	4,9	*9,1
Normalised operating profit	**5,2**	3,3	4,8	5,3	5	5,2
Return on net assets	**13,5**	8,6	13,1	14,9	15	*27,1
Return on net assets excluding exceptional items	**12,7**	8,6	13,4	15,2	15,4	15,5
Return on equity holders' funds	**14,5**	8,6	11,9	11,3	12,9	*26,6
Return on equity holders' funds excluding exceptional items	**13,5**	8,6	11,9	12,6	13,7	15,1
Gearing percentage (net of cash)	**30,2**	9,8	6,4	(14,2)	(12,4)	21,4
Effective tax rate	**22,5**	20,9	29,3	39,6	34,6	38,7
	Times	**Times**	**Times**	**Times**	**Times**	**Times**
Net asset turn	**5,0**	5,6	6,2	6,8	8,3	6,9
Current ratio	**1,4**	1,6	1,7	1,3	1,7	1,4
Employees statistics	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Average number of employees	**7 177**	6 393	6 519	6 555	6 353	6 362
	R'000	***R'000***	***R'000***	***R'000***	***R'000***	***R'000***
Revenue per employee	**1 291,1**	1 334.3	1 201.6	1 102	1 030	968
Operating profit per employee	**70,9**	44,2	57,0	57	50	88
Normalised operating profit	**66,7**	44,2	58,0	58	52	50
Average net assets per employee	**338,4**	343,2	307,7	278	223	201

 # The number of ordinary shares have been adjusted for the two-for-one share split (4 November 2010).
** Includes R337,7 million (R227,1 million after tax) profit on sale of associate Danone Clover.*
*** From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect. The figures from 2010 to 2012 have not been restated.*

A list of all definitions used in the above calculation is set out on page 220.

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.

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

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

SIX CAPITALS

HUMAN

NATURAL

MANUFACTURED

INTELLECTUAL

SOCIAL AND RELATIONSHIPS

FINANCIAL

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 Clover's business, safeguarding its 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 with limited exceptions. 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 57 of this report.

The Internal Auditors conducted an audit review to assess the governance infrastructure and processes that executive management has established. Deloitte found the internal controls over all operations of the corporate governance process and related activities, to be adequate and effective, and further found the governance practices to be mature.

The table below indicates management's conclusions on Clover's governance process:

Review area	Conclusion regarding adequacy	Conclusion regarding effectiveness
Ethical Leadership and Corporate Citizenship	Adequate	Effective
Boards and Directors	Adequate	Effective
Audit & Risk Committee	Adequate	Effective
The Governance of Risk	Adequate	Effective
The Governance of Information Technology	Adequate	Effective
Compliance with Laws, Codes, Rules and Standards	Adequate	Effective
Internal Audit	Adequate	Effective
Governing Stakeholder Relationships	Adequate	Effective
Integrated Reporting and Disclosure	Adequate	Effective

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Board has adopted a Code of Ethics which is continuously reviewed and updated as required. This Code defines Clover's main ethical standards of responsibility, integrity, fairness, accountability and respect. These ethical standards also form the basis of the Chief Executive's Report. The Code contains examples of unethical conduct and disclosure requirements in respect of gifts and outside interests requiring pre-approval. To ensure that Cloverites are consistently aware of the importance of ethical behaviour, ethics awareness sessions are hosted at branch level in an attempt to explain Clover's Ethics Hotline, when it should be used and how. 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.

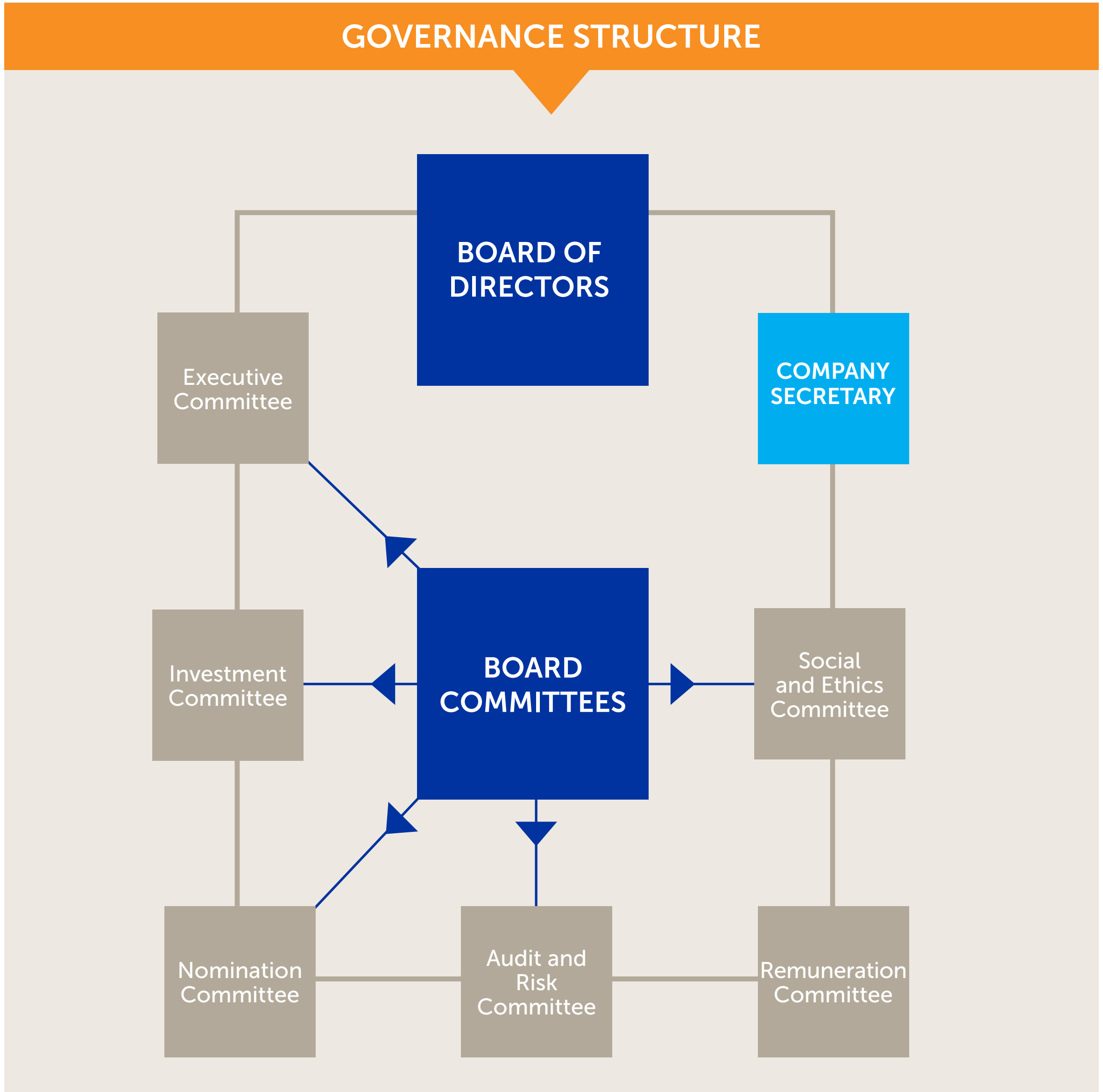
As an iconic brand operating within the branded consumer goods industry, Clover is aware of the importance of its reputation and protects this.

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 Deloitte;
- the Ethics 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 in 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 Committee, 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 subsequent 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 and 17 of this report. Clover's Board 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	5	5	4	4	4	3	1	1	4	4	2	2
Dr. SF Booysen	5	4	4	4	4	4	1	1	4	4	2	2
JNS du Plessis	5	5	4	4	4	4						
NV Mokhesi	5	5							4	4		
B Ngonyama	5	5	4	4								
Non-executive												
WI Büchner	5	5			4	4	1	1			2	2
NA Smith	5	5									2	2
PR Griffin	5	5										
Executive												
JH Vorster	5	5										
LJ Botha	5	5										
Dr. CP Lerm	5	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

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 136 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
J van Heerden
JH Vorster – Chairman

Directors, executives 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
B Ngonyama
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 134 to 135 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 60 to 62 and sets out its responsibilities as well as its delivery against these.

Social and Ethics Committee

SF Booysen
ER Bosch
N Mokhesi
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 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 76 of this report.

Nomination Committee

Dr. SF Booysen – Chairman
WI Büchner
TA Wixley

The Nomination Committee is tasked with the regular review of the Board's structure, size and composition and with making recommendations in this regard, taking cognisance of the Company's strategies and operating environments. Appointments to the Board will be formal and transparent and will be considered by the Board as a whole, following nominations received from the committee. 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 – Chairman
WI Büchner
NA Smith
TA Wixley

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 Committee of Sponsoring Organizations' (COSO's) 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 efficiency of these structures. In line with Clover's Framework, the Company records and manages its 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.

CLOVER'S RISK UNIVERSE

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

- Preferred employer
- Being a responsible corporate citizen
- Way Better operations across supply chain to provide sustainable shareholder value
- Develop or acquire brands to occupy number one or two position in chosen segments
- Providing consumers with quality and trusted products, underpinned by leading dairy businesses
- Reaching the Group's widely dispersed consumers/customers on a daily basis

SUPPORT SERVICES

MILK PROCUREMENT

PROCUREMENT AND SUPPLY CHAIN PLANNING

PRODUCTION

PRINCIPAL FACTORIES

CONSOLIDATE INDUSTRY

AFRICA EXPANSION

BRANDS AND MARKETING

DISTRIBUTION FACILITY

SALES AND MERCHANDISING

INHERENT RISK ON BUSINESS MODEL	RISK MITIGATION
• Consumers are under pressure with rising inflation putting pressure on price and volume	Continuously monitor sales prices to ensure price premiums are justified. Clover is considering potential actions to drive further cost efficiencies.
• Distribution centralisation (retailers) • Increased competition for distribution	A retailer has embarked on a process which requires Clover to only deliver to their distribution centre instead of their stores. All distribution from their distribution centre will therefore be done by themselves. From Clover's perspective, our fleet would have to be changed to cater for bulk loads. Clover is currently considering action plans to change its distribution model to enhance efficiencies.
• Competitors on the rise with new brands	Continuously monitor sales prices to ensure price premiums are justified. Clover is considering potential actions to drive further cost efficiencies.
• Compliance with legislation	Continuous compliance monitoring and training within the Group where mitigation measures are formulated into written policies.
• Competition law compliance	A Competition law Centre of Excellence has been established and is supported by Bowman Gilfillan. Continuous compliance monitoring and training within the Group where mitigation measures are formulated into written policies.
• Factories are too dispersed, requiring consolidation • Global commodity market under pressure	Synergies can be unlocked by having a centralised Industrial park which will assist Clover and the milk producers of South Africa to grow and create new markets.
• Weakening exchange rates, impacting packaging and other costs negatively • Commodity prices are low for the export market	Supplier agreements are continuously renegotiated to improve efficiencies. Commodity prices are monitored on a monthly basis through the CFI trading desk, through which best prices are realised.
• Milk producers under pressure with rising input costs • Few growth opportunities for producers	Clover monitors the milk price to feed cost ratio on a continuous basis in order to protect its milk source. Through CFI and our African expansion initiatives, new growth markets are being persued.
• Increased pressure on labour costs • Unstable labour environment • Compliance with legislation	Communication channels with labour are being enhanced to address the business risks. Continuous compliance monitoring and training within the Group where mitigation measures are formulated into written policies.

1st line of defence
• Management

2nd line of defence
• Policies and procedures
• Internal controls
• Risk management
• Legal
• Regulatory compliance
• Management executive committee

3rd line of defence
• Internal Audit
• External Audit
• Other external assurance providers

4th line of defence
• Board
• Board Committees (see diagram on page 48)

Clover's Enterprise Wide Risk Management Framework was independently assessed by Internal Audit against the principles of the King III Code as part of Clover's three year rolling plan. The report issued by Deloitte based on the Corporate Governance Review performed 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 an independent party. 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)

At Clover, IT is an integral part of the business and fundamental in sustaining current operations. In view of the strategic importance of IT, Clover aligned business' requirements from IT to available IT resources and available technology to ensure appropriate IT strategy is formulated to improve Clover's competitiveness for its future sustainability. To implement the IT strategy, Clover IT has developed an IT Governance Framework that considers relevant structures and processes to enable IT to meet business requirements, while ensuring relevant best practises, such as included in the COBIT framework, have been adopted to ensure appropriate mitigation of IT risks. IT governance is a set of business processes that imposes management and control disciplines on IT activities to help ensure the integrity and protection of IT operations and the achievement of targeted business goals. This implies a system in which all stakeholders, including the Board, internal customers, and in particular departments such as finance, have the necessary input into the decision making process.

The Board is responsible for IT Governance, with IT included in the Board's work plan. The Board delegated the responsibility to implement the IT Governance framework to management with oversight by the Audit and Risk Committee, whom quarterly consider priority IT risks and opportunities as reported in the Group's Risk report. In the financial year ending June 2015, Deloitte's has performed advisory reviews on Clover's IT Governance against the COBIT framework, including requirements ensuring protection of personal information as well as adequacy of Clover's IT disaster recovery procedures.

Clover successfully replaced its legacy order-to-cash system in August 2014 with a commercial off-the-shelf system used in international dairy companies called eRMS (Electronic Route Management System). In view of the complexity and the magnitude of the risks involved, Clover engaged with Ernst & Young Incorporated ("EY"), the Group's External Auditors, to ensure that the programme governance process was independently assessed and advised on. More specifically, in terms of overall delivery, the risks with the programme governance and delivery management that expose the programme to risks were assessed and advised on.

In May 2015, EY performed a post migration review of the eRMS system and assessed the stabilisation of the eRMS system since go-live. During the migration, management performed reconciliations on Debtors and Inventory balances to verify the accuracy of the information migrated between source and target systems. These reconciliations were inspected and confirmed that they were reviewed and signed off with no material differences. System incidents, mostly related to user errors, logged after go-live reduced dramatically as users became more comfortable with the system through the stabilisation process. The system has reached stability and business has been operated "as usual" since February 2015, with no incidents reported that have resulted in business disruption owing to system errors.

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

The responsibility of facilitating compliance throughout the Company has been delegated to the Company Secretary.

Clover ensures that all employees are inducted and are made consistently aware of the Group's compliance policies and procedures. Clover is in the process of finalising its compliance policy and manual which 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 result in dismissal.

After consultation with business and by adopting the risk rating methodology, the following Acts and supervisory requirements, in no particular order, have been identified as priority areas:

1	Agricultural Products Standards Act 119 of 1990
2	Companies Act 71 of 2008
3	Competition Act 89 of 1998
4	Consumer Protection Act 68 of 1998
5	Employment Equity Amendment Act 47 of 2013
6	Foodstuffs, Cosmetics and Disinfectants Act 4 of 1972 read together with the Regulations
7	Income tax Act 58 of 1962
8	JSE Listing Requirements
9	Labour Relations Amendment Act 6 of 2014
10	National Building Regulations and Building Standards Act 103 of 1977 (as amended)
11	Occupational Health and Safety Act 85 of 1993 read together with the Regulations
12	Tax Administration Act 28 of 2011
13	Value-Added Tax Act 89 of 1991

During the year under review, Clover continues to consult with business in order to enhance its regulatory universe and its documented process to ensure adequate and effective controls. Clover's Regulatory Universe consists of more than 80 legislated and non-legislated supervisory requirements that are applicable to the business.

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 anti-competitive or collusive behaviour by nature of their position within the Group, to complete the training.

During the review period, more than 690 employees completed the online training and refresher valuations (2014: 686 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, however, Clover has during the year under review replaced the KPMG Competition Law Advisory Practice with Bowman Gilfillan as its Competition Law advisors. The CLCE functions as a critical tool to ensure high standards of competition law compliance within 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.

During the year under review Bowman Gilfillan commenced with a full review of Clover's compliance with the Competition Act with a particular focus on areas of milk procurement, commercial arrangements and joint ventures.

On 13 March 2014 the Acting Commissioner of the Competition Commission initiated a complaint against Clover Industries Ltd ("Clover"), Parmalat (Pty) Ltd ("Parmalat") and Midlands Milk (Pty) Ltd ("Midlands Milk") alleging that Clover Industries Ltd, Parmalat (Pty) Ltd and Midlands Milk (Pty) Ltd agreed, at some stage in or around 2012, to fix the purchase price of raw milk or trading conditions in terms of which the raw milk is purchased, in possible contravention of section 4(1)(b)(i) of the Competition Act 89 of 1998, as amended. The said complaint only came to Clover's attention during March 2015 and Clover immediately conducted an internal investigation in conjunction with Bowman Gilfillan. The investigation of Bowman Gilfillan has not revealed any conduct on Clover's part that suggests that in 2012 it directly or indirectly co-ordinated with Parmalat and Midlands Milk to fix the purchase price of raw milk or trading conditions in terms of which the raw milk is purchased as alleged by the Commission.

In early 2015, Clover and Danone Southern Africa (Pty) Ltd 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 settled between the parties.

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; and
- directors and officers are precluded from trading in Clover shares during closed periods or prohibited periods as determined by the Board.

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 JSE's Securities Exchange News Service ("SENS"); and
- the financial year-end date to the time of the publication of the final financial results on the JSE's 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 Deloitte who are responsible for implementing the annual internal audit plan approved by Clover's Audit and Risk Committee. 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. These evaluations were the main input considered by the Board in reporting on the effectiveness of internal controls.

In addition, the external auditors, Ernst & Young Incorporated 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 Deloitte. 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 2015

KING III INDEX

✓ 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 Annual 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 t he 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, refer to page 59.

KING III INDEX (CONTINUED)

✓ Apply

✗ Under review/Do not apply

AUDIT COMMITTEE

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

THE GOVERNANCE OF RISK

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

✓ Apply
✗ Under review/Do not apply

THE GOVERNANCE OF INFORMATION TECHNOLOGY

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

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

✓	The Board should ensure that the company complies with applicable laws and considers adherence to 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

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 stakeholders
✓	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

Clover's Group Remuneration Policy (the "Remuneration Policy") is aimed at attracting and retaining key, specialist skills in order to assist in generating a return on investment for shareholders that is sustainable in the long term. This Report on Remuneration covers the period 1 July 2014 to 30 June 2015 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 Note 32 to the annual financial statements included in this Integrated Annual Report which contain various statutory disclosures with regard 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 inserted at the back of this Integrated Annual Report and also available on www.clover.co.za.

LETTER TO SHAREHOLDERS

OUR APPROACH TO REMUNERATION: STRUCTURE FOLLOWS STRATEGY

Introduction

Clover's business strategy, as set by the board, informs the Group's executive remuneration policy. The end-goal is to achieve the Group's growth objectives by retaining skilled, key talent and attracting new talent to deliver on these growth objectives.

The executive remuneration policy is based on the principles of the Company and individual performance driven remuneration which is fair and reasonable for shareholders and aligned to shareholder value creation.

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.

Managing for long-term growth

Following market feedback some time ago, we engaged extensively with our major shareholders and subsequently appointed PricewaterhouseCoopers (PWC) over a 24-month period to review and benchmark executive emoluments. The board has assurance that the Group's remuneration policy strongly aligns the interests of management with those of shareholders and intends to maintain its focus on balancing the Group's long-term growth objectives with generating a sustainable, healthy return on investment for shareholders.

In the previous financial year, following the outcome of the PWC benchmarking exercise, we introduced certain new financial performance measures discussed later on in this report relating to the long-term incentive plan applicable to Executives.

Profit share bonuses in a record year

The 2015 financial year will enter the record books as Clover's best performance in its 117 year history. I therefore believe it only to be fair to compensate management for a record performance in line with this policy.

As part of the Company's short-term incentive plans (or STI plans) management qualifies for profit share bonuses once a pre-set profit target is reached or exceeded.

Participation in these profit share bonuses vary according to employment grade and level of seniority within the Company. (Refer to Remuneration mix: annual short-term incentive component on page 65 of this report for further information.)

It should be noted that short-term incentives 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 and approved by the Board following completion of the annual audit and is not necessarily linked to the budget approved by the Board.

Group profitability is the biggest factor when determining short-term incentives and for this reason profit share bonuses payable to qualifying individuals for the year under review increased considerably on those for the prior year. (Reflected in Administrative Expenses in the Consolidated Statement of Comprehensive Income on page 140 of this report).

It must be that noted that in the prior year, results were below par due to external factors including a national raw milk shortage and no profit share bonuses were paid to the Company's management.

Vesting of legacy share appreciation right scheme

The bulk of share appreciation rights (SARS) that vested during the year under review relate to legacy allocations.

For the benefit of those new to the Company, the capital restructuring of the Group was approved by shareholders on 31 May 2010 and changed the nature of the preference shares from profit sharing instruments to pure debt instruments carrying a right to guaranteed dividends only.

This affected the value of the preference shares by eliminating any value upside. Accordingly, an award of preference shares to employees of the Group in terms of Clover's preference share incentive scheme at the time no longer incentivised those employees or aligned their interests with the interests of ordinary shareholders.

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

A subsequent Second Allocation of Share Appreciation Rights was made in lieu of bonuses payable to the executives relating to the disposal of Clover's 45% shareholding in Danone Clover (Proprietary) Limited (refer note 31 to the annual financial statements on page 210 of this report).

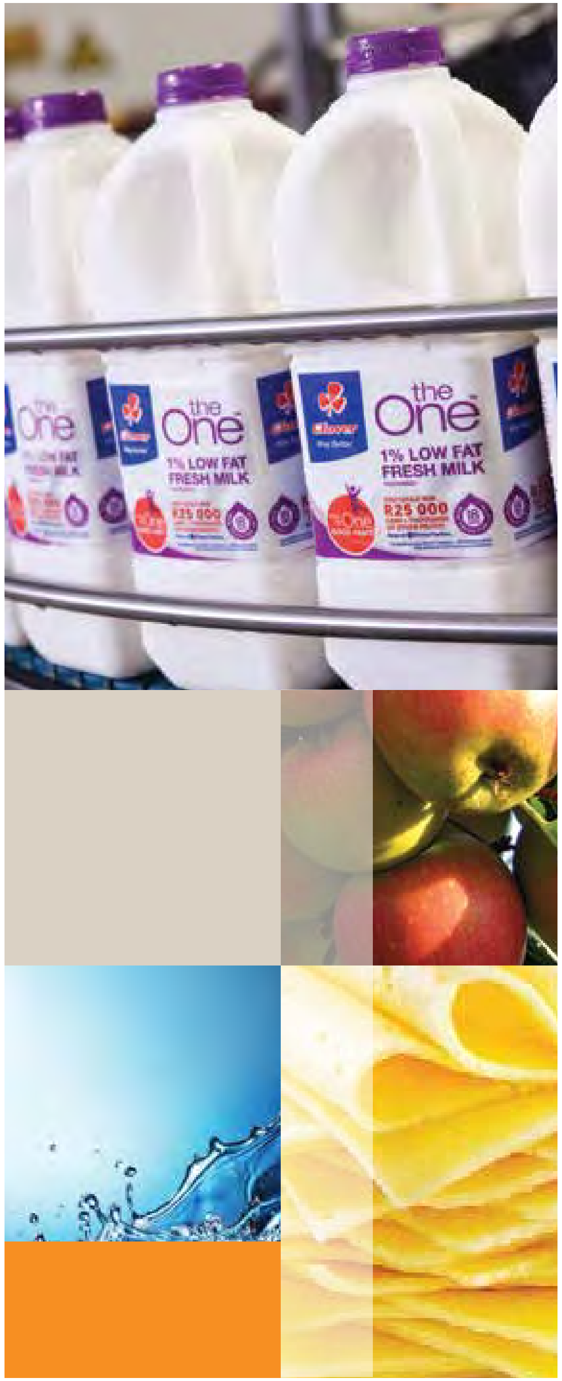
This legacy 2010 SAR Scheme and Second Allocation of Share Appreciation Rights vested in full during the reporting year.

Conclusion

Consumers and producers remain under pressure in a low-growth economy, upwards inflationary pressure and expected incremental increases in interest rates. It is our opinion as a committee and the board that the Group's remuneration policy should continue to incentivise innovative thinking and initiatives that benefit Clover and shareholders sustainably.

Dr. Steve Booysen
Chairman: Remuneration Committee

15 September 2015



REMUNERATION POLICY

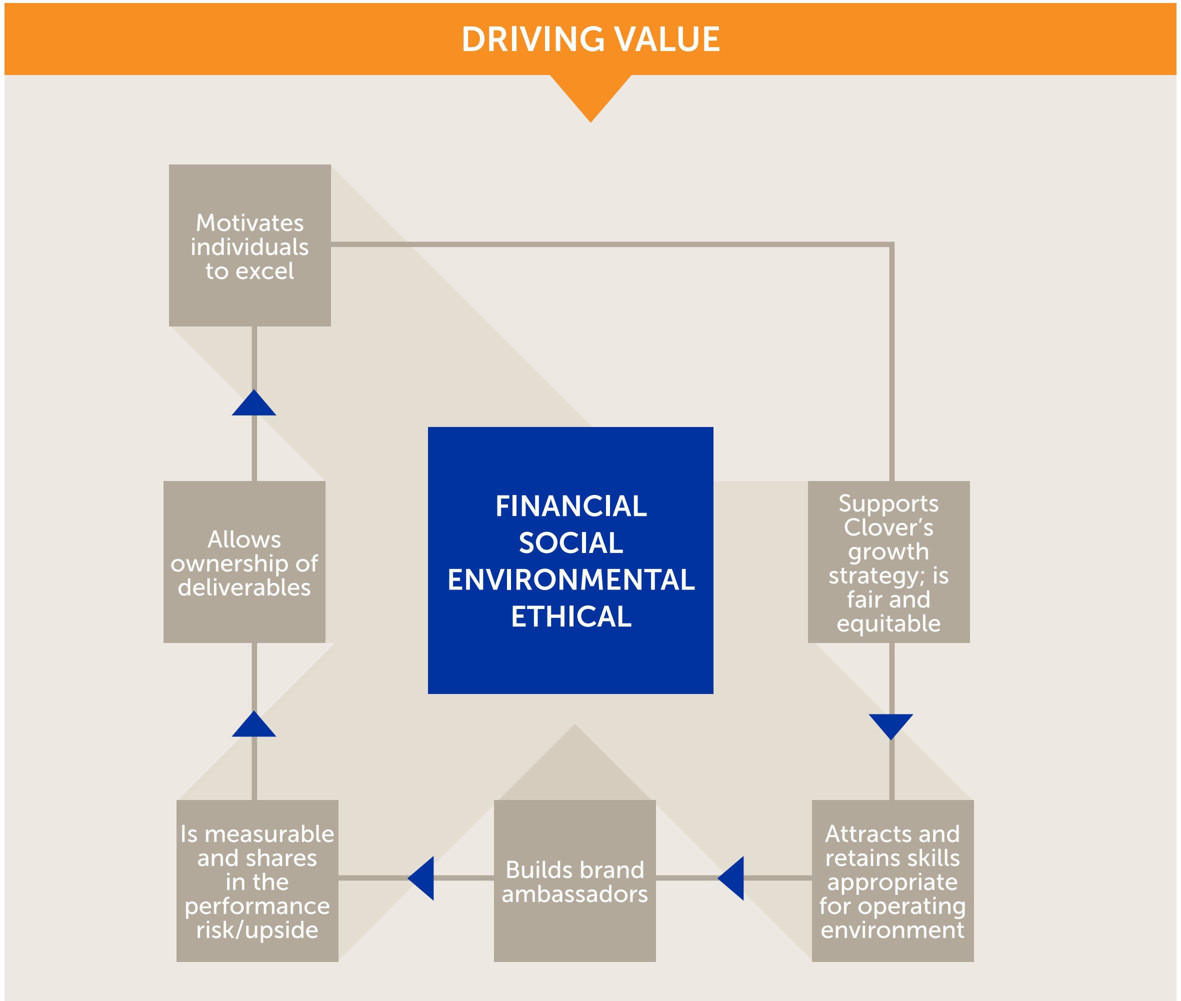
REMUNERATION PHILOSOPHY

Clover's Group Remuneration Policy is aimed at attracting and retaining key, specialist skills in order to assist in generating a return on investment for shareholders that is sustainable in the long term. In line with international best practice, 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 South Africa and other 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

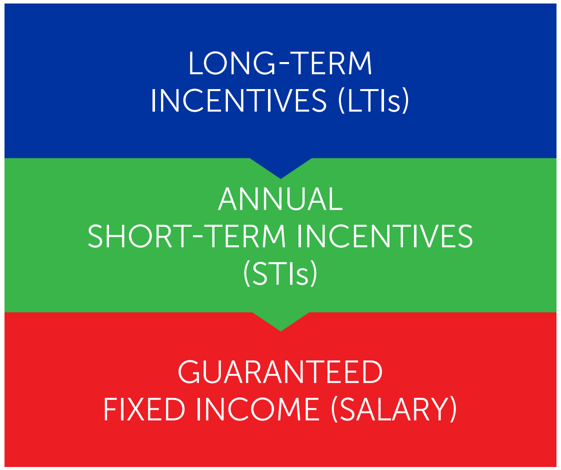


GOVERNANCE

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 recommending 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 49 and 50. The Remuneration Committee actively engages with independent advisors and stakeholders, to ensure that the remuneration policy 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 in line with the existing remuneration mix set out below.

REMUNERATION MIX

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



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 is revised on 1 July of each year, following quarterly performance management reviews of each employee;
- interim reviews of the fixed income component are 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. Clover has identified 26 employees who are graded as "S"-band employees. The executive committee annually reviews this category to ensure the above criteria is complied with.

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	Long-term Incentive Scheme for selected employees
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: 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***(F)	40%	60%	100%	183%	10	15	Normalised attributable profit
Chief Executive(F)	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.*

*** *Marcelo Palmeiro and Jacques van Heerden's STI differ from what is stated above as it has been agreed to individually between them and the Company.*

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 in August or September of each year.

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 includes, inter alia;
  - leadership and team building;
  - optimising the brand portfolio;
  - increase market shares through sales and distribution strengths;
  - successful completion of capital projects;
  - mergers, acquisitions and rest of Africa
  - Employment Equity;
  - 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 and approved by the Board 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 (with first tranche paid out 12 months after becoming entitled).

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") or ("SARs")

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 take 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 73 and 74 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:

$A = (B \times C)/D$

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 date.

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):

$A = (B \times C)/D$

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%

Change of control provisions

If Clover is the subject of any transaction whereby any person or persons acting in concert, other than the Clover Milk Producers Trust and/or participants, acquire (whether directly or indirectly) 30% of the entire ordinary issued share capital in Clover, then the vesting of all SARs held by participants shall immediately vest and all SARs shall (whether or not the vesting dates in respect thereof have passed and/or the performance criteria, if any, in respect thereof have been met) be exercisable on the basis that participants shall on exercise be settled in accordance with the SARs Plan.

In respect of any SARs allocated to participants on or after 1 January 2014, if 30% of the entire issued share capital of Clover is acquired by any person or persons acting in concert (other than the Clover Milk Producers Trust and/or the participants), not all of the SARs shall immediately vest in participants but only the proportionate number thereof, having regards to (i) the period of time that has lapsed between the allocation date and the vesting date at the time of the acquisition (whether directly or indirectly) and (ii) the extent to which the performance criteria (if any) have been satisfied as at the date of the acquisition, as may be determined by the Remco to be fair and reasonable to the participants concerned, provided that should a dispute arise between the participants and the Remuneration Committee such dispute shall be referred to the Board for determination, provided that 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 section 15 of the SARs Plan for final determination.

Period of vesting of SARs

The SAR Scheme rules provide that all SARs allocated (unless it is a first allocation) on or after 1 July 2011:

- will vest in full after the third anniversary of the allocation date, provided that the relevant performance criteria were met; and
- which 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; and
- 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 equal to 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 condition

- 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; and
- 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 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 2014 financial year and the subsequent benchmarking exercise conducted by PricewaterhouseCoopers, the Remuneration Committee adjusted the performance measurements 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 three years. 30% vests at 70% performance and 100% vests at 90% performance as follows:

Performance	Weighting	Targets
Individual performance condition	30%	Average individual performance measured over 3 years. 30% vests at 70% performance; and 100% vests at 90% performance.

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:

Performance	Weighting	Targets
Financial performance condition HEPS	50%	Threshold: 30% will vest if HEPS growth (over the performance period of 3 years) of CPI per annum is achieved; Target: 65% will vest if HEPS growth (over the performance of 3 years) of CPI +2% per annum is achieved; and Stretch: 100% will vest if HEPS growth (over the performance period of 3 years) of CPI +4% per annum is achieved.

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:

Performance	Weighting	Targets
Financial performance condition ROE	20%	Threshold: 30% will vest if actual ROE achieved in the base year*; Target: 65% will vest if actual ROE achieved in the base year* + 0,4%; and Stretch: 100% will vest if actual ROE achieved in the base year* + 0,9%.

** Base year = year in which allocation is made.*

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.

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 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 performances over the preceding financial year.	Rewards individual and corporate performance. Eligible staff are those on Paterson band C1 to F. Refer to STI table (to be inserted)
Variable	Long-term incentive	All cash and equity based awards that accrue to and individual over time, based on the Group's financial 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 63 more specifically the table set out on page 65.

Long-term Incentives ("LTIs")

Clover's LTIs relating to its executives consist of equity based awards and serve as a retention mechanism. Refer to the Remuneration Policy on page 66 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 2015, a total of 8 619 271 (30 June 2014: 3 366 822 ordinary shares) have been issued to Executives, with the balance of 7 380 729 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 page 63 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. For more detail on SARs exercised during the year, refer to note 32.2 in the financial statements section.

Salient Features of the Third Allocation

	Number of SARs allocated	Allocation date	Allocation price	Total # SARs vested as at 30 June 2015	Total # SARs exercised by 30 June 2015	Total # SARs vested but not yet exercised as at 30 June 2015	Total # ordinary shares issued to settle SARs exercised by 30 June 2015
Third allocation							
Executive Directors							
JH Vorster	821 256	1 July 2011	R11,00	821 256	821 256	Nil	365 923
LJ Botha	404 063	1 July 2011	R11,00	404 063	404 063	Nil	180 036
CP Lerm	1 119	1 July 2011	R11,00	1 119	1 119	Nil	499
Other Executives							
H Lubbe	57 778	1 July 2011	R11,00	57 778	Nil	57 778	Nil
JHF Botes	330 723	1 July 2011	R11,00	330 723	330 723	Nil	147 358

(a) Vesting

The SARs allocated as part of the Third Allocation vested on 30 June 2014.

(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

	Number of SARs allocated	Allocation date	Allocation price	Total # SARs vested as at 30 June 2015	Total # SARs vested but not yet exercised as at 30 June 2015	Total # SARs exercised by 30 June 2015
Fourth allocation						
Executive Directors						
JH Vorster	1 036 716	1 July 2012	R13,73	1 036 716	1 036 716	Nil
LJ Botha	533 657	1 July 2012	R13,73	533 657	533 657	Nil
CP Lerm	389 123	1 July 2012	R13,73	389 123	389 123	Nil
Other Executives						
H Lubbe	389 123	1 July 2012	R13,73	389 123	389 123	Nil
JHF Botes	389 123	1 July 2012	R13,73	389 123	389 123	Nil
ER Bosch	389 123	1 July 2012	R13,73	389 123	389 123	Nil

(a) Vesting

The SARs allocated as part of the Fourth Allocation vested on 30 June 2015.

(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.

Salient features of the Fifth Allocation

	Number of SARs allocated	Allocation date	Allocation price	Total # SARs vested as at 30 June 2015	Total # SARs exercised by 30 June 2015
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

(a) Vesting

The SARs allocated as part of the Fifth Allocation vested on 30 June 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

	Number of SARs allocated	Allocation date	Allocation price	Total # SARs vested as at 30 June 2015	Total # SARs exercised by 30 June 2015
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

(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 Seventh Allocation

	Number of SARs allocated	Allocation date	Allocation price	Total # SARs vested as at 30 June 2015	Total # SARs exercised by 30 June 2015
Seventh allocation					
Executive Directors					
JH Vorster	975 927	30 June 2015	R17,34	Nil	Nil
LJ Botha	505 334	30 June 2015	R17,34	Nil	Nil
CP Lerm	371 109	30 June 2015	R17,34	Nil	Nil
Other Executives					
H Lubbe	370 992	30 June 2015	R17,34	Nil	Nil
JHF Botes	372 023	30 June 2015	R17,34	Nil	Nil
ER Bosch	371 988	30 June 2015	R17,34	Nil	Nil
MM Palmeiro	417 246	30 June 2015	R17,34	Nil	Nil
J van Heerden	271 593	30 June 2015	R17,34	Nil	Nil

(a) Vesting

The SARs allocated as part of the Seventh Allocation will vest in full after the expiry of three years from 30 June 2015. 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 Seventh 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 on the Allocation to newly appointed executives

Allocations were made to ER Bosch, MM Palmeiro and J van Heerden who were appointed by the Group as Executives with effect from 1 June 2012, 1 October 2012 and 18 September 2014 respectively.

	Number of SARs allocated	Allocation date	Allocation price	Total # SARs vested as at 30 June 2015	Total # SARs exercised by 30 June 2015
Executive Directors					
ER Bosch	953 620	1 June 2012	R13,50	317 873	Nil
MM Palmeiro	925 500	1 October 2012	R14,15	Nil	Nil
J van Heerden	501 425	26 September 2014	R17,55	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, 1 October 2012 and 18 September 2014 respectively.

(b) Performance criteria

No performance criteria have to be met prior to the vesting of the SARs relating to this allocation as these allocations are made to retain executives.

(c) General

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

Hedging of SARs

The Group has entered into a forward contract to purchase 2 132 695 Clover Industries shares to hedge a portion of the share appreciation rights issued to management. Refer to note 14 of the annual financial statements on page 183 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 2015 Annual General Meeting to be held on 27 November 2015.

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 emuneration 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 officers can be found in note 32 to the annual financial statements on page 212 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 216 of this Integrated 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 2015	Total # SARs exercised by 30 June 2015	Total # SARs vested but not yet exercised as at 30 June 2015	Total # ordinary shares issued to settle SARs exercised by 30 June 2015
Executive Directors							
JH Vorster	4 587 200	31 May 2010	R4,67	4 587 200	3 058 133	1 529 067	2 338 300
LJ Botha	2 443 140	31 May 2010	R4,67	2 443 140	1 628 760	814 380	1 245 377
CP Lerm	2 454 758	31 May 2010	R4,67	2 454 758	1 636 505	818 253	1 236 113
Other Executives							
H Lubbe	2 027 236	31 May 2010	R4,67	2 027 236	675 745	1 351 482	504 144
JHF Botes*	1 370 904	31 May 2010	R4,67	1 370 904	913 936	456 968	690 329

* *The Board recommended to shareholders that 500 000 ordinary shares be issued at a subscription 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 were doubled accordingly.*

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 2015	Total # SARs exercised by 30 June 2015
Executive Directors					
JH Vorster	800 000	18 August 2010	R0,00	800 000	800 000
LJ Botha	400 000	18 August 2010	R0,00	400 000	400 000
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

* *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 were doubled accordingly.*

(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 to the Second Allocation

(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 were 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.

(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.

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Executive Directors					
JH Vorster	25 509 496	25 822 256	25 537 461	14 238 292	**13 019 025**
Other Executives					
JHF Botes	2 411 574	2 452 661	2 536 148	2 572 487	**2 625 130**
Total	27 921 070	28 274 917	28 073 609	16 810 779	**15 644 155**

The value of the ordinary shares forming the basis of the loan and cession agreements referred to previously are well in excess of R140 million.

Dr Steve Booysen
Chairman Remuneration Committee

15 September 2015

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.

SOCIETY

ORGANISATION

INPUTS

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

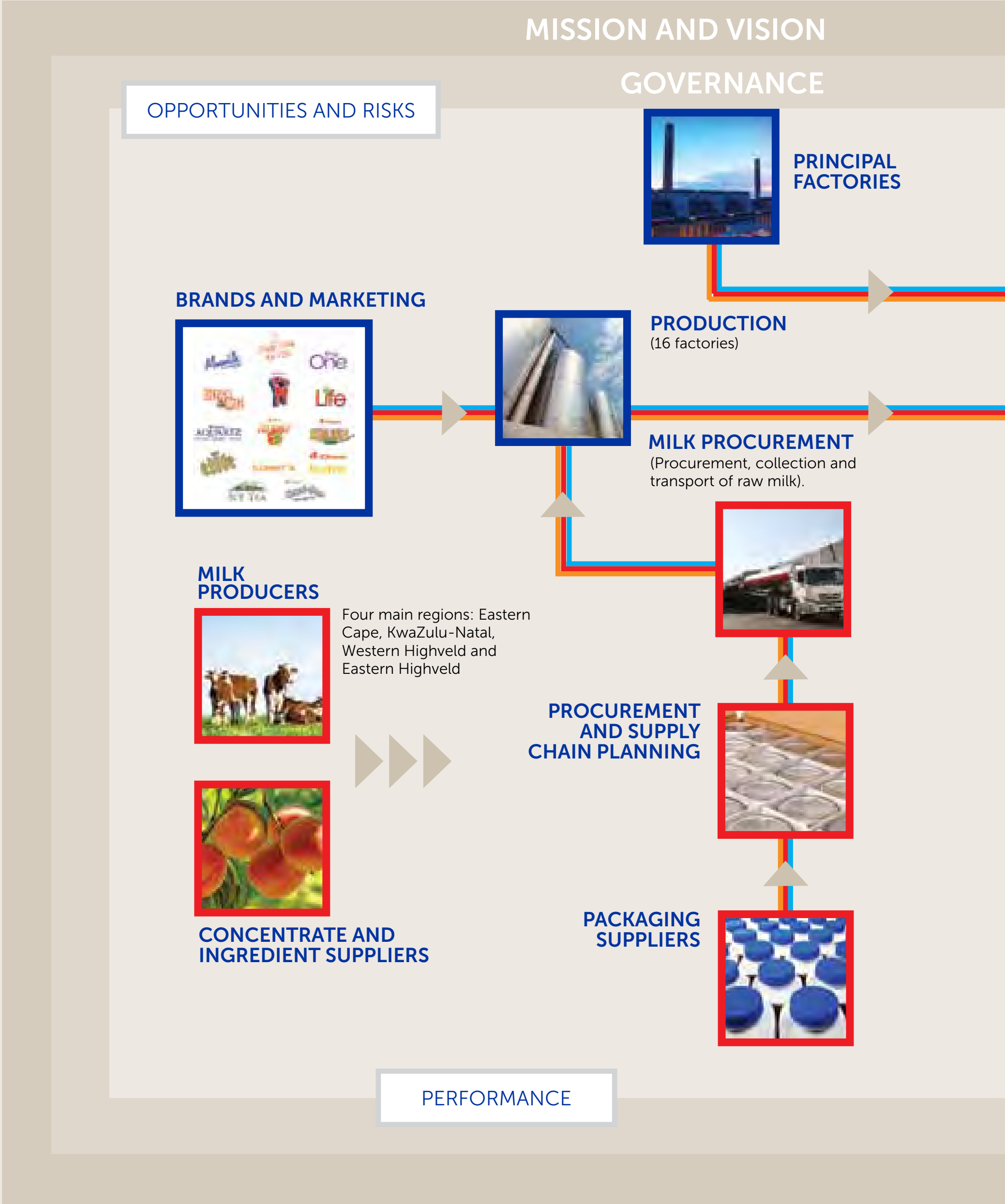
ENVIRONMENTAL RESOURCES
(Air, water, land minerals, forests, bio-diversity and ecosystem health)

INFRASTRUCTURE, BUILDINGS AND EQUIPMENT

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

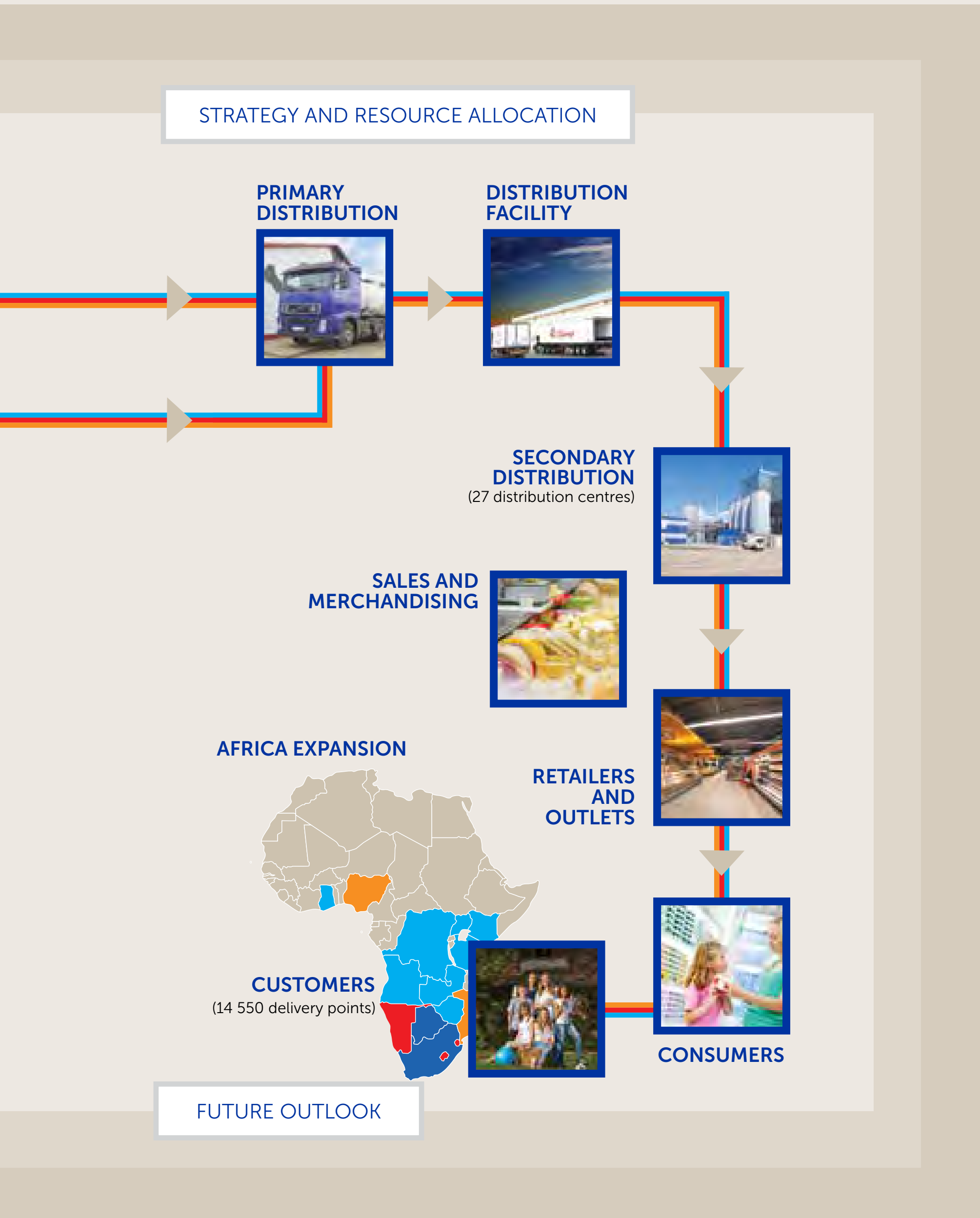
STAKEHOLDER RELATIONSHIPS AND SOCIAL INVESTMENT
(Shared norms, common values, behaviours, stakeholder relationships and dependencies)

FINANCIAL CAPITAL
(Equity, debt and grants)



EXTERNAL ENVIRONMENT

THIS IS HOW WE ADD VALUE THROUGH OUR BUSINESS ACTIVITIES:



OUTPUTS

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

NATURAL CAPITAL
(Air, water, land minerals, forests, bio-diversity and ecosystem health)

MANUFACTURED CAPITAL
Infrastructure, buildings and equipment

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

SOCIAL AND RELATIONSHIP CAPITAL
(Shared norms, common values, behaviours, stakeholder relationships and dependencies)

FINANCIAL CAPITAL
(Equity, debt and grants)

ORGANISATION

SOCIETY

People (HR)
Process
Technology

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

OVERVIEW

Clover's Vision and Mission has been aligned to the value chain, and the company appreciates that strategy, risk, governance, performance and sustainability are inseparable. While the report has been structured to incorporate both the requirements of the Companies Act 71 of 2008 (Regulation 43), 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 value chain (business model) it applied to create and sustain value for its stakeholders, since the company's incorporation. This report is structured in accordance with the concept of the six capitals which takes into consideration the material inputs and resources required for Clover to create and sustain value in the long term. Clover's value creation story takes into account the requirements of both Regulation 43 and King III, which are incorporated into the six capitals as diagrammatically depicted below:

COMPANIES ACT: REGULATION 43

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

**Dealt with in the Report on Governance, Risk and Compliance.*

- Ethical leadership and corporate citizenship
- Labour and employment

- Social and Economic Development

- Governing stakeholder relationships/ consumer relationship

- Environmental, Health and Public Safety

KING III

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

HUMAN

NATURAL

MANUFACTURED

INTELLECTUAL

SOCIAL AND RELATIONSHIPS

FINANCIAL

SIX CAPITALS

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 in the long term.

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 on pages 49 and 50 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 fourth 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.

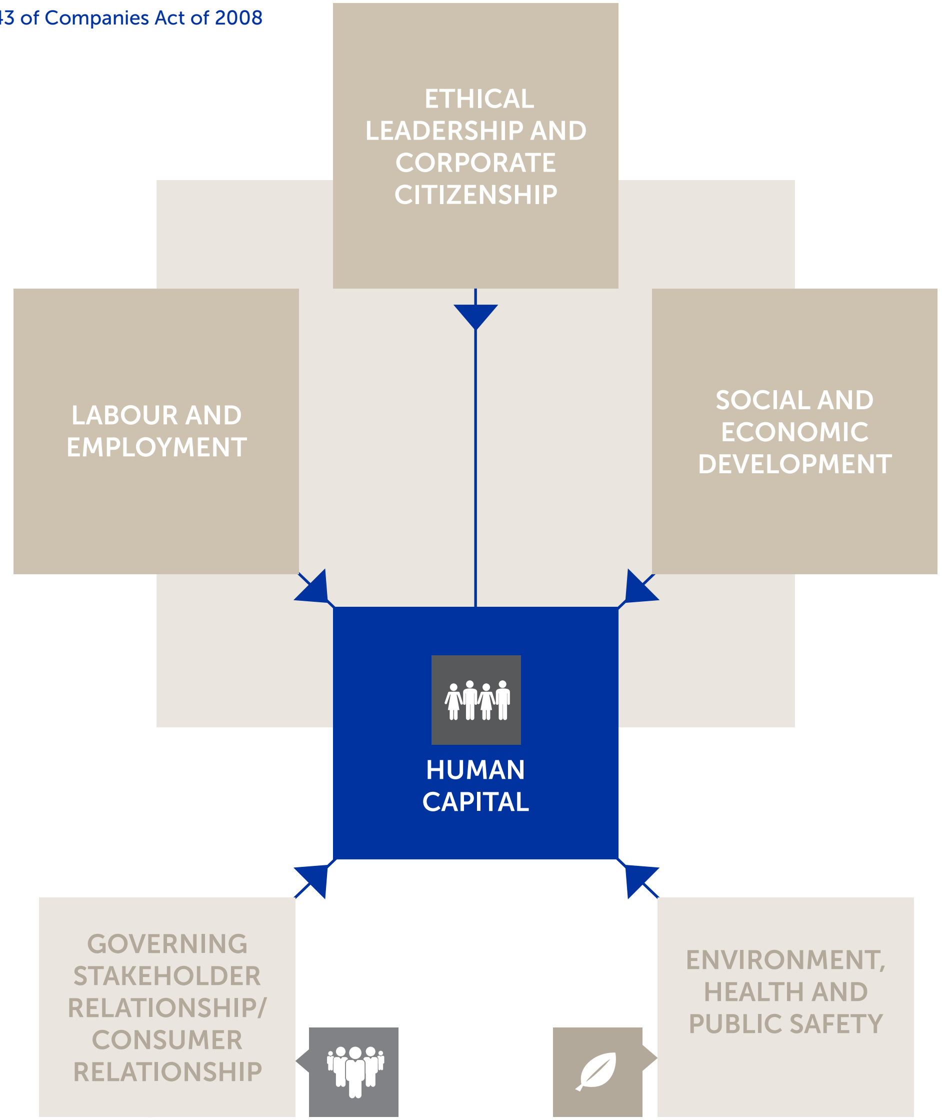
Annually, Clover defines its risk bearing capacity and risk appetite, being the basis of setting materiality levels. These materiality levels are used to annually adjust thresholds of Clover's delegation of authority, ensuring that appropriate limits of managerial approval are set. These same materiality 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.

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").

Regulation 43 of Companies Act of 2008



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.

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.

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

HUMAN RIGHTS (PRINCIPLES 1 – 2)

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.

LABOUR (PRINCIPLES 3 – 6)

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.

HUMAN CAPITAL

Clover's Human Capital Strategy has been developed in the form of "Project Driven". The starting point of the strategy was to identify the human capital and talent agenda facing the "Clover of Tomorrow" and to reconfirm the company's strategic objectives.

The purpose of Project Driven is:

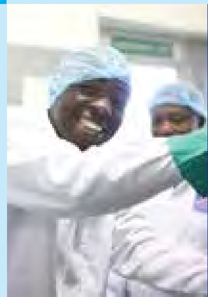
- to establish a culture of exceptional performance;
- to commit to a culture of legal compliance;
- to develop and grow all employees;
- to create a competent and diverse workforce; and
- to create a pleasant, healthy and motivating working climate.

Given our era of rapid change, the strategy has been refined to build passion and purpose. Various platforms have been used to communicate the broad strategy and to bring about alignment throughout the business. At Clover we appreciate that we deal with a workforce with different demographics, different demands, and different expectations, and therefore detailed action plans have been developed to guide the implementation of Project Driven.

Project Driven outlines Clover's broad strategy for addressing the challenges facing Human Capital as depicted alongside:

HUMAN CAPITAL CHALLENGES OF TOMORROW

1. LEGISLATIVE COMPLIANCE
2. ATTRACTION AND RETENTION
3. STRATEGIC RECOURCING
4. ALIGNMENT OF EMPLOYEES
5. LEARNING AND DEVELOPMENT
6. PRODUCTIVITY IMPROVEMENT
7. CHANGE OF LABOUR LANDSCAPE
8. EMPLOYMENT EQUITY
9. INNOVATION AND TECHNOLOGY
10. AFRICA EXPANSION



The **Best company to work for** survey of **2014**:

Clover is ranked 3rd

in the large company category.

1. LEGISLATION

Clover is committed to conducting its business activities lawfully and ethically. Legislation and Regulations continue to grow as the role of regulators continues to expand. Clover takes all the necessary steps to ensure that amendments to legislation are communicated and implemented throughout the business. Other than ongoing training, periodic internal assessments are conducted to establish prevailing levels of knowledge and understanding of current legislation. 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 legislative compliance.

At Clover we have moved away from only compliance as we realised that having a diverse workforce is not compliance or a box that needs to be ticked. In order to support value creation in the long term, we need to promote INCLUSION in all its variations. We need not only embrace the visible diversity such as race, gender, age, physical ability, but also DIVERSITY OF THINKING. To ensure legislative compliance, maximum participation is required from all Cloverites.

2. ATTRACTION AND RETENTION OF EMPLOYEES

Achieving our Vision and Mission is largely dependent on Clover's ability to attract and retain high-calibre individuals. The 21st-century workforce is global, highly connected, technology-savvy, and demanding. As Clover is expanding its reach across the continent, critical new skills are scarce and their uneven distribution around the world has forced Clover to develop innovative new ways to find people, develop capabilities, and share expertise.

At Clover we also have a multi-generational workforce that is highly diverse, and requires constant engagement. Clover's engagement and retention mechanisms are directly related to our "Way Better" fabric of doing business.

Our employment brand helps us to attract, source, recruit, and access talent. To drive passion and engagement, we have used the "Baby Boomers" who have extended their working lives to train and mentor our new entrants, the "Millennials". Clover's employment brand offers a creative experience in support of long term value creation.

In 2014, Clover for the first time participated as a 'full participant' in the Best Company to Work for Survey conducted by Deloitte. We were delighted to be ranked third in the large company category and qualify as one of the best companies to work for.

Below is a series of tables depicting Clover's entire workforce including the total number of employees, the percentage of permanent staff as well as the number of women making up Clover's staff complement:

Total Number of Employees June 2015

Company	Perm	Fixed term/ Temp	Total
Clover SA	6 982	453	7 435
Clover Fonterra Ingredients	13	0	13
RBC	164	3	167
Waters	33	3	36
Namibia	47	40	87
Swaziland	33	13	46
Botswana	322	30	352
Clover MilkyWay	91	2	93
Lactolab	8	1	9
Total	**7 693**	**545**	**8 238**

* *In terms of the new Labout Relations Act as amended (IRAA), fixed term workers have been aligned to the Clover salary base and they will be moved to permanent employees over time.*

Employee Turnover for Permanent Employees

Company	Total who left	% Turnover
Clover SA	696	9,97
Clover Fonterra Ingredients	0	0,00
RBC	16	9,76
Waters	2	6,06
Namibia	21	40,00
Swaziland	6	18,18
Botswana	48	14,91
Total	**789**	**10,39**

Clover MilkyWay has not been included in above table as only one month's data is available for this entity.

PART-TIME EMPLOYEES CONVERTED TO CLOVER STAFF DURING THE YEAR: **278 AT A COST OF R5,2 MILLION** p.a.

LABOUR BROKER EMPLOYEES CONVERTED TO CLOVER STAFF DURING THE YEAR: **820 AT A COST OF R17 MILLION** p.a.

COLLECTIVE COMPOUNDED EXPERIENCE **61 000 years** IN THE DAIRY INDUSTRY

NUMBER OF NEW RECRUITS DURING THE PERIOD 1 JULY 2014 TO 30 JUNE 2015: **1 380**

(Female: 344) *(Male: 1 036)*

AVERAGE TENURE PER EMPLOYEE: **7 years** IN THE DAIRY INDUSTRY

AVERAGE AGE OF EMPLOYEES: **38 YEARS**

Percentage of employees who are women

Company	Permanent Men	Permanent Women	Permanent Total	Permanent % Women	Temporary/fixed term Men	Temporary/fixed term Women	Temporary/fixed term Total	Temporary/fixed term % Women	Total Men	Total Women	Total Total	Total % Women
Clover SA	5 375	1 607	6 982	23,02	291	162	453	35,76	5 666	1 769	7 435	23,79
Clover Fonterra Ingredients	6	7	13	53,85	0	0	0	0,00	6	7	13	0,00
RBC	118	46	164	28,05	3	0	3	0,00	121	46	167	27,54
Waters	25	8	33	24,24	3	0	3	0,00	28	8	36	22,22
Namibia	39	8	47	17,02	36	4	40	10,00	75	12	87	13,79
Swaziland	23	10	33	30,30	13	0	13	0,00	36	10	46	21,74
Botswana	215	107	322	33,23	27	3	30	10,00	242	110	352	31,25
Clover MilkyWay	50	41	91	45,00	2	0	2	0,00	52	41	93	44,00
Lactolab	3	5	8	62,5	1	0	1	0,00	4	5	9	44,40
Total	**5 854**	**1 839**	**7 693**	**23,90**	**376**	**169**	**545**	**31,00**	**6 230**	**2 008**	**8 238**	**24,37**

Percentage of employees who are permanent	**93,38**

3. STRATEGIC RESOURCING

Clover's dynamic environment requires that we anticipate future competencies in order to execute our strategy. To ensure optimum levels of productivity, regular review of our labour force composition, and the optimisation of resources, is constantly required. To ensure long term value creation, we need a labour force that has:

- business acumen and understands the CORE (Business model);
- collaboration ability to build cross functional teams;
- global cultural agility;
- creativity;
- customer centricity;
- influence and Inspiration; and
- the ability to build creative and effective teams

4. ALIGNMENT OF EMPLOYEES

Business and individual objectives have been set in the context of Clover's vision and mission, through the use of the Balanced Score Card and Key Performance Indicators. We believe the alignment of employees is critical for business success, and to build a culture of exceptional performance. We have transformed the HR team into skilled business consultants and business partners. Clover is in the process of developing an enhanced performance management platform that will allow for improved focus, mentoring, and reporting on performance. The HR team needs to manage service levels, design service centric systems, and measure the quality of service that our employees are providing. This is done using advanced analytics. Special events are also used to share and clarify the company's objectives, vision and strategy to ensure value creation for the long term.

5. LEARNING AND DEVELOPMENT

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	2015	2014	2013	2012	2011
Number of employees trained	**2 601**	2 127	1 953	2 224	2 058
Total training spend per year (R'000)	**13 485**	8 337	7 965	4 879	3 450
Training spend per total number of employees per year (R'000)	**1 657**	1 298	1 219	744	543
Number of man days spent on training	**15 306**	6 705	4 627	2 965	2 744

Intervention	2015 Total employees	2015 Black employees	2014 Total employees	2014 Black employees	2013 Total employees	2013 Black employees
Number of employees trained	**2 601**	**2 167**	2 127	1 715	1 953	1 601
Number of employees enrolled on Learnerships, Skills Programmes and Apprenticeships	**455**	**380**	344	308	299	266
Number of employees on Formal Workplace Experience and In-Service Training Programmes	**24**	**21**	38	29	24	17
Number of bursaries (employed/unemployed) granted for degree and diploma studies*	**26**	**12**	36	17	54	23
Value of bursaries granted for degree and diploma studies*	**R 325 113**	**R 191 864**	R 678 023	R 461 135	R 720 000	R 453 000

* *There was a decrease in the amount paid from the 2014 to the 2015 financial year in respect of bursaries due to the shift in focus from degree and diploma studies to learnerships, skills programmes and apprenticeships.*

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 2016.

MANAGEMENT AND LEADERSHIP DEVELOPMENT	PRODUCTION	SALES	WAREHOUSE AND DISTRIBUTION	ALL BUSINESS UNITS
Essentials of Management and Leadership (one point lesson coaching programme)	**Good Manufacturing Practices** Dairy (skills programme)	**National certificate** wholesale and retail operations (learnership)		**Young professional development program** (YPDP)
Essentials of Management and Leadership programme (skills programme)	**Dairyman Development programme** (learnership)	**Further Education and Training certificate** Customer management	**National certificate** Professional driving	**Bursary program** (employees)
Further Education and Training certificate (Generic management) (learnership)	**National certificate** (packaging operations)	**Contact Centre Operations Learnership**		**Bursary program** (unemployed/ young talent)
Management Development programmes ("USB")	**Apprenticeships**			**Internship/work experience program**
MANAGERS	PROCESS LEADERS MACHINE OPERATORS ARTISANS	MERCHANDISERS TELESELLERS ACCOUNT MANAGERS	DRIVERS	YOUNG PROFESSIONALS/ TALENT

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.

In preparation for a revolution in learning and development, new online and mobile platforms are being investigated that will anticipate new skills required for long term value creation.

6. PRODUCTIVITY AND CONTINUOUS IMPROVEMENT

As part of the Clover culture, there is ongoing focus on productivity and continuous improvement initiatives. Through Project Driven, there is renewed focus on team performance, multiskilling, variable pay opportunities and a number of other "Way Better" initiatives. We understand that traditional performance management is outdated, and that individual performance has been challenged with our employees' ability to work in teams. Clover has developed a "Way Better" team campaign where performance is driven by focussing on quality, cost, speed of execution, staff safety and morale. The successes that have been enjoyed in the Production environment with our "Way Better" campaign are being rolled out across the value chain. A number of automation possibilities are also under investigation to enhance performance.

A process is in place to evaluate the continuous improvement capabilities of each business unit and to bring about improvement where possible. Another focus area has been the bedding down and streamlining of operations following recent merger and acquisition transactions. At Clover we understand that productivity and continuous improvement is not an event or a box that needs to be ticked, it's about long term value creation.

Employee Wellness

Clover is committed to proving a safe and healthy work and social environment for its employees. This together with individual employee wellness should help enable employees to perform optimally and contribute to the success of the Group.

In an endeavour to ensure that a healthy work environment is provided, Clover has made the following available:

- access to two medical aid schemes, namely Discovery and Umvuzo;
- clinic facilities at certain of the major sites which are manned by trained professionals on a permanent basis;
- annual medicals for management;
- trauma counselling through ICAS;
- a generous leave policy which is aimed at providing employees with adequate rest periods; and
- trauma cover for life threatening diseases.

In the light of productivity, here are a few tables which depict Clover's statistics in relation to hours worked:

Total Number of Person Hours Worked (PHW)

Company	Permanent	Temporary	Man-hours July'14 – Jun'15	Absent days* 8hrs	Total man-hours worked July'14 – Jun'15
Clover SA	17 426 978	1 357 905	18 784 884	1 576 377	17 208 506
Clover Fonterra Ingredients	28 869	0	28 869	2 540	26 329
RBC	264 864	6 209	271 073	18 061	253 012
Waters	80 062	8 185	88 247	5 106	83 141
Namibia	135 903	50 437	186 340	9 090	177 250
Swaziland	83 508	7 800	91 308	6 720	84 588
Botswana	872 170	81 453	953 623	58 495	895 127
Total	**18 892 355**	**1 511 989**	**20 404 344**	**1 676 390**	**18 727 954**

** Absent days includes annual leave days.*
The data depicted above is being reported for the first time and will be the baseline going forward. Clover MilkyWay has not been included in the above table as only one month's data is available for this entity. Lactolab has not been included in the above table due to unavailability of data.

Total number of Person Days lost due to Absenteeism

Company	Family responsibility	Sick	Special	Study	Grand total
Clover SA	4 142	25 334	11 433	775	41 684
Clover Fonterra Ingredients	1	30	10		41
RBC	59	456	657		1 172
Waters	13	119	6		138
Namibia	21	69	3	6	99
Swaziland		85	40		125
Botswana	48	749	662	31	1 490
Grand Total	**4 284**	**26 842**	**12 811**	**812**	**44 748**

In addition to the above, the total man-hours lost due to strike activity amounted to 180 hours or 22,5 man-days from the period 1 July 2014 to 30 June 2015. For the same period, the number of temporary employment services (TES) employees was approximately 1 800 people.

- *Please note that the information in the tables depicted above have been disclosed for the first time and will be the base for future disclosure. No comparatives are therefore available at present.*

7. CHANGE OF THE LABOUR LANDSCAPE

We are pleased to report that a stable labour environment was prevalent throughout the past year. Effort was taken to ensure that managers are properly trained and also that there is ongoing and open communication going forward. There is regular and constructive interaction between Management and the Union at a national and branch level.

Below is a table that shows the percentage of employees that belong to a Trade Union:

Percentage of permanent employees who belong to a Trade Union

Company	Percentage
Clover SA	49,61
Clover Fonterra Ingredients	0
RBC	41,10
Waters	60,61
Namibia	29,79
Swaziland	0
Botswana	41,93
Total	**48,73**

Clover MilkyWay and Lactolab has not been included in the above table due to unavailability of data.

8. 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:

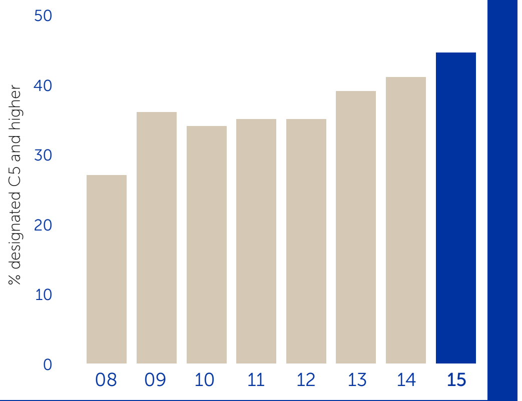
- steps are taken to appoint suitably qualified candidates from the designated groups where vacancies arise;
- various training and development initiatives are aimed at having a positive impact on the Company's longer term employment equity objectives; and
- in compliance with legislated requirements, the Company has submitted an employment equity report.

Clover subscribes to Employment Equity legislation and relevant Codes of Good Practice which 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.

Clover has been increasing the number of employees from designated groups as tabled below:

PERCENTAGE OF STAFF FROM DESIGNATED GROUPS AT JUNE 2015



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	2014/2015 Objective	Achieved 30/06/2015	2015/2016 Objective
Black people on F Band	14,29%	12,50%	14,29%
Black people on E Band	14,28%	12,50%	19,04%
Black women on E Band	9,52%	6,25%	14,20%
Black people on C5 – D5 Band	24,55%	24,11%	28,25%
Black women on C5 – D5 Band	8,10%	7,11%	10,00%
Black people on C1 – C4 Band	55,00%	56,17%	57,00%
Black women on C1 – C4 Band	12,70%	12,95%	14,00%
Disabled people	0,74%	0,63%	0,78%

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.

Clover's last B-BBEE verification was performed based on the June 2014 year end by Middel and Partners, an IRBA approved verification agency. The Group was assessed against the current Agri B-BBEE Sector Codes for the second time and the Group's overall score improved by 25,44% from June 2013. Based on this verification, Clover was assessed as a Level 4 B-BBEE contributor.

The extent to which the Agri Sector Codes will be modified in accordance with the new amended Generic B-BBEE Codes, which became effective as from 1 May 2015, is uncertain. It is, however, expected that all sector codes be aligned to the amended Generic B-BBEE Codes by 31 October 2015.

Clover's B-BBEE strategy will then be re-assessed and targets adjusted accordingly once this announcement has been made.

Clover reaches **Level 4 B-BBEE** status!

9. INNOVATION AND TECHNOLOGY

Clover is in the process of improving its capability to proactively provide information that will add value to the business. At Clover we don't only need a system of record, we need a system of engagement.

HR is evolving into a data driven system that integrates talent, HR and business technology. We encourage innovation in Clover and acknowledge the need to equip personnel with technology that will enhance performance.

Following the successful implementation of the new payroll system, Clover is busy implementing phase two of the integrated human capital platform. Focus will be on performance management, talent management, recruitment and learning.

A project is underway to establish how social media can be utilised to improve communication in the company.

10. AFRICA EXPANSION

Our decision to exploit opportunities which exist in Africa, is placing new demands on the business. We need to think "Africa" in scale, and "local" in implementation. 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.

How we create value for our employees ...

Value creation

Current

- Ongoing upskilling of employees through exposure to training programmes; provision of financial assistance for study purposes; and offering of bursaries
- Development of employees through learnerships and management development programmes
- Employees are given the opportunity for advancement/promotion/career development
- Staff assessment and feedback for development purposes
- Participation in improvement projects and acquisitions/mergers
- Exposure to coaching
- Access to modern equipment and technology
- Improved productivity/results are encouraged through a range of incentive schemes
- Retention of employees as a result of job satisfaction and competitive remuneration/reward practices

Future

- To be a sought after employer by providing its employees with flexibility and challenges that are purpose-driven and tackles broad issues
- Develop a continued attitude of excellence within our employees which lead to them being valued as people and major assets of the company
- Offer employees the opportunity to explore multi-chapter career paths that cross many business functions which allow them to be exposed to continuous training
- Transform the HR team within Clover into skilled business consultants and business partners in order to deeper infiltrate the rest of the business on a service offering level to identify new skills required to address Clover's vision and mission.
- Employees have a sense of confidence in the long term sustainability of the company
- Retain competent, highly skilled human capital with vast experience and empower employees to become equal partners in the learning process

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 available globally. 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 for improved energy and water efficiencies. This will allow Clover to be more cost competitive at a unit cost level. 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 is a branded food and beverages group with a strong emphasis on value-added products. The company has operations in South Africa and selected African countries. Part of the company's vision is to deliver trusted products and sustainable shareholder value by being a responsible corporate citizen and preferred employer.

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

In realisation of this responsibility, Clover is committed to implementing and maintaining an effective Environmental Management System to provide a structured framework for continual improvement of its environmental performance. As part of the Clover Environmental Management System, Clover has set the following objectives which have also been incorporated into Clover's Environmental Policy:

Objective	Outcome
Continuously improve environmental performance.	Implement and maintain an effective environmental management system ("EMS"). Provide a structured framework for continual improvement. Identify and manage progress against set targets per identified aspects.
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 on the environment.	Implement programme, monitor waste sent to landfill and set targets for reducing waste to landfill.
Minimise product returns and damages and the impact thereof on the environment.	Implement programmes to continuously reduce returns.
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 17% 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 SHEQ management system and other forms of assurance.

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.

Operational efficiency

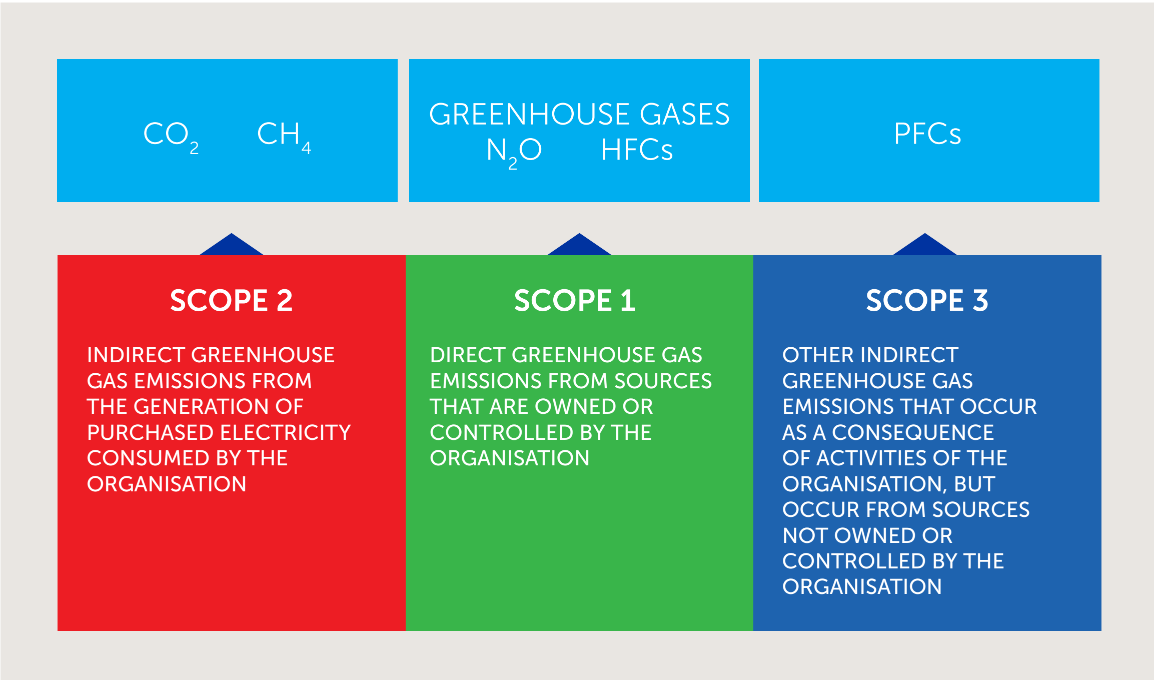
	2012/2013	2013/2014	2014/2015
Total Direct Energy Consumption in Gigajoules – i.e. from fuels burned	1 514 881	1 445 980	**1 514 773**
Total Indirect Energy Consumption in Gigajoules – i.e. from electricity consumed	526 292	474 801	**482 168**
Total Electricity Consumption (MWh)	146 192	131 889	**133 936**
Total Energy Consumption in Gigajoules	***	***	**1 966 941**
Electricity consumed per kg product produced (kWh/ton)	168,4	142,4	**137,3**
Fuel consumed for steam generation (coal, diesel, HFO) per kg product produced (kWh eq/ton)	523	423	**402**
Waste to landfill in kg per ton produced	15	9,3	**7,3**
Total weight of Non-Hazardous Waste Disposed (ton)	***	***	**5 940**
Total weight of Hazardous Waste Disposed (ton)	***	***	**758**
Total weight of Waste sent for Recycling (ton)****			**8 552**
Percentage of Waste disposed of that is sent for recycling	52	58	**71**
Water consumed per kg of product produced*	4,56	4,09	**3,79**
Total Water Consumption (Kilolitres/Kl)*****	3 100 616	3 363 183	**3 323 214**
Average Volume of Water (Litres) Consumed per Person Hour Worked (l/HW)	***	***	**283 614**
Carbon Footprint **			
Total Carbon Emissions (Tons of Carbon Dioxide equivalents, CO_2e)	265 627	245 357	**255 482**
Total Scope 1 emissions (tonnes CO_2 eq)	122 765	116 659	**125 887**
Total Scope 2 emissions (tonnes CO_2 eq)	142 862	128 698	**129 595**
Average Volume of Carbon Emissions per Person Hour Worked (Tons CO_2e/HW)	***	***	**0,022**
Trends per Source			
Stationary combustion (tonnes CO_2 eq)	72 827	67 304	**76 495**
Mobile combustion (tonnes CO_2 eq)	44 956	45 595	**43 027**
Fugitive (refrigerants) (tonnes CO_2 eq)	4 982	3 759	**6 365**
Electricity (tonnes CO_2 eq)	137 397	123 955	**125 878**
Purchased steam (tonnes CO_2 eq)	5 465	4 744	**3 717**

* *Please note that water consumption is only reported for production, however production constitutes 95% of all Clover's water usage.*
** *Data in respect of carbon footprint include all entities acquired during the year.*
*** *Data for this period is unavailable. Data for the 2014/2015 period will be used as a base for future reporting periods.*
**** *Please note: for the 2013/2014 year the figures relate to production only and for 2014/2015 year, includes the entire supply chain.*
***** *Please note this relates to production only.*

Carbon footprint

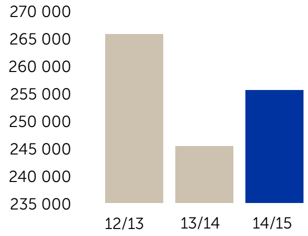
Clover's carbon footprint extends over the operations of the following five business units:

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.



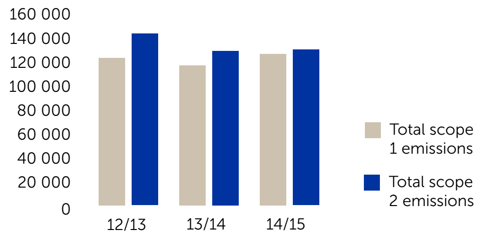
CARBON FOOTPRINT

Total scope 1 + 2 emissions – tonnes CO_2e



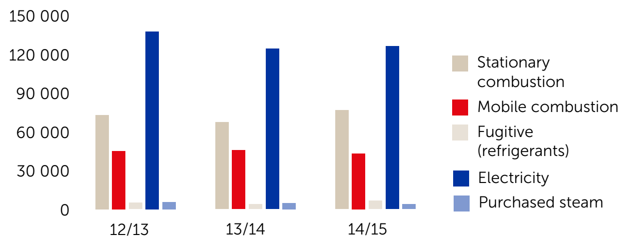
CARBON FOOTPRINT – BY SCOPE

tonnes CO_2e



CARBON FOOTPRINT

tonnes CO_2e



NATURAL CAPITAL (CONTINUED)

Value creation

Past

Behaviour in the company is strongly driven by financial and legal imperatives. Particular emphasis where placed on ensuring correct invoicing from service providers, and ensuring that no under/over billing occurs for critical inputs, for example, fuel, water and electricity. Fuel and water quality was a strong focus area. Compliance with legislation was emphasised.

Present

The significant change in relative pricing for energy and other utilities has had (and continuous to have) a significant impact on the company. Relative pricing has changed to such an extent, that a failure to reduce resource consumption intensity will diminish the competiveness of the company, impacting directly on long term value creation. This is especially true in the case of water, electricity and fuels. This structural change has also created an opportunity to improve resource use efficiency, as the company has a responsibility towards all stakeholders to use limited resources wisely for future value creation. This responsibility to all stakeholders also extends to continuously reducing our impact on the environment over time. Given the above, Clover has placed significant emphasis on reducing resource consumption intensity, and aligning actions and activities with performance appraisal and targets. During the current year, our continued focus on water, air and fuel quality has been further improved.

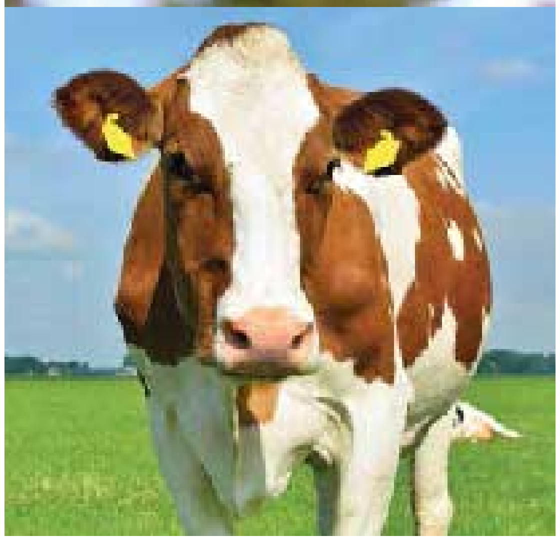
Future

South Africa faces significant water and electricity constraints at present, which necessitates an extended period of capital expenditure. There will be significant pressure to increase tariffs to recover capital expenditure. We anticipate that tariffs will need to increase above the average rate of inflation for an extended period of time. We have therefore embarked on a journey of continuous efficiency improvements to reduce resource consumption.

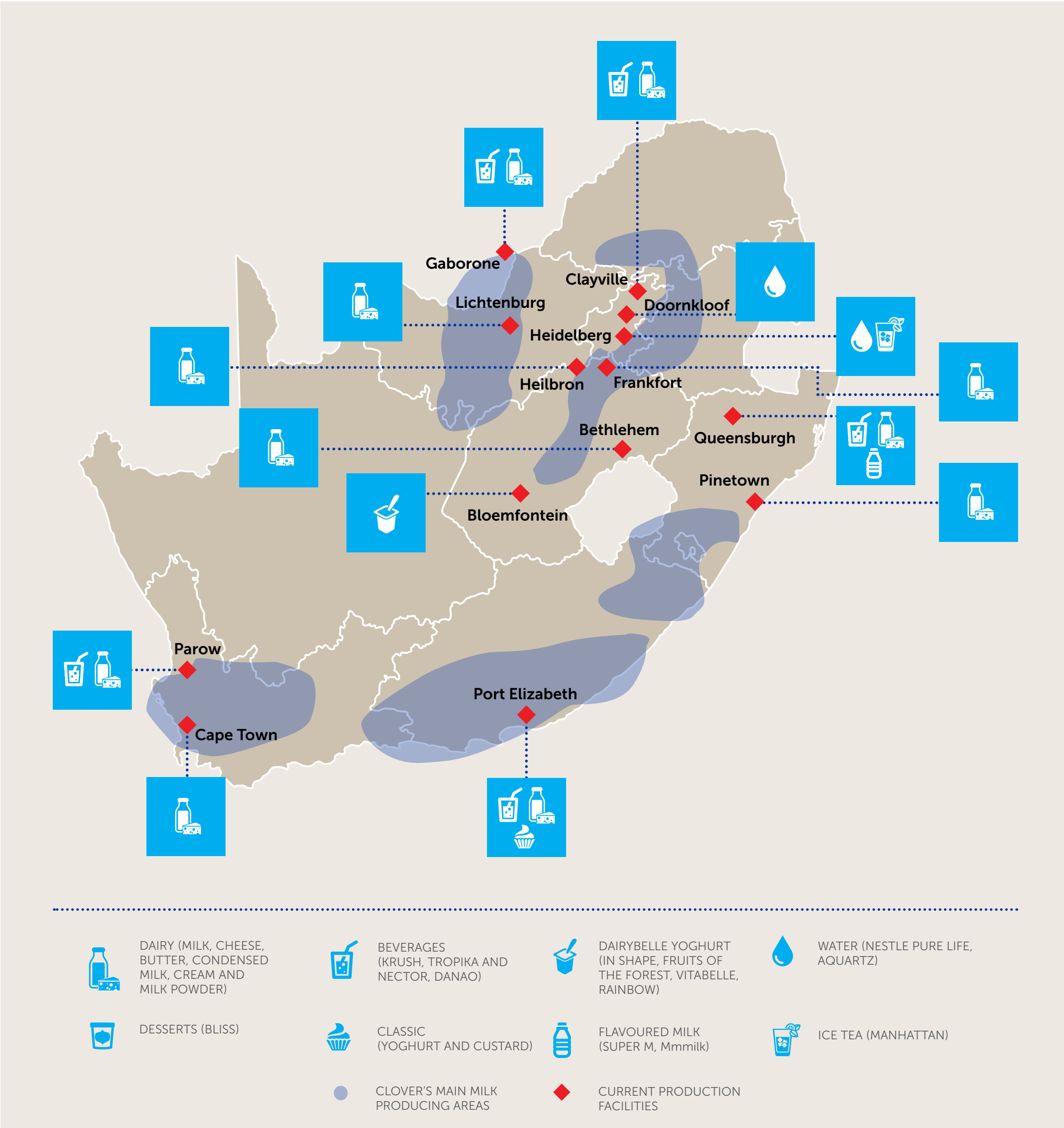
In order to achieve this, the company will partner with selective service providers to ensure economies of scale in the use of new technologies, and to ensure that Clover becomes the efficiency leader in the market segments it competes in. This not only extends to improved efficiency in terms of water, electricity and fuel consumption, but also to eliminate waste to landfill, effluent under the control of the company, and all other environmental impacts across the value chain.

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 that will enhance long term value creation.

At Clover our end goal is to create long term value through being a good corporate citizen that improves the wellbeing of all our stakeholders.



MANUFACTURED CAPITAL



The table below depicts the main aspects within Clover's manufactured capital:

Producer selection	As at 30 June 2015, Clover sources its milk from 173 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 8 hours to ensure freshness.
Clover Way Better supply chain and warehousing capabilities	Delivering to approximately 14 550 points through 583 trucks to an average of 8 customers per day per truck.

SUPPLY CHAIN PLANNING AND PROCUREMENT

Clover's Supply Chain Planning department centrally plans all manufacturing, purchasing, storing and deployment of finished goods throughout Clover's integrated Supply Chain. Production requirements, stock levels and deployment plans are based on predicted future demand for Clover's products in the market. The predicted demand is determined through a Sales- and Operations Planning process which entails statistical forecasting models which are further corroborated through a collaborative process with Clover Commercial and Clover Marketing. Due to the seasonal nature of raw milk production, the production plans for finished goods needs to be optimised, taking into account seasonal raw milk intake, desired stock levels and capacity constraints in the Production- and Distribution network. Milk flow from Milk procurement depots to factories is optimized on a daily basis to ensure the lowest possible landed cost of milk at factory gate. Actions to manage potential raw milk shortages and surpluses based on predicted demand vs. supply imbalances, are considered on a regular basis by Clover's Executive team who will direct the Supply Chain Planning department in terms of implementing the required strategic actions.

The Supply Chain Planning department is furthermore responsible for the management of all Primary transportation between factories and distribution depots as well as bulk deliveries to selected customers. The primary transportation is executed through a combination of Clover managed vehicles as well as external hauliers. Optimization of the mix between own managed fleet and external hauliers as well as ensuring sustainability at the lowest cost is our main objective.

Clover is continuously improving processes to ensure customer demand is met, and that order fulfilment rates are achieved at the lowest possible cost. To create long term value, the following initiatives are currently in progress:

- Integrated Business Planning project:
  - the project entails the implementation of state-of-the-art planning software which will replace the current outdated planning tools;
  - improved alignment and integration (forward and backward) with Clover's ERP system will be achieved with less room for human error;
  - the system will allow for faster and more efficient what-if modelling and optimization strategies to support decision making; and
  - through enhanced S&OP facilitation, the system will contribute to better planning of future demand.

Improved alignment between Operations, Commercial and Marketing will be achieved through enhanced visibility of plans and communication of changes.

- Network optimization:
  - Clover implemented a network optimization model (Profit Point) which provides a simulation capability and optimization engine to evaluate potential changes in the Supply Chain network; and
  - the tool will be used on a regular basis to initiate and/or evaluate potential future placements of Production and Distribution points in the network to ensure optimal use of infrastructure in the Supply Chain.

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 program, whereby the quality of raw milk is continuously improved at farm level. All of Clover's raw milk is presently sourced from farms that have passed the Best Farming Practices audits with 80% or more.

Sustainable milk supply

Clover has the longest history of purchasing raw milk from producers in South Africa. Clover's Unique Milk Procurement System ("CUMPS") is used to ensure sustainable milk supply throughout the year. 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, as agriculture is one of the very important cornerstones of healthy rural development and food security.

Economic factors and sustainable milk quality are the largest barriers of entry for emerging farmers. Likewise, a number of Black Economic Empowerment ("BEE") initiatives have failed due to a lack of 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.

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; and
- personnel and people.

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. Although no tests are available in South Africa, 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 to the fact that Clover will leave no stone unturned to ensure that Clover's products are safe and nutritious.

Since June 2009, all of Clover's milk producers have been participating in the BFP programme. Compliance is assured through regular audits and 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 worldwide research and development programmes. Clover is 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 biodiversity, 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.

Description	2015	2014	2013	2012	2011
Litres of milk procured from producers (million litres)	**606**	632	668	648	652
Litres of raw milk transported per kilometre	**111**	99	70	69	73
Average number of milk producers who supplied milk to Clover during the year	**189**	218	240	258	293
Estimated number of employees employed by above producers*	**3 103**	3 277	3 637	3 738	4 102
Estimated number of dependants reliant on income received from above employees**	**12 099**	13 867	13 656	18 690	20 510

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

Quality of raw milk collected

Clover's Milk Procurement business unit continuously seeks new and better ways of conducting its business. Clover is proud to report that its Electronic Tanker Collection System ("ETCS") project, a first for the South African dairy industry, has been finalised. It is a huge improvement over the methodologies used in the past, and the 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 in its class. Clover Milk Procurement in conjunction with the NRCS is continually in the process of verifying each collection tanker's system, to ensure that the same specifications are adhered to throughout the whole fleet. Each and every tanker's system is verified once a year, to assure the best possible accuracy.

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 older 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 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 are displayed on the cell phone's screen through the whole process of collecting milk.
- Clover Milk Procurement has fitted most of its tankers with 3" suction hoses to ensure the shortest possible turnaround time at farm level. This means that we 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 new tankers are fitted with level sensors, which means that drivers do not have to climb a ladder to see if the compartment is full anymore. The milk pump stops automatically, as soon as the milk reaches the level sensors. This enhances 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, as well as time savings on-farm. Due to the system's accuracy levels, quite a number of milk producers have recently used the system as benchmark to have their on-farm bulk tanks re-assized by assizing specialists. 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 16 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. During the period under review, the group acquired the UHT Milk (Epping plant) and Yoghurt (Bloemfontein) factories from Dairybelle as well as Clover MilkyWay, formerly known as Nkunzi MilkyWay, which is situated in Silverton, Pretoria.

Facility	Product type
Bethlehem	Milk powder Creamers
Clayville	Milk (Fresh) Cream (Fresh) Dairy fruit mix (Fresh & UHT) Clover Krush
Estcourt	Milk powder
Frankfort	Butter Ghee Milk powder
Heilbron	Condensed milk Buttermilk powder Whey Powder
Lichtenburg	Cheddar cheese Gouda cheese Mozzarella cheese Tussers cheese Feta cheese
Parow	Clover Krush Cream (Fresh) Dairy fruit mix Milk (Fresh)
Pinetown	Milk (UHT)
Port Elizabeth	Dairy fruit mix (UHT) Milk (Fresh) Cream (UHT) Custard
Queensburgh	Dairy fruit mix Maas Milk Fresh and Extended Shelf Life Steri flavoured milk Milk (UHT) Clover Krush Dairy fruit mix

Facility	Product type
Epping	Milk (UHT)
Bloemfontein	Yoghurt
Clover Waters (Doornkloof)	Water
Inhle (contract manufacturer)	Aquartz Ice Tea
Botswana	Dairy fruit mix Maas Milk (Fresh and UHT) Clover Krush Dairy fruit mix
Silverton	Ayrshire milk

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 prerequisite 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. Particular emphasis is placed on continuous improvement and embedding this in the culture of the organisation. Care is taken that both big improvements, and little step by step improvements are properly identified, controlled and managed.

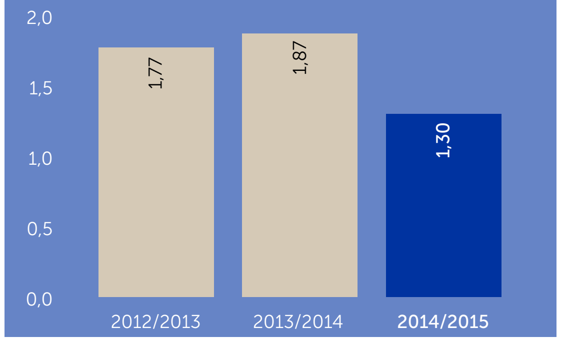
Given the technological progress being made on a daily basis, the ability of companies to compete over the medium term necessitates continuous investment in order to improve efficiencies and reduce costs. Failure to do so would lead to an ineffective cost structure and an unattractive, uncompetitive product offering. 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. It should be noted that the slight deterioration in the ratio for the year under review (though still at a high level), is not related to a decrease in investment, but rather to higher depreciation resulting from the increase in investment over the last three years.

The graph alongside depicts the percentage of machines that were available for usage in production. Please refer to the next page where the utilisation thereof during the year is discussed.

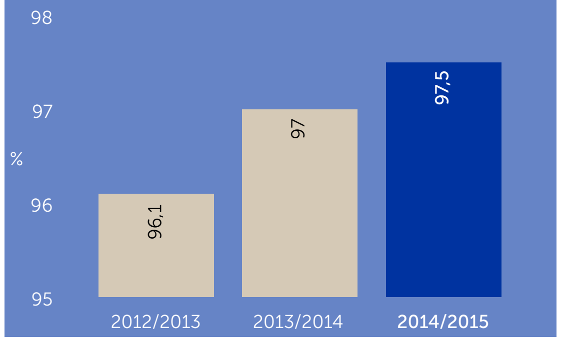
RATIO BETWEEN CAPITAL EXPENDITURE AND DEPRECIATION



- **Factory Machine Availability – Key Risk Indicators**

  Achieving a high level of machine availability is important for several business objectives. Higher throughput is achieved, with a set number of hours worked, product losses are reduced and energy consumption is minimised. A further benefit is that assets are properly utilised, and the need for additional equipment to accommodate a higher level of production is reduced when availability improves.

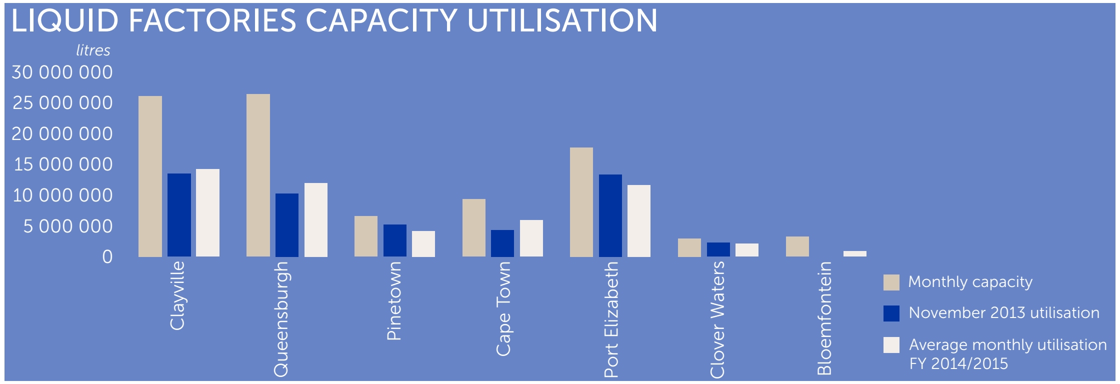
MACHINES AVAILABLE FOR USAGE



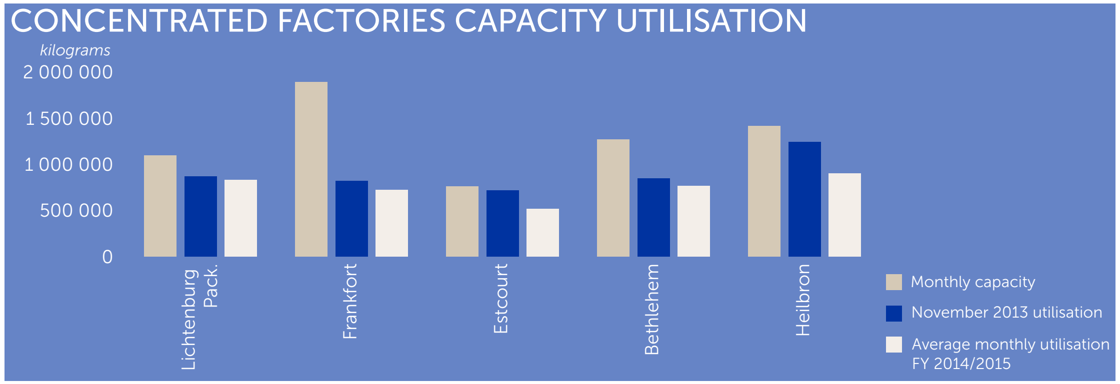
CONCENTRATED FACTORIES CAPACITY UTILISATION

- **Capacity Utilisation – Key Risk Indicators**

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, where after 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 considered. For a seasonal product, the peak value is more illustrative.



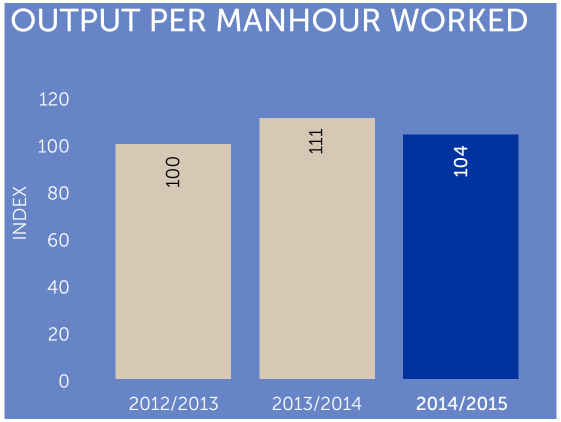
LIQUID FACTORIES CAPACITY UTILISATION



CONCENTRATED FACTORIES CAPACITY UTILISATION

- **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. Clover's labour requirements 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 man hour worked in manufacturing. Progress in this regard improves the ability of Clover to afford a more expensive/skilled labour force. Results from the 2014/2015 financial year shows a decrease from 2013/2014 levels, mainly due to decreased productivity in our cheese manufacturing operations. The company is investing in palletising automation at present, which will improve the output per man hour worked in the 2015/2016 financial year.



OUTPUT PER MANHOUR WORKED

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 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. Independent verification audits were conducted in a three year cycle for the production facilities during the period under review. Refer to the Combined Assurance on the six capitals on page 132 where this has been detailed. The Lost Time Injury Frequency rate (based on reportable injuries per million man-hours worked) has improved during the period under review. Below is a table which depicts all health and safety statistics available to Clover as a whole:

Description	Supply chain
Number of people receiving Health and Safety training (1 Person, 1 Course = 1)	**1 090**
Fatalities – People working under our control	**1**
Total Number of Recordable Injuries, including Medically Treated Cases, Lost Time Injuries and Fatalities	**434**
First aid Cases – Persons working under our control	**626**
Reportable (Compensation Commissioner) lost time injuries for this financial year	**147**
Fatal Injury Frequency Rate (i.e. number of Fatalities per 200 000 person hours worked)	**0,0043**
Lost Time Injury Frequency Rate (i.e. the number of LTIs per 200 000 person hours worked)	**0,638**

Clover's target for Lost Time Injury Frequency Rate is to have less than 2 per million hours worked.

Clover is committed to providing a safe environment for all employees to work in. Below is a table of Clover's Occupational Health and Safety legal appointments who assist in ensuring that all Clover premises adhere to the highest safety requirements:

EXECUTIVE SUMMARY	
16.2 and Assistant*	**37**
8.2**	**39**
GMR2***	**28**
SHE Rep****	**234**
Firefighters	**277**
First Aiders	**296**
Stacking Inspectors	**24**
Accident investigators	**99**
Evacuation/Emergency Officers	**30**
Occupational Health Nurse/SHE officer	**19**

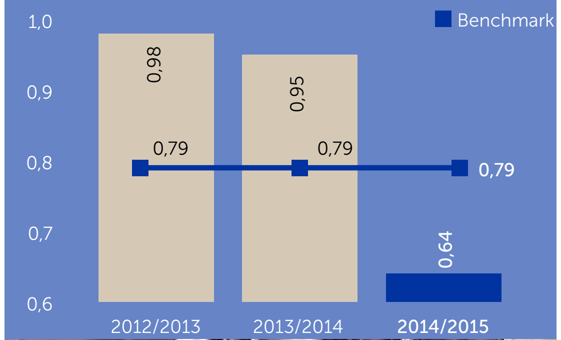
* *In terms of the Occupational, Health and Safety Act, a 16.2 appointment is a person appointed by the CEO of a company, who is responsible for all Health and Safety matters of the company and will be subject to the control and direction of the CEO.*

** *In terms of the Occupational Health and Safety Act, an 8.2 appointment is a person appointed to facilitate the occupational safety of the company.*

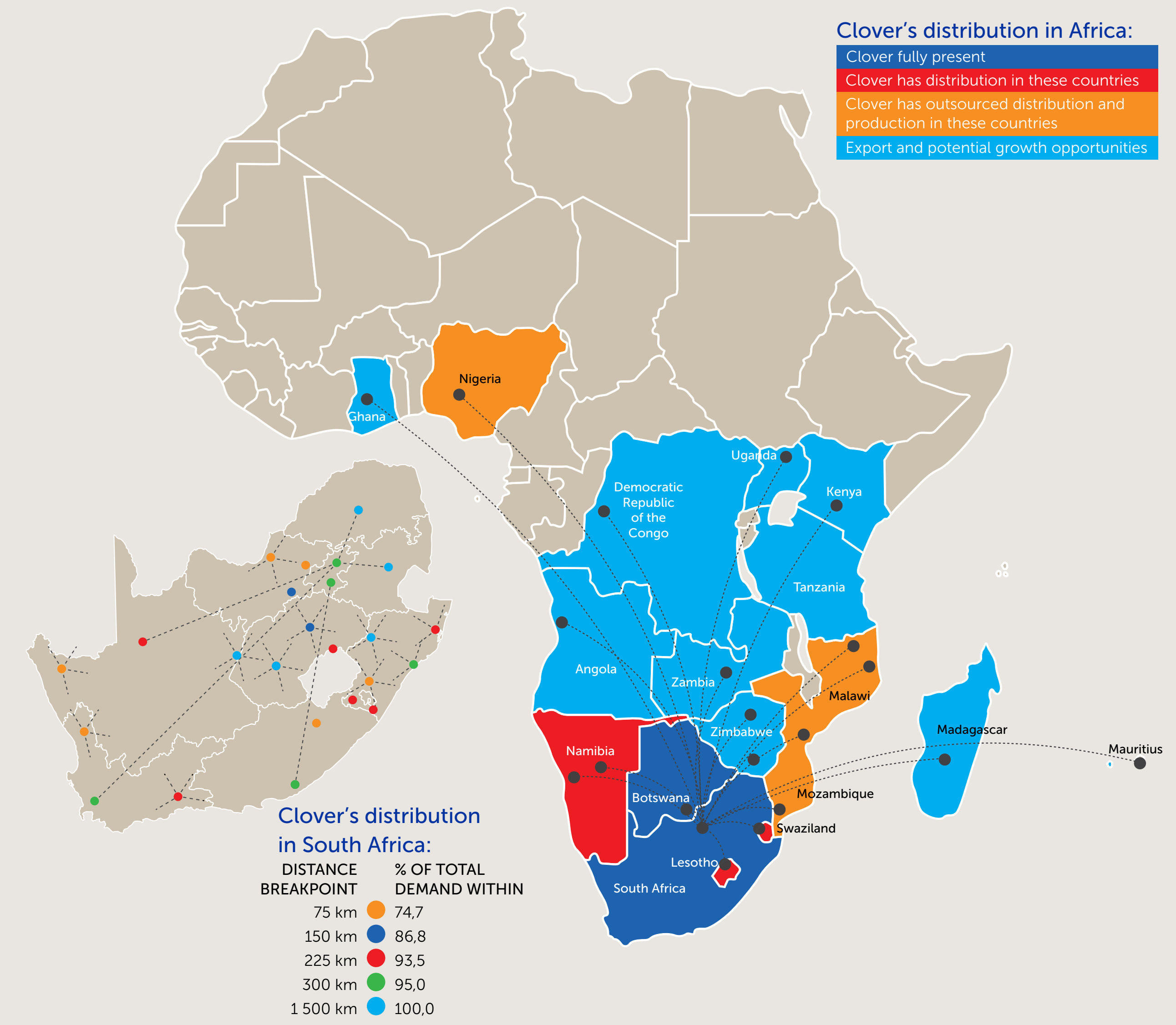
*** *This appointment is in terms of the General Machinery Regulations. The designated person is appointed in a full-time capacity in respect of each premise on which machinery in used to supervise all machinery.*

**** *Safety, health and environmental representative who represent all employees of the business.*

LOST TIME INJURY FREQUENCY RATE PER MILLION MANHOURS



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.



DISTRIBUTION

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. Deliveries are then made from one of Clover's 27 distribution centres to approximately 14 550 delivery points in South Africa. Clover also has agreements with several principal customers on whose behalf distribution and in-store merchandising services are performed at retailers.

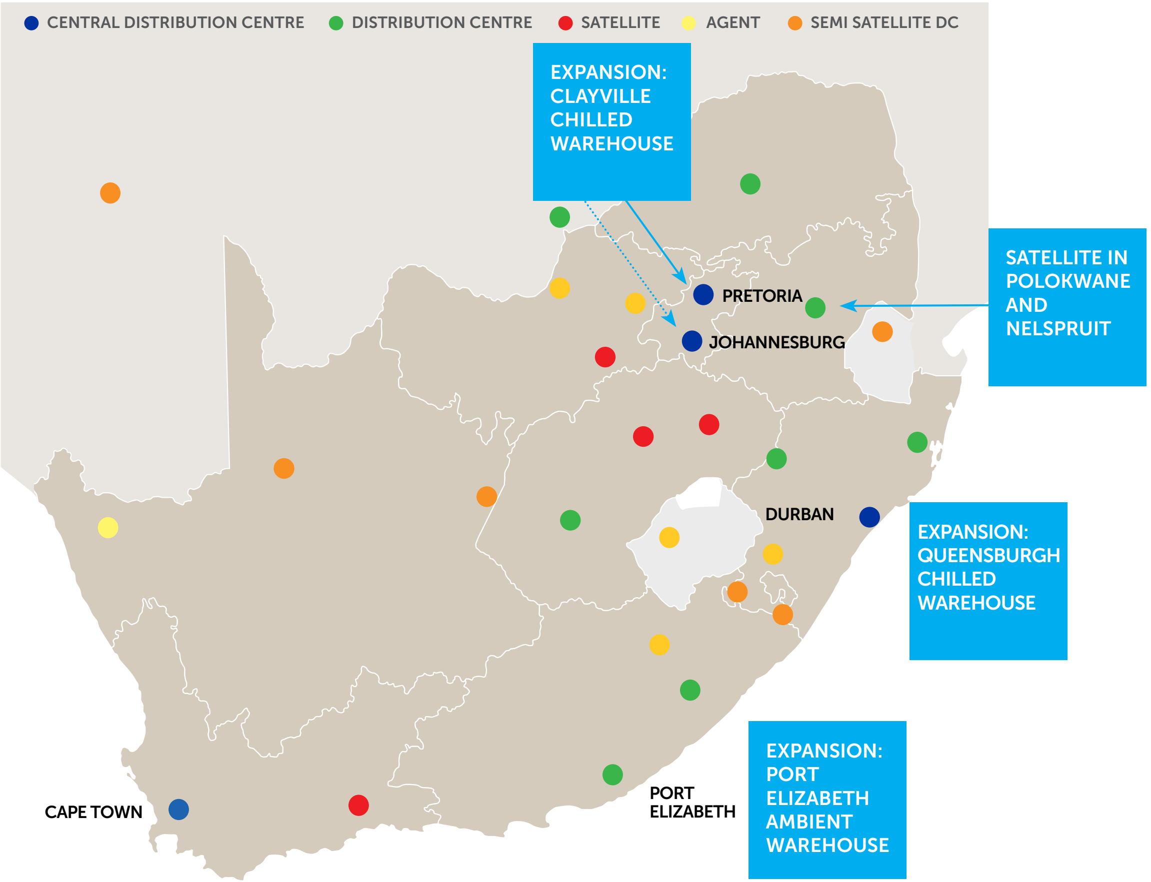
Stores receive direct deliveries of Clover products between two and five times per week, depending on sales volumes. Clover has over 600 delivery vehicles which deliver stock to over 14 550 delivery points. Over 800 SKU (stock keeping units) are stored, picked, delivered and merchandised in Clover's distribution network. More than 50% of all refrigerated dairy and processed meat products delivered to stores are being supplied through the Clover Distribution Network.

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; and
- Red Bull.

Danone exited the Clover network as of 30 June 2015. In addition, Clover is also renegotiating the chilled distribution contract with Unilever as the contract is out on tender.

In June 2015, Clover completed the Clayville expansion project at a cost of R 160m. Clover is also looking to consolidate the Western Cape in a new facility at the end of the 2015 calendar year. These projects resulted in an additional 60% chilled warehouse capacity for Clover as a whole which will be utilised for its own growth and the growth of existing and new principals.



MASAKHANE – LITERALLY MEANING *"LET'S BUILD TOGETHER"*

Masakhane was born in 2012 with the idea of further improving Clover's multi-channel footprint. The target of the initiative was to grow sales in any store that did not form part of a Key Account or Buying group. This saw Clover rapidly increase its reach into several forms of informal trading i.e. shacks, spaza shops, tuck shops, corner cafés, general traders and bottle stores.

Masakhane's customer base in 2012 was 600 stores. Currently we are servicing 6210 informal stores. Sales growth in the last 2 years was 665%, albeit of a small base. This exciting channel is still poised for further growth with a forecasted 122% increase in sales during the next four years.

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 and Control 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 legal regulatory requirements.

During the past financial year Clover implemented a programme to transform all its quality systems to comply with the world wide accepted FSSC 22000 Quality Management system, and is in the process of applying these principles throughout the complete value chain. Clover also introduced a Supplier Quality Control programme to ensure that all raw materials and packaging materials comply with internationally recognised Food Safety requirements.

Value creation

Through our recent investments in upgrading all our manufactured capital, Clover has created long term value for its stakeholders. Future value creation is set to take place in the following elements of the value chain which fall under the manufactured capital:

Commercial

- Acquire new customers
- Retain and grow current customers
- Identify and enter untouched markets
- Acquire and invest in higher margin products
- Focus on all segments of the market, both formal and informal

Supply chain and procurement

- Improve pricing strategy with suppliers and other role-players
- Integrate Supply Chain Modelling
- Integrate Business Planning
- Procurement – supplier collaboration
- Development of suppliers to limit the risk of milk shortages, to improve Clover's B-BBEE status and promote job creation
- Milk procurement – supplier collaboration to commence export initiatives and promote growth in national dairy industry

Distribution

- Optimisation of the distribution network with real time execution monitoring
- Distribution mobility through the development of a paperless system to promote streamlined product returns and driver reconciliations
- Distribution Retailer Centralisation
- Expand basket of principal products through strategic partnership focus
- Collaboration with customers

Production

- Improve asset utilisation through consolidation
- Promote industry development, export opportunities and job creation
- Carbon footprint reduction
- Dairy industrial park for all concentrated products
- Increase capacity utilisation

INTELLECTUAL CAPITAL

TRADEMARKS AND PATENTS

Clover is the proprietor of more than 934 registered trademarks within the following jurisdictions:

JURISDICTION	NUMBER OF TRADEMARKS
South Africa	400
Rest of Africa **	532
Other countries**	2

** *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.

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 117 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:

- winner of Reader's Digest's Most Trusted Brands for 2015;
- SAFTA award for best game show for "Little Big Cook Off"; and
- South Africa's leading Iconic Brand in the fresh milk, cream and cheese category for 2015.

That being said, Clover takes pride in announcing its market shares as at 30 June 2015 in all major categories of dairy products available on the market:

	Clover's Percentage Market Share as at 30 June 2015
Fresh Milk	**24,6**
UHT Milk	**16,4**
Cream	**31,6**
Feta Cheese	**26,1**
Pre-packed cheese	**19,1**
Liquid custard	**2,6**
Processed Cheese slices	**8,5**
Pure Fruit Juice	**44,1**
Dairy Fruit Mix	**78,9**
Iced Tea	**17,6**
Bottled Water (Including Aquartz and Nestle)	**13,0**
Flavoured Milk	**26,5**
Maas	**8,1**
Yoghurt	**4,0**

Source: Nielsen Report 30 June 2015 (12 monthly moving)

Cream

Clover cream is ultra-pasteurised to ensure a superior quality product with an extended shelf life. Clover aims to increase its market 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.

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.

Feta Cheese

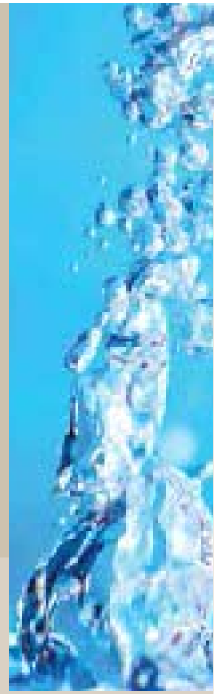
Clover feta cheese is the second largest brand in the market and is competing for the number one position. In this extremely price sensitive market, Clover recognises that it is important to ensure pricing and quality are right. Further to this, Clover promotes feta in store to drive growth and profitability.

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.


Tropika

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

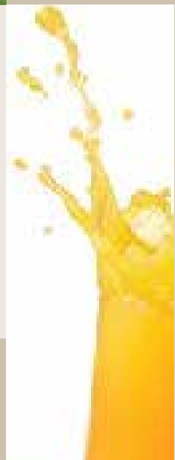



Nestlé Purelife Mineral Water

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.

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 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.

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 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

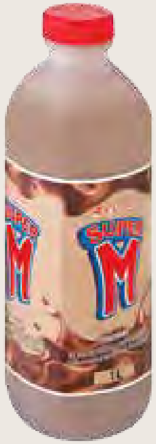
Aquartz is a natural mineral water that is bottled directly at source, this is to ensure the highest quality, purity and safety. The Aquartz water source is a naturally sweet mineral water that is low in TDS's ("Total Dissolved Salts"). Aquartz is available in natural mineral water or in sparkling flavoured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

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 customer's hearts with this cultural and delicious treat.

Fruits of the Forest

Fruits of the Forest is a high quality, low fat, fruit yoghurt made with real fruit pieces. It's improved recipe now has creamier taste, bigger fruit pieces than before, crunchy fruit & 10 vitamins. Available in a variety of popular flavours and convenient packs, consumers can indulge in this 'fruitful' bounty any time of the day.



Clover Classic Yoghurt

Clover Classic Yoghurt is made with more than 80% Clover Milk and is the only yoghurt in the market enriched with 10 Vitamins. After the successful launch in January 2015, Clover Classic Yoghurt already achieved a market share of 9,2% in the Smooth Yoghurt category.

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.

Clover Classic Custard

Clover Classic is a range of deliciously creamy, smooth yoghurt and ready-to-eat custard made with a unique Clover recipe. Clover Classic Custard is made with more than 80% Clover Milk and made with Clover Cream and is uniquely a source of Vitamins, Protein and Calcium. After the successful launch in January 2015, Clover Classic Custard already achieved a market share of 8.3% with only one pack size.

FUTURE VALUE CREATION BY EXPANDING CLOVER'S BRAND BASKET

Clover Future Life

Clover and Futurelife will introduce "Smart Drink", an On-The-Go snack with added nutrients. Smart Drink is designed for everyone who lives their lives on the go.

It is a delicious dairy snack formulated with Clover milk and the nutritional benefits of Futurelife cereals. It is an ideal in between meal snack for the whole family with 50 nutrients, and it is a source of protein, calcium, high in energy and 12 vitamins.

Smart Drink comes in a unique easy to grip 250ml bottle and will be available in 3 flavours:

- Vanilla Caramel;
- Milky Chocolate; and
- Strawberry & Banana.

Bliss decadence desserts

Clover plans to use the Bliss brand, a double cream yoghurt range that Clover bought as part of the Dairybelle transaction, to launch its own range of desserts. The Bliss dessert range will be imported from Italy until such time that it can be manufactured in SA.

LICENCES AND MEMBERSHIPS

Clover is constantly looking for ways to improve the way it does business and making sure every aspect of the business is appropriately recorded and functions appropriately. This includes having state of the art systems to achieve its day to day objectives and therefore to be "Way Better".

Below is a table with some of Clover's significant licences which it subscribes to and uses to make sure information is readily available:

SOFTWARE	DESCRIPTION
BES Time	Time & Attendance Software
ERP LX, eRMS, ELKE	ERP System
SSL Certificates for external exposed systems	IT Security
KAS, Milk System	Application Development Software
Cognos	Analytics and Reporting
Heat & ITSM	Customer/Consumer call logging software
Exrillo	Export System
Dispatcher	Warehouse Management System
Startrak	Warehouse Management System (Small Branches)
D-BIT	Fixed Assets System
ION BI	Fixed Budget System
FTP Server	Integration
Brightstor	Backup Software
Sophos	IT Security
Email protection	IT Security
DB2Connect	Development software for Data Warehouse
Websphere Message Broker	Integration Software
Wonderware	Process Control Software
AutoCad	Design Software
Entropy	SHE Software
On-Key	Production Performance Software
Advanced Planner, Demand Planner, S&OP	Planning Software
Optima/Plato	Primary Distribution Software
Roadshow	Secondary Distribution Software (Route Optimisation)
BarnOwl	Risk Management

Clover's employees pride themselves in being associated with various memberships and institutions of the highest professional standard. Below is a table where this professional institutions have been listed according to the Six Capitals as well as Governance:

List of memberships that Clover as a company and certain employees belong to

Capitals	Memberships or Professional Institution
Human Capital	Institute of Directors
Natural Capital	Cape of Good Hope Agricultural Society Central Agricultural Society South African Juice Association Milk Producers organisation (part of MilkSA) International Dairy Federation Global Dairy Platform (GDP) Dairy Sustainability Framework (DSF) International Farm Comparison Network (IFCN) South African Society of Dairy Technology
Manufactured Capital	Engineering Council of South Africa National Laboratory Association South African Association of Food Science & Technology South African Institute of Professional Engineers The Institute of Packaging Chartered Institute of Purchasing and Supply
Intellectual Capital	Consumer Goods Council of South Africa Law Society of South Africa
Social and Relationship Capital	Health Professions Council of South Africa South African Reward Association
Financial Capital	South African Institute of Chartered Accountants Chartered Institute of Management Accountants South African Institute of Professional Accountants

In addition to the memberships listed under each of the capitals above, Clover is associated with the following institutions which regulate its broader governance objectives:

- The Institute of Risk Management;
- Institute of Compliance;
- The Institute of Internal Auditors; and
- Institute of Directors.

COMMERCIAL SALES

Beating the pace of change in existing markets and conquering new markets - this in summary, is the ethos and strategy that Clover's Commercial Sales department subscribes to.

In existing markets, vertical growth will be achieved by utilising better customer insights, analytics, and research. Leveraging and enhancing existing partnerships will similarly provide further growth.

Conquering new markets will see the Commercial Sales team identifying new and untouched markets. The horizontal growth that Clover requires will be driven by improving existing structures, implementing new/better route-to-market methods, as well as enhancing support systems and processes.

To support the strategy, there is a focused approached from the various key departments that make up the Commercial division i.e. Trade Marketing and Key Accounts, Sales Execution, Category and Sales Development, Customer Service Call Centre and Masakhane (our "Bottom of the Pyramid Route-to-Market" solution).

FUTURE VALUE CREATION: IBM, LEADERS OF CHANGE AND INNOVATION

Clover decided to partner with IBM in order to promote its future growth strategy. The IBM/Clover partnership will empower Clover to pull data from multiple sources (internal and external) and unify this in one data repository. The result, Clover will be able to link data from its complex supply chain, right through to customer till points. This project is formally known as the Customer Collaboration Project.

This system fully supports retail partner initiatives aimed at understanding shopper behaviour eg. Pick n Pay's Smart Shopper and Shoprite's Dunnhumby. This dynamic, customisable solution will assist Clover in collaborating with retail partners to identify optimal solutions and opportunities that will mutually benefit both the retail partner and Clover.

From a supply chain perspective, it will enhance visibility allowing Clover to improve efficiencies, and develop new route-to-market solutions to promote Clover's ambition to grow existing and new markets.

Once fully developed and implemented, the solution can be utilised to benefit our valued principals and their businesses.

This investment in advanced analytics will ensure a "quicker, better, faster" and certainly more adaptable Clover.

CLOVER MERCHANDISING IS "WAY BETTER"!

Nationally, Clover has approximately 2 350 permanent merchandisers deployed 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 in the stores. Merchandisers in collaboration with store management and Clover sales staff are responsible for ensuring that products appear in the correct 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 and supply teams.

In 2014, Clover rolled out the CAMPRO Project. Part of the project involved using the best practises within Clover and incorporating these practises as standardised steps in an Account Managers call, as well as the Merchandiser processes within stores. The CAMPRO project therefore standardised and improved the "way we worked". This project is still yielding exceptional results for Clover, so much so that one of our retail partners requested Clover to share this process so that they could incorporate it into their own procedures.

Strategic focus next year will see Clover focusing its efforts in driving perfect store execution at store level. A particular focus will be franchised stores where Clover intends to increases its service level.

In an ever changing Commercial structure, the only constant is the drive for continuous improvement, increased sales and delivery of innovative solutions for both Clover and its principals.

PRINCIPALS

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. Refer to page 106 where these principals have been listed.

INFORMATION SYSTEMS

Clover has an in-house Information Technology Department to support the business on its ERP environment, while also being at the forefront of supplying and developing Clover's management reporting. Refer to the Governance, Risk and Compliance Report where Clover's overall IT Governance, including the independent assurance thereof, has been discussed in more detail on page 54.

Clover successfully replaced its legacy order-to-cash system in August 2014 with a commercial off-the-shelf system used in international dairy companies called eRMS (Electronic Route Management System). This enabled Clover to standardise its ERP environment on one platform and to keep up to date with the latest ERP versions and developments. Being on the latest ERP version exposes Clover to the latest developments and improvements within the ERP suite. Clover is accordingly in the process of testing improved components regarding application integration and workflow development. This, among other improvements, will enable Clover to improve its system security and data integrity by implementing improved controls and simplifying integration between applications.

Clover has identified customer collaboration as a critical strategic lever for becoming an essential partner to its retailers. With the assistance from Clover's IT department, the Commercial Sales division in association with IBM will implement an analytical platform for customer collaboration and data analytics. Once implemented the platform will be expanded to other business areas for improved analytics and business insights. This platform offers many opportunities to other business areas for example in manufacturing where improved analytics around machine maintenance can lead to a major reduction in scrap, downtime and related costs. Another example is the establishment of the ability to have the necessary insights and controls within Clover's HR and Access Control Systems that will generate further savings and improvements around overtime management.

In addition to Clover's strategy on Customer Collaboration, there will also be a focus on further improvements by making use of mobile solutions to automate and improve the way we conduct our daily operations. This includes benefits around administration processes that will reduce credit notes, overtime, time spent on driver reconciliations and turn-around times at the back door for deliveries.

Clover is also in the process of implementing an integrated Supply Chain Planning System to ensure that sales, production and logistics planning activities are synchronised to generate benefits like improved order fulfilment, reduced finished goods inventory levels, reduced inventory holding costs, reduced raw material and packaging inventory, reduced waste and improved production throughput. The system will generate the capability to do better tactical and forward scenario planning to make Clover more responsive to market dynamics and will also increase Clover's demand forecasting accuracy.

The Information Technology Infrastructure is a key platform for the availability and performance of all systems. Clover is continuously evaluating the changing trends in technology to ensure that business gets done as best as possible in order to generate maximum value to our business, customers and shareholders. New technology trends regarding cloud services and outsourcing models are being investigated prior to equipment replacements to ensure that Clover's operations are fully optimised and to obtain maximum value from our investments in technology.

The adoption of cloud services, big data, collaboration, mobility and analytics are the fundamentals that Clover is focussing on which will be used to assist Clover in achieving its business strategies, improving process efficiencies and enhancing customer experience. Business is all about partnerships and these technologies are the perfect enablers to build and improve on these relationships and to consequently grow our business.

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 as well as new market segments 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. 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. The project engineering section of PIT 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.

Future value creation

Clover's brands

- Bolt on additional principals' products and extract synergistic value
- Bolt on additional brands to Clover's basket of products
- Moving our brands into Africa and beyond and create greater brand awareness

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 eleven years ago in 2004. Over the past years, 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, quilting, 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 41 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:

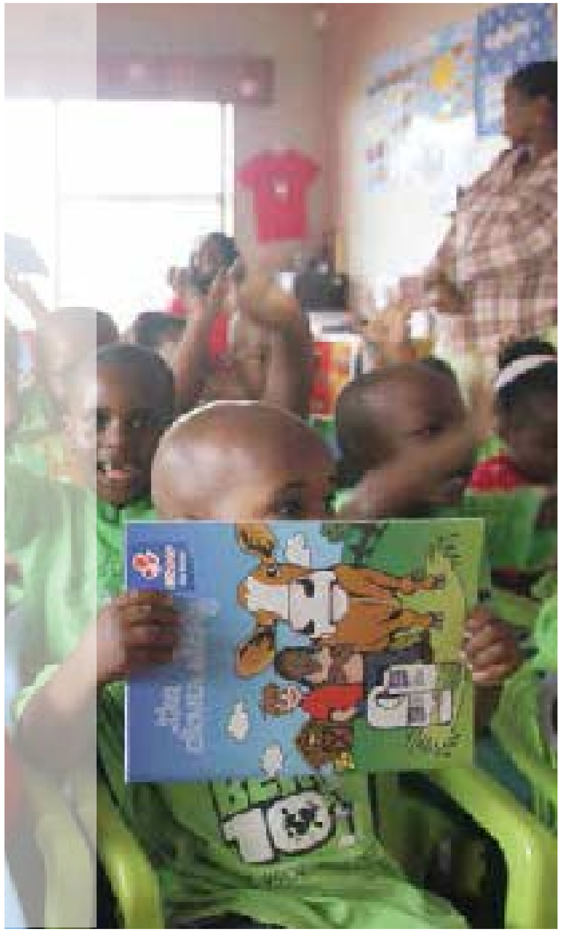
- Expeditors International;
- HCI Foundation;
- Eqstra Holdings Limited; and
- Mix Telematics

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 2014 and 2015 year ends:

Skills training	Members trained 2014	Members trained 2015	Operating centres 2014	Operating centres 2015	Skills transferred 2014	Skills transferred 2015	Employed member earning wages/ salaries as reported 2014	Employed member earning wages/ salaries as reported 2015
Sewing	107	**115**	28	**26**	1 501	**1 707**	60	**60**
Bread Baking	562	**577**	26	**24**	1 563	**1 880**	92	**98**
Cooking & baking	82	**84**	22	**22**	762	**970**	63	**53**
Food gardens*	557	**557**	23	**21**	684	**744**	28	**40**
Quilting	42	**48**	14	**13**	295	**333**	15	**18**
Crochet & knitting	28	**28**	15	**16**	454	**570**	16	**15**
Hair-dressing	18	**27**	3	**4**	67	**118**	13	**17**
Pottery	1	**1**	1	**1**	20	**20**	3	**3**

* *Food gardens feed up to well over 5 500 members per day.*



Value-added skills training

Skills training	Members trained 2014	Members trained 2015	Operating centres 2014	Operating centres 2015	Skills transferred 2014	Skills transferred 2015	Employed member earning wages/ salaries as reported 2014	Employed member earning wages/ salaries as reported 2015
Poultry egg laying	10	**12**	3	**3**	24	**45**	11	**9**
Beadwork	21	**21**	16	**15**	319	**338**	22	**22**
Arts	40	**40**	26	**23**	526	**574**	21	**17**
Flower arrangement	39	**41**	12	**13**	523	**576**	19	**15**
Mobile Phones	79	**79**	26	**26**	–	**–**	–	**–**
Save a child	175	**125**	13	**13**	–	**–**	–	**–**
Welding	8	**8**	8	**7**	–	**–**	–	**–**
MKI health information	18	**–**	18	**–**	–	**–**	–	**–**
Basic Admin/ Finance	27	**45**	27	**27**	–	**–**	–	**–**
Totals	1 764	**1 808**	245	**254**	6 738	**7 875**	363	**367**

AWARDS

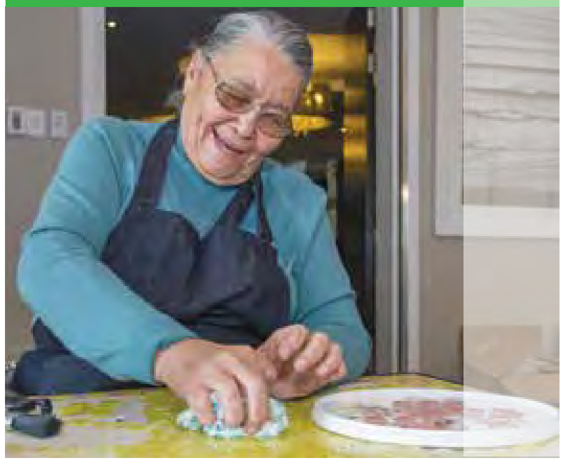
Clover Mama Afrika has won prestigious awards since the inception of the project:

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
2015	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 Middle and Partners, Clover achieved full allocation of available points under the Socio-Economic Development element of the B-BBEE balanced 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's sponsorship budget for the period under review was submitted and approved by Executive Management. Management is responsible for the tracking, accounting and reporting to the Social and Ethics Committee all sponsorships, donations and charitable givings. Supporting documentation is maintained by each business unit to enable transparent reporting. Sponsorships are used with a purpose of gaining brand awareness, corporate identity or consumer loyalty, which is aligned with Clover's vision and mission. Refer to table below indicating a summary of main charitable givings which are specific to Clover Mama Afrika:

	Rand amount spent for the 30 June 2015 financial year
Education/Training/Skills development	**2 867 070**
Infrastructure Development (site improvements and communication)	**1 458 855**
Other charitable givings	**869 461**
Donation of Clover products (gifts in kind)	**95 588**

Please note that 2015 is the base year and comparatives are therefore not available

PAST, PRESENT AND FUTURE OF CLOVER MAMA AFRIKA

YESTERDAY

Started in 2004
with **4** Mamas caring for
1500 vulnerable children.

Trained 166
individuals in sewing,
cooking and First Aid.

No jobs created until late
2005.

TODAY

41 Clover Mamas
appointed in all 9 provinces
caring for more than
15 500 vulnerable children
and over 2 500 elderly.

Trained 1 864
individuals in no less than
15 skills.

362 jobs created
and skills transferred to over
7 500 fellow members.

26 Food gardens
are able to feed well over
5 600 people daily.

Clover Mama Afrika
have received
19 prestigious awards

TOMORROW

To have more than 50
Clover Mama Afrikas
countrywide.

More regular training
in selected skill that the
Mama excels in.

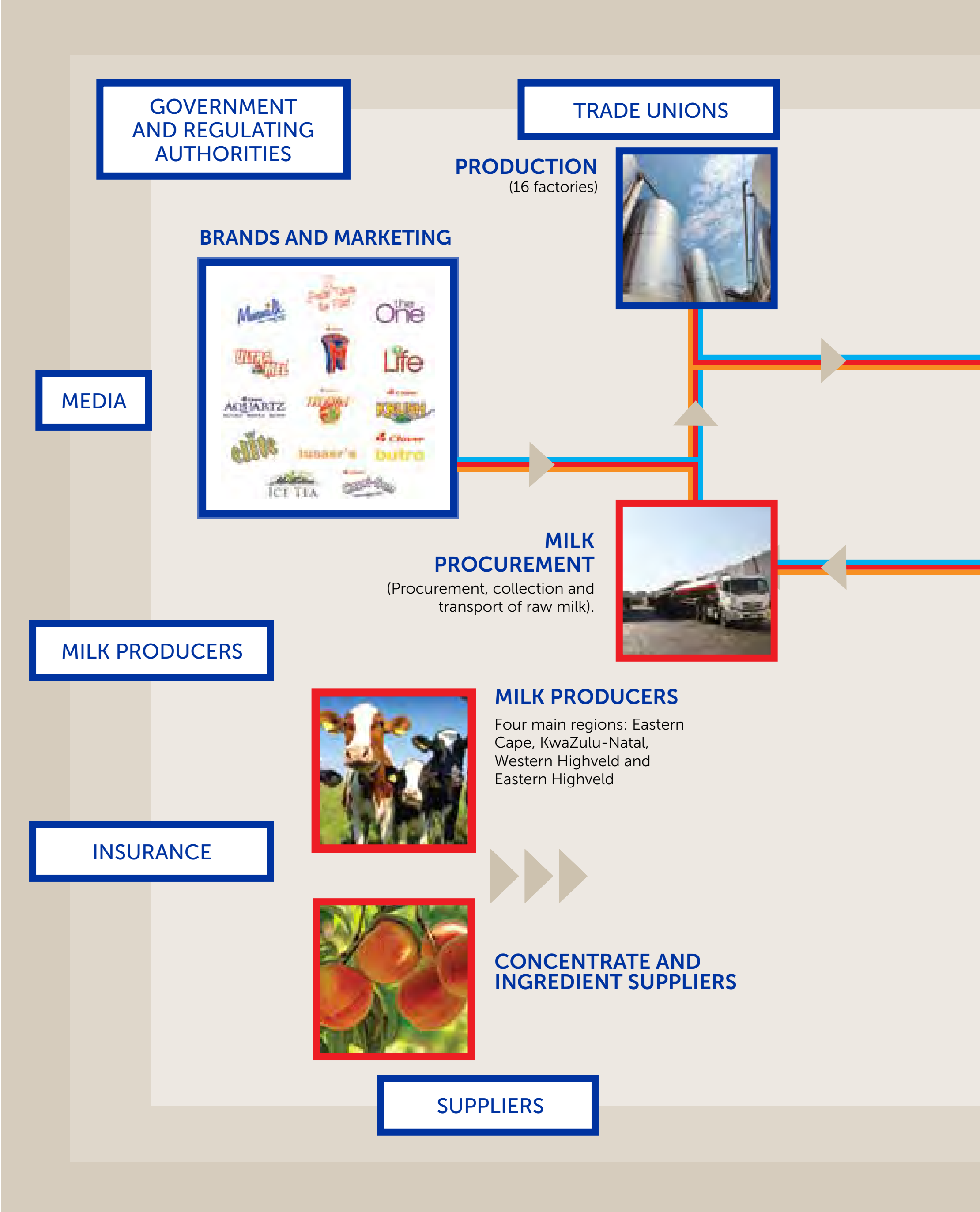
A bigger budget
in order to spread the
good work.

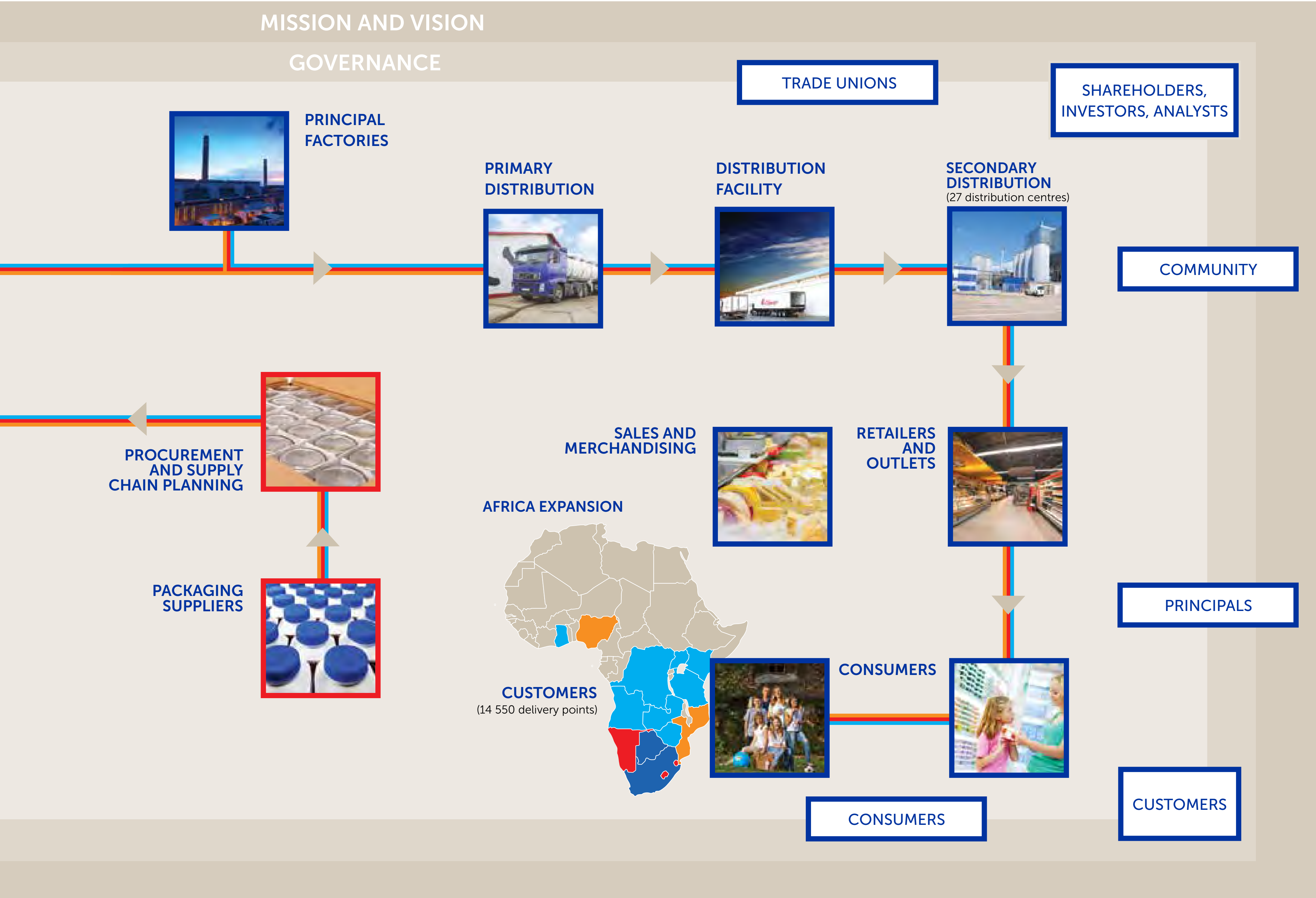
To continue supporting
all deserving Clover Mama Afrikas
to grow from strength to strength
so that they can in turn
alleviate poverty
within their respective
communities.

GOVERNING STAKEHOLDER RELATIONSHIPS/ CONSUMER RELATIONSHIPS

Throughout the 2015 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 videntified, Clover has a distinct criterion for its strategic stakeholder partners whose relationships are required for the Group to attain its future strategic objectives.




MISSION AND VISION
GOVERNANCE
TRADE UNIONS
SHAREHOLDERS, INVESTORS, ANALYSTS
PRINCIPAL FACTORIES
PRIMARY DISTRIBUTION
DISTRIBUTION FACILITY
SECONDARY DISTRIBUTION
(27 distribution centres)
COMMUNITY
PROCUREMENT AND SUPPLY CHAIN PLANNING
SALES AND MERCHANDISING
RETAILERS AND OUTLETS
AFRICA EXPANSION
PACKAGING SUPPLIERS
PRINCIPALS
CUSTOMERS
(14 550 delivery points)
CONSUMERS
CONSUMERS
CUSTOMERS

STAKEHOLDER ENGAGEMENT

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What is key for 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; • food safety standards; and • developing products seen as healthy alternatives	Social media policy, Consumer crises policy, Competition Law policy, product quality assurance programmes
Customers/ trade	Meetings, conferences and workshops, CSC taking orders from trade	Extensive retailer footprint providing the basis for continued growth. Clover's brand expansion through retail expansion into Africa	Providing good quality products at competitive prices	• quality of products; • effective product stewardship; • effective merchandising services; • valued partnerships to drive efficiency and continued future growth; • promotional activities; • trading terms; • category expansion; • cost efficiencies; and • ensuring optimum stock levels at retail outlets	Service level agreements

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What is key for 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 and water 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	Proactively ensure that sites conform to legislative requirements and best practice fire safety requirements.	
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 is key for 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 upon service levels in distribution and merchandising activities	Service level agreements
Refer to Report on Governance, Risk and Compliance where this has been addressed. 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 practice	• 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 and Social and Ethics Policy
Suppliers and service provider	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 No 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 are 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 any 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; and • 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 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 Report on Governance, Risk and Compliance where this has been discussed in detail on pages 54 to 56.

FINANCIAL CAPITAL

For information on the financial capital, refer to the Chief Financial Officer's report on page 33 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 with 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 the Integrated 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 addressed all lines of defence as depicted on the table on page 132. 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.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

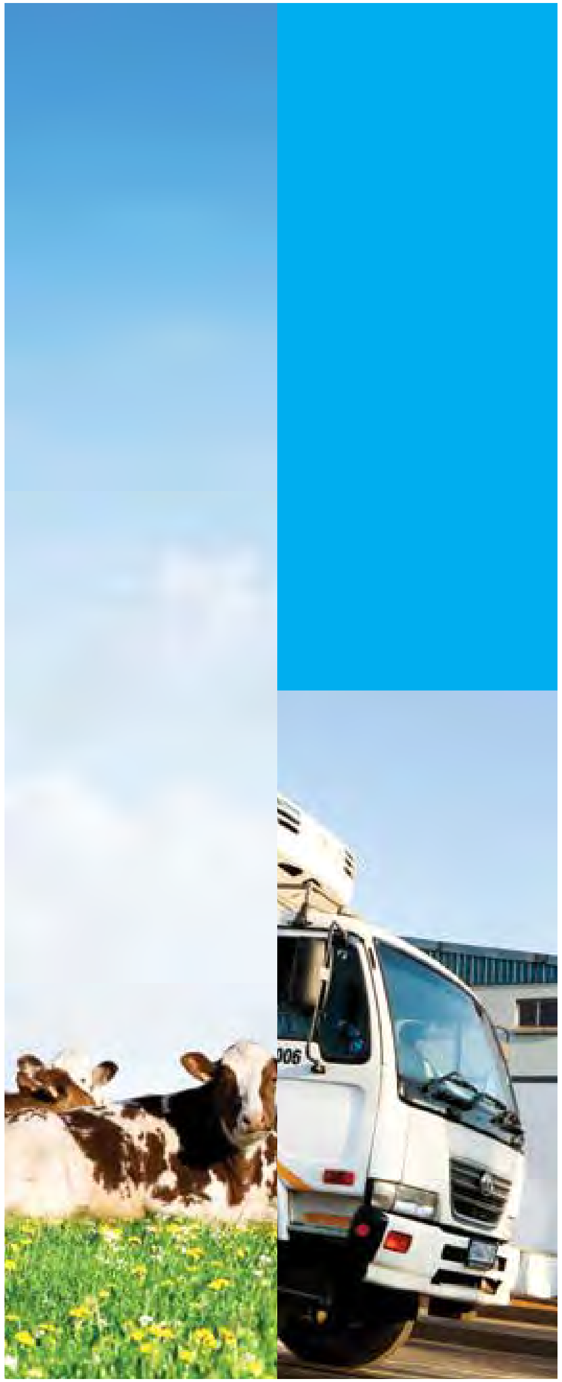
The Social and Ethics Committee is a committee of the board of Clover. Its membership and functions are set out in the report of Governance Risk and Compliance on page 50.

As required by the Companies Act 2008 the committee has reviewed the information reported by management in the Report on the Six Capitals set out above. In the opinion of the committee the report fairly sets out the Group's standing in terms of the matters specified in regulation 43 to the Companies Act 2008 in respect of the year ended 30 June 2015 and will be presented to shareholders at the forthcoming Annual General Meeting.

T A Wixley

Chairman: Social and Ethics Committee

15 September 2015



COMBINED ASSURANCE ON SIX CAPITALS

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
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 4 B-BEE contributor on the last Middel and Partners assessment performed in respect of Clover's June 2014 year-end.
Natural Capital	SGS performs external environmental legal compliance Audits at production and some distribution sites. Internal environmental audits are performed by Clover staff at production and some distribution facilities
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. SGS performs external SHE legal compliance Audits at production and some distribution sites Clover is subjected to SEDEX audits from its clients on an ad hoc basis on selected factories. Internal Safety audits are performed by Clover staff and Makrosafe covering all Clover sites. Internal and External Audits are performed on assets. Marsh performs fire risk surveys over a three year cycle of all Clover's sites.
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 was 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.
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 and governance.

1st line of defence
- Management

2nd line of defence
- Policies and procedures
- Internal controls
- Risk management
- Legal
- Regulatory compliance
- Management executive committee

3rd line of defence
- Internal Audit
- External Audit
- Other external assurance providers

4th line of defence
- Board
- Board Committees
  (see diagram on page 48)

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.

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 28 November 2014. Shareholders will again be asked to approve the appointment of the members of the Audit and Risk Committee for the 2015/16 financial year at the Annual General Meeting scheduled for 27 November 2015. 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 49 to 50 in the Report on Governance, Risk and Compliance.

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 Report on Six Capitals and to ensure that the report is consistent with the annual financial statements;
- to perform the functions required in terms of the JSE Listings Requirements;
- to perform the matters required by the Act, in respect of the Company and all its subsidiary companies incorporated in South Africa;
- to oversee the activities of, and ensure co-ordination, between the activities of Internal and External Audit; and
- to review the Audit and Risk Committee's work plan and terms of reference annually and make recommendations to 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, its terms of reference and work-plan.

External audit

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

- nominated Ernst & Young 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 2015, 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 2015.

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, Ernst & Young 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 Report on Six Capitals included in the Group's Integrated Annual Report and satisfied itself that it is consistent with the annual financial statements; and
- obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework as reflected in the Report on Six Capitals. It is the Group's intention to enhance qualitative and quantitative information as systems are progressively bedded down. All material risks concerning the sustainability of Clover's business model and in complying with 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 the Integrated 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 Group's combined assurance plan together with the 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; and
- 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 Ernst & Young Inc. is independent of the Group after taking the following factors into account:

- representations made by Ernst & Young 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 2015 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 2015 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 2015

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 relevant 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 2016. On the basis of this review and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that Clover Industries Limited is a going concern and have therefore continued to adopt the going-concern basis in preparing the financial statements.

The Group's External Auditors, Ernst & Young Incorporated, have audited the financial statements and their unqualified report appears on page 137.

The consolidated and separate annual financial statements, set out on pages 140 to 218, which have been prepared on the going concern basis, were approved by the Board of directors on 15 September 2015 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 2015

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 140 to 218, which comprise the consolidated and separate statements of financial position as at 30 June 2015, 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 2015, 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 2015, we have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited 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 2015

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 2015.

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:

	2015 R'm	2014 R'm
Revenue	**9 266,3**	8 530,2
Total comprehensive income attributable to equity holders of the parent Company	**353,6**	189,2

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

SUBSIDIARY COMPANIES AND INTERESTS IN JOINT VENTURES

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

During the year under review The Real Beverages Company Proprietary Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has acquired the following two businesses from Dairybelle Proprietary Limited ("Dairybelle"):

- the UHT milk manufacturing, marketing and distribution business ("UHT Milk Business") for a cash consideration of R30 million, effective 1 December 2014; and
- the yoghurt manufacturing, marketing and distribution business ("Yoghurt Business") for a cash consideration of R107,1 million, effective 1 January 2015.

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 allows the Company to improve efficiencies through the more effective utilisation of its raw milk supply in the region.

Furthermore, as communicated in earlier SENS announcements Clover S.A. Proprietary Limited ("Clover") (a wholly-owned subsidiary of the Company) has purchased from Nkunzi MilkyWay Proprietary Limited ("Nkunzi") its business and assets effectively 1 June 2015 for a cash consideration of R48,7 million.

The acquisition will see Clover entering the Ayrshire and Organic milk markets, where it will manufacture and pack fresh milk and cream in addition to other dairy products for Woolworths Holdings Limited ("Woolworths") at the acquired Nkunzi facility as well as its Clayville plant in Midrand, Gauteng. Clover will take over existing Nkunzi supply agreements with producers on the same terms and conditions, or renegotiate supply agreements on an individual basis with producers.

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 28 November 2014 and is valid until 27 November 2015. 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 17 March 2015 the company issued 5 252 549 (2014: 1 260 440) ordinary Clover Industries shares to members 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 2015.

DIVIDENDS

Dividends declared and paid by CIL during the year:

	2015 R'000	2014 R'000
Ordinary dividends		
Declared	**71 624**	69 342
Paid	**71 624**	69 342

The Board declared and paid an interim cash dividend of (R42,4 million) 22,6 cents per ordinary share during April 2015. It further declared a final dividend of R62,7 million or 33,4 cents per ordinary share, bringing the total dividend for the year to R105,1 million (2014: R58,4 million) or 56,0 cents (2014: 32 cents) per ordinary share.

DECLARATION OF DIVIDEND NUMBER 11

Notice is hereby given that the directors have declared a final gross cash dividend of R62,7 million or 33,40000 cents (28,39000 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2015.

The dividend has been declared from income reserves.

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

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

The issued share capital at the declaration date is 187 731 138 ordinary shares. The salient dates will be as follows:

Last day to trade to receive a dividend	Friday, 2 October 2015
Shares commence trading "ex" dividend	Monday, 5 October 2015
Record date	Friday, 9 October 2015
Payment date	Monday, 12 October 2015

Share certificates may not be dematerialised or rematerialised between Monday, 5 October 2015 and Friday, 9 October 2015, both days inclusive.

DIRECTORS AND COMPANY SECRETARY

Particulars of the present Directors and company secretary are listed on pages 16 and 17 and page 136.

SHARE-BASED COMPENSATION

On 26 September 2014, 501 425 SARs were issued to an executive at an issue price of R17,55 and on 30 June 2015 a further 3 656 212 SARs were issued to executives at an issue price of R17,34. These SARs will vest three years after the issue date and are subject to vesting conditions. SARs 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 SARs. 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 Governance, Risk and Compliance on pages 51 to 54.

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 R468,1 million (2014: R375,0 million) and R21,6 million (2014: R13, 0 million) on intangible assets.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to the year-end that would require disclosure or amendment to these financial statements.

SPECIAL RESOLUTIONS

The following special resolutions were adopted at the Annual General Meeting of Clover Industries Limited held on 28 November 2014:

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 2014 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 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

GROUP 2015 R'000	GROUP 2014 R'000		Notes	COMPANY 2015 R'000	COMPANY 2014 R'000
8 272 084	7 192 650	Sales of products			
838 112	822 040	Rendering of services			
152 822	511 485	Sale of raw milk			
3 233	4 062	Rental income			
9 266 251	8 530 237	Revenue			
(6 482 147)	(6 291 191)	Cost of sales	6.1		
2 784 104	2 239 046	Gross profit			
58 039	48 916	Other operating income	6.2	**49 369**	45 934
–	–	Dividends received		**50 000**	45 000
(1 996 467)	(1 770 510)	Selling and distribution costs			
(309 041)	(195 567)	Administrative expenses		**(13 415)**	(11 211)
(8 472)	(16 036)	Restructuring expenses	6.7	**(75)**	(49)
(19 091)	(23 573)	Other operating expenses	6.3		
509 072	282 276	Operating profit	6.4	**85 879**	79 674
9 041	7 234	Finance income	6.5	**2 784**	3 193
(83 105)	(65 043)	Finance cost	6.6	**(56)**	–
10 939	14 306	Share of profit in joint ventures after tax	4		
445 947	238 773	Profit before tax		**88 607**	82 867
(100 286)	(49 791)	Taxes	7	**(10 430)**	(10 603)
345 661	188 982	Profit for the year		**78 177**	72 264
		Other comprehensive income to be reclassified to profit or loss in future			
3 268	2 565	Exchange differences on translations of foreign operations			
348 929	191 547	Total comprehensive income for the year, net of tax		**78 177**	72 264
		Profit attributable to:			
350 345	186 666	Equity holders of the parent		**78 177**	72 264
(4 684)	2 316	Non-controlling interests			
345 661	188 982			**78 177**	72 264
		Total comprehensive income attributed to:			
353 613	189 231	Equity holders of the parent		**78 177**	72 264
(4 684)	2 316	Non-controlling interests			
348 929	191 547			**78 177**	72 264
		Earnings per share (cents)			
190,4	102,3	Basic profit for the year attributable to ordinary equity holders of the parent	8		
182,0	97,3	Diluted profit for the year attributable to ordinary equity holders of the parent	8		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

GROUP 2015 R'000	GROUP 2014 R'000		Notes	COMPANY 2015 R'000	COMPANY 2014 R'000
		Assets			
		Non-current assets			
2 153 451	1 818 113	Property, plant and equipment	11	**234**	664
23	1 380	Investment properties	12		
567 557	447 493	Intangible assets	13		
		Investment in subsidiaries	30	**334 819**	353 286
31 625	35 066	Investment in joint ventures	30		
32 696	8 919	Deferred tax assets	15	**77**	77
2 785 352	2 310 971			**335 130**	354 027
		Current assets			
940 181	567 892	Inventories	16		
1 215 579	1 022 993	Trade and other receivables	17	**522 335**	418 745
17 530	16 194	Prepayments			
40 330	33 877	Income tax receivable	25	**2 157**	1 328
475 436	653 889	Cash and short–term deposits	18	**40 015**	35 237
2 689 056	2 294 845			**564 507**	455 310
429	3 776	**Assets classified as held-for-sale**	10	**429**	–
5 474 837	4 609 592	**Total assets**		**900 066**	809 337
		Equity and liabilities			
		Equity			
9 387	9 124	Issued share capital	19	**9 387**	9 124
838 363	734 414	Share premium	19	**838 363**	734 414
72 880	283 225	Other reserves	20	**10 252**	29 198
(2 314)	(5 582)	Foreign currency translation reserve	21		
1 653 022	1 231 089	Retained earnings		**31 991**	24 350
2 571 338	2 252 270	Equity attributable to equity holders of the parent		**889 993**	797 086
13 510	20 471	Non-controlling interests			
2 584 848	2 272 741	**Total equity**		**889 993**	797 086
		Liabilities			
		Non–current liabilities			
681 601	662 357	Interest–bearing loans and borrowings	22		
74 901	67 615	Employee-related obligations	23		
188 253	179 023	Deferred tax liability	15		
21 459	4 351	Trade and other payables	24		
2 716	–	Other non current financial liabilities	14.1		
968 930	913 346				
		Current liabilities			
1 330 385	1 186 674	Trade and other payables	24	**10 073**	12 251
573 576	214 495	Interest–bearing loans and borrowings	22		
2 670	2 323	Other current financial liabilities	14.1		
14 428	20 013	Employee-related obligations	23		
1 921 059	1 423 505			**10 073**	12 251
2 889 989	2 336 851	**Total liabilities**		**10 073**	12 251
5 474 837	4 609 592	**Total equity and liabilities**		**900 066**	809 337

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Ordinary share capital R'000	Ordinary share premium 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
		GROUP							
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						(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
Profit for the year						**350 345**	**350 345**	**(4 684)**	**345 661**
Other comprehensive income					**3 268**		**3 268**		**3 268**
Total comprehensive income					**3 268**	**350 345**	**353 613**	**(4 684)**	**348 929**
Share appreciation rights exercised	19	**263**	**103 949**	**(18 468)**		**(64 132)**	**21 612**		**21 612**
Share-based payment reserve				**18 080**			**18 080**		**18 080**
Other capital reserves transferred to retained earnings	20			**(209 957)**		**209 957**			
Acquisition of non-controlling interest in Lactolab (Pty) Ltd						**(3 223)**	**(3 223)**	**(2 277)**	**(5 500)**
Dividends forfeited						**610**	**610**		**610**
Dividends declared and paid	9					**(71 624)**	**(71 624)**		**(71 624)**
Balance at 30 June 2015		**9 387**	**838 363**	**72 880**	**(2 314)**	**1 653 022**	**2 571 338**	**13 510**	**2 584 848**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	COMPANY Ordinary share capital R'000	Ordinary share premium R'000	Other capital reserves R'000	Retained earnings R'000	Total equity R'000
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
Profit for the year					**78 177**	**78 177**
Other comprehensive income						
Total comprehensive income					**78 177**	**78 177**
Share appreciation rights exercised	19	**263**	**103 949**	**(18 468)**		**85 744**
Other capital reserves transferred to retained earnings	20			**(478)**	**478**	
Dividends forfeited					**610**	**610**
Dividends declared and paid					**(71 624)**	**(71 624)**
Balance at 30 June 2015		**9 387**	**838 363**	**10 252**	**31 991**	**889 993**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

GROUP 2015 R'000	GROUP 2014 R'000		Notes	COMPANY 2015 R'000	COMPANY 2014 R'000
		Operating activities			
445 947	238 773	Profit before tax		**88 607**	82 867
445 947	238 773	**Profit before tax**		**88 607**	82 867
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
160 490	120 869	Depreciation and impairment of property, plant and equipment		**1**	1
17 048	10 695	Amortisation and impairment of intangible assets			
132	624	Depreciation of investment properties			
(38 950)	5 101	(Profit)/Loss on disposal and scrapping of assets			
–	3 920	Impairment and scrapping of plant included in restructuring cost			
3 063	2 073	Unrealised loss on financial instruments			
2 999	–	Unrealised foreign exchange loss	6		
(9 966)	4 241	Realised foreign exchange (gain)/loss	6		
–	(20 716)	Discount on acquisition of property, plant and equipment by Clover Waters	3.5		
–	(4 218)	Discount on acquisition of property, plant and equipment by Clover Waters – recognised in equity			
3 282	(14 306)	Share of profit of joint venture (net of dividend paid)	4		
1 701	6 798	Movement in provisions			
18 080	17 392	Share appreciation rights recognised over vesting period			
		Other adjustments:			
83 105	65 043	Finance cost	6.6	**56**	–
(9 041)	(7 234)	Finance income	6.5	**(2 784)**	(3 193)
–	–	Dividends received		**(50 000)**	(45 000)
(3 330)	(10 397)	Share appreciation rights settled in cash			
(1 582)	–	Government grants			
(106 254)	(80 239)	Taxes paid	25	**(11 263)**	(11 173)
		Working capital adjustments			
(372 289)	115 267	(Increase)/decrease in inventories			
(193 922)	(13 662)	(Increase)/decrease in trade and other receivables		**(3 116)**	19 030
159 672	(36 957)	Increase/(decrease) in trade and other payables		**2 173**	(8 144)
160 185	403 067	**Net cash flow from operating activities**		**23 674**	34 388

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 30 JUNE 2015

GROUP 2015 R'000	GROUP 2014 R'000		Notes	COMPANY 2015 R'000	COMPANY 2014 R'000
		Investing activities			
61 684	1 166	Proceeds from sale of property, plant and equipment and other assests			
9 966	(4 241)	Realised foreign exchange gain/(loss)	6		
9 041	7 234	Interest received	6.5	**2 784**	3 193
(30 000)		Acquisition of Dairybelle UHT Milk business	3.1		
(107 131)	–	Acquisition of Dairybelle Yoghurt business	3.2		
(48 684)		Acquisition of Nkunzi MilkyWay business	3.3		
–	–	Dividends received		**50 000**	45 000
38 055	32 106	Government grants received recognised against property, plant and equipment and expenses	11		
(468 106)	(374 988)	Capital expenditure: tangible assets			
(21 647)	(13 011)	Capital expenditure: intangible assets			
(556 822)	(351 734)	**Net cash flows (used in)/from investing activities**		**52 784**	48 193
		Financing activities			
(83 105)	(65 043)	Interest paid	6.6	**(56)**	–
(71 624)	(69 342)	Dividends paid		**(71 624)**	(69 342)
	(961)	Dividends paid to non-controlling interest holders			
(5 500)		Non-controlling interest acquired in Lactolab (Pty) Ltd	3.4		
378 326	37 566	Proceeds from borrowings			
218 097	(97 780)	**Net cash flows from/(used in) financing activities**		**(71 680)**	(69 342)
(178 540)	(46 447)	**Net (decrease)/increase in cash and cash equivalents**		**4 778**	13 239
87	(4 223)	**Net foreign exchange difference**			
653 889	704 559	**Cash and cash equivalents at the beginning of the year**		**35 237**	21 998
475 436	653 889	**Cash and cash equivalents at the end of the year**	18	**40 015**	35 237

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 2015 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 2015 were authorised for issue in accordance with a resolution of the Directors on 15 September 2015. 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 consolidated and seperate financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the South African Companies Act of 2008.

b. Preparation

The consolidated and separate 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 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 related 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 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 joint ventures 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 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 joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of the 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 joint venture upon loss of 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 accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations adopted by the Group during the year:

The following items didn't have a significant impact on the financial statements or disclosure of the Group.

- **IFRS 10, IFRS 12 and IAS 27** Investment Entities – Amendments
- **IAS 32** Offsetting Financial Assets and Financial Liabilities – Amendments
- **IAS 39** Novation of Derivatives and Continuation of Hedge Accounting – Amendments
- **IFRIC 21** Levies
- **IAS 19** Defined Benefit Plans: Employee Contributions – Amendments
- **IFRS 2** Share based payments – Definition of vesting conditions – AIP*
- **IFRS 3** Business Combinations – Accounting for contingent consideration in a business combination – AIP*
- **IFRS 8** Operating Segments – Aggregation of operating Segments – AIP*
- **IFRS 8** Operating Segments – Reconciliation of the total of the reporting segment's assets to the entity's assets – AIP*
- **IAS 16** Property, Plant and Equipment and IAS 38 Intangible Assets — Revaluation method — proportionate restatement of accumulated depreciation/amortisation – AIP*
- **IAS 24** Related Party Disclosures — Key management personnel – AIP*
- **IFRS 3** Business Combinations — Scope exceptions for joint ventures – AIP*
- **IFRS 13** Fair Value Measurement — Scope of paragraph 52 (portfolio exception) – AIP*
- **IAS 40** Investment Property — Interrelationship between IFRS 3 and IAS 40 (ancillary services) – AIP*

The following items affected the disclosure of the Group, but not significantly, and the relevant disclosure has been included in the relevant notes.

- **IAS 36** Disclosure requirements for the recoverable amount of impaired assets – Amendments

In addition to removing the requirement to disclose recoverable amounts when there has been no impairment or reversal of impairment, the amendments require the following additional disclosures when an impairment is recognised or reversed and recoverable amount is based on fair value less costs of disposal:

- The level of the IFRS 13 "fair value hierarchy" within which the fair value measurement of the asset or CGU has been determined.
- For fair value measurements at Level 2 or Level 3 of the fair value hierarchy:
  - A description of the valuation techniques used and any changes in that valuation technique

- Key assumptions used in the measurement of fair value, including the discount rate(s) used in the current measurement and previous measure if fair value less costs of disposal is measured using a present value technique

These amendments have no significant impact on the Group as the Group has not impaired or reversed an impairment on an assets or CGU based on fair value less costs of disposal.

* *AIP – Annual Improvement Project*

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 2015, the following standards and interpretations were in issue but not yet effective:

- **IAS 1** Disclosure Initiative – Amendments
- **IAS 27** – Equity Method in Separate Financial Statements – Amendments to IAS 27
- **IFRS 9** Financial Instruments
- **IFRS 15** Revenue from Contracts with Customers
- Annual Improvement Plan – issued in 2014.

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 1** Disclosure Initiative – Amendments:

  The amendments to IAS 1 Presentation of Financial Statements clarify rather than significantly changes, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional sub-totals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

The amendment is effective for annual periods beginning on or after 1st January 2016.

The amendments to this standard are expected to have an impact on the presentation and disclosures of the Group in future periods.

- **IAS 27** – Separate Financial Statements – Amendments:

  The amended IAS 27 allows an entity to use the equity method to account for its investments in subsidiaries, joint venture and associates in its separate financial statements. Consequently, an entity is permitted to account for these investments either:

  - at cost; or
  - In accordance with IFRS 9 (IAS 39); or
  - using the equity method.

This is an accounting policy choice for each category of investment.

The amendment is effective for annual periods beginning on or after 1 January 2016.

This amendment is not expected to have a material impact on the financial statements of the company or the group as the company and group are not considering a change to its current accounting policy choice.

- **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 general 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 Standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after 1 January 2018. The Group is currently assessing the full impact of the amendments but due to the limited types of financial instruments entered into by the Group only the disclosure is expected to be impacted.

- **IFRS 15** – Revenue from Contracts with Customers

  IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The new standard is effective for annual periods beginning on or after 1 January 2018, therefore this standard will be effective for the 30 June 2019 financial year.

The company is still in the process of assessing the full impact of the standard. However, from preliminary evaluations the impact is not expected to be significant on the measurement and recognition of Revenue but additional disclosure will be required.

- Annual Improvement Project – Released in 2014 – effective 1 January 2016

  IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'

  Disclosure of information 'elsewhere in the interim financial report'

  The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively.

This clarification will be applied in the interim financial statements but the impact is not expected to be material.

IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations – Changes in methods of disposal

The amendment clarifies that changing from held for disposal to held for distribution to owners or vice versa would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively and is not expected to impact significantly.

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 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

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 derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses, at each reporting date, whether 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 Group becomes a party to the transaction. 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 two 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 and which are subject to an insignificant risk of changes in value.

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 initialy 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.

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 20 years

Vehicles: 5 to 20 years

f. 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.

g. 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.

h. 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.

i. 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, customer lists 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.

j. 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.

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. Employee-related obligations

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 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.

Leave pay

Employees' entitlement to annual leave is recognised when the service is rendered and the obligation accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the accumulated leave obligation.

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 or receivable, taking into account discounts or rebates.

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 revenue, 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. Services are recognized once the delivery has been made and the performance obligations have been met.

Finance income

Revenue is recognised as interest accrues (using the effective interest rate – i.e. 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. To optimise the Group's return on the vast number of properties it owns the Group enters into rental agreements from time to time.. Income in this regard is recognised as revenue.

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 (i.e. Co-op advertising, agent commission, border levies, etc.).

o. Finance costs

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

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 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 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.

t. Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29. Non-financial assets such as investment properties are measured at cost less accumulated depreciation and accumulated impairment. Its fair values however, are also disclosed in Note 12. 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 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 change 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 is 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 measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

3.1 Acquisition of the Dairybelle UHT Milk Business

As communicated in earlier SENS and cautionary announcements The Real Beverages Company Proprietary Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has purchased from Dairybelle Proprietary Limited ("Seller") the Dairybelle UHT Milk Business effectively 1 December 2014. According to the "UHT Sale of Business Agreement" Real Beverages has bought all of the consumables, raw materials, finished goods, equipment and material contracts of the Seller in relation to the UHT Milk Business on the effective date. The location of the Dairybelle UHT milk production facilities in the Western Cape will allow the Group to improve efficiencies through the more effective utilisation of its raw milk supply in the region.

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 R864 000; free cash flow reduction per annum of 5% and a discount rate of 17,5%.

The fair value of the identifiable assets and liabilities of the Dairybelle UHT Milk Business as at the date of acquisition were:

	2015 R'000	2014 R'000
Assets		
Property, plant and equipment	17 200	
Intangible assets	3 949	
	21 149	
Liabilities	–	
Total identifiable net assets at fair value	21 149	
Goodwill arising on acquisition	8 851	
Purchase consideration settled in cash	30 000	
Cash flow on acquisition		
Net cash acquired with business	–	
Cash paid	(30 000)	
Net cash flow	(30 000)	

Goodwill arising on acquisition represents the value paid for the Dairybelle UHT business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations, which include production, milk transport and distribution efficiencies.

The business contributed R95,0 million of revenue and R19,0 million of margin on material to the Group results since acquisition. These amounts would have been R162,8 million and R32,6 million respectively if annualised for the full period.

	2015 R'000	2014 R'000

3.2 Acquisition of the Dairybelle Yoghurt Business

As communicated in earlier SENS and cautionary announcements The Real Beverages Company Proprietary Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has purchased from Dairybelle Proprietary Limited ("Seller") the Dairybelle Yoghurt Business effectively 1 January 2015.

According to the "Yoghurt Sale of Business Agreement" Real Beverages has bought all of the consumables, raw materials, finished goods, fixed assets (property, plant and equipment), intellectual property (for example certain trademarks) and material contracts of the Seller in relation to the Yoghurt Business on the effective date. The transaction is in line with the Group'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 Group with access to the yoghurt market, in which Dairybelle had a meaningful presence.

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 R3,6 million; free cash flow growth per annum of 11% and a discount rate of between 16,7% - 17,2%.

The fair value of the identifiable assets and liabilities of the Dairybelle Yoghurt Business as at the date of acquisition were:

	2015 R'000	2014 R'000
Assets		
Property, plant and equipment	43 100	
Intangible assets	39 335	
	82 435	
Liabilities		
Deferred tax liability	(1 961)	
Total identifiable net assets at fair value	80 474	
Goodwill arising on acquisition	26 657	
Purchase consideration settled in cash	107 131	
Cash flow on acquisition		
Net cash acquired with business	–	
Cash paid	(107 131)	
Net cash flow	(107 131)	

Goodwill arising on acquisition represents the value paid for the Dairybelle Yoghurt business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations, which include production, milk transport and distribution efficiencies.

The business contributed R100,9 million of revenue and R25,2 million of margin on material to the Group results since acquisition. These amounts would have been R201,8 million and R50,4 million respectively if annualised for the full period.

3.3 Acquisition of Nkunzi MilkyWay Proprietary Limited's business and assets

Clover MilkyWay Proprietary Limited ("MilkyWay") (a wholly-owned subsidiary of the Company) has purchased from Nkunzi MilkyWay Proprietary Limited ("Nkunzi") its business and assets effectively 1 June 2015.

The acquisition saw Clover entering the Ayrshire and Organic milk markets, where it will manufacture and pack fresh milk and cream in addition to other dairy products for Woolworths Holdings Limited ("Woolworths") at the acquired Nkunzi facility as well as its Clayville plant in Midrand, Gauteng. Clover will take over existing Nkunzi supply agreements with producers on the same terms and conditions, or renegotiate supply agreements on an individual basis with producers.

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 between 7% – 23% and a discount rate of 16,5%.

The fair value of the identifiable assets and liabilities of the Nkunzi MilkyWay Business as at the date of acquisition were:

	2015 R'000	2014 R'000
Assets		
Property, plant and equipment	19 997	
Intangible assets	25 770	
	45 767	
Liabilities		
Instalment sale agreement	(814)	
Deferred tax liability	(7 216)	
	(8 030)	
Total identifiable net assets at fair value	37 737	
Goodwill arising on acquisition	10 947	
Purchase consideration settled in cash	48 684	
Cash flow on acquisition		
Net cash acquired with business	–	
Cash paid	(48 684)	
Net cash flow	(48 684)	

Goodwill arising on acquisition represents the value paid for the Nkunzi business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations, which include production and milk transport efficiencies.

The business contributed R19,9 million of revenue and R5,7 million of margin on material, to the Group results since acquisition. These amounts would have been R238,9 million and R68,4 million respectively if annualised for the full period.

3.4 Acquisition of non-controlling interests in Lactolab Proprietary Limited

With effect 1 July 2014 Clover S.A. Proprietary Limited ("Clover") bought the remaining 48% issued ordinary shares of Lactolab Proprietary Limited ("Lactolab") from Taurus Stock Improvement Co-operative Ltd for an amount of R5,5 million.

Lactolab is a leading analytical laboratory serving the South African dairy and dairy-related industries. Lactolab is located in Irene and its main focus is the analysis of raw milk and dairy products for composition, hygienic quality and various other quality parameters.

No goodwill may be recognised because of this transaction as Clover already had a controlling interest, holding 52% of the issued ordinary shares in Lactolab prior to this transaction.

The carrying amounts of the identifiable assets and liabilities of Lactolab as at the effective date were:

	2015 R'000	2014 R'000
Assets		
Property, plant and equipment	2 665	
Other current assets	3 541	
	6 206	
Liabilities		
Interest bearing borrowings	297	
Deferred tax liabilities	362	
Other current liabilities	803	
	1 462	
Total identifiable net assets at carrying amount	4 744	
Non-controlling interest at carrying amount	(2 277)	
Additional consideration paid to non-controlling equity holders	(3 223)	
Purchase consideration settled in cash	(5 500)	

	2015 R'000	2014 R'000

3.5 Acquisition of interest in Clover Waters Proprietary Limited

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 has 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 complement Clover SA's Aquartz bottled water and Manhattan Iced Tea brands which are also 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:

	2015 R'000	2014 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.

4 INTEREST IN JOINT VENTURES

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			COMPANY	
2015 R'000	2014 R'000		2015 R'000	2014 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
128 355	139 494	Current assets including cash and cash equivalents R3,9 million (2014: R10,2 million) and inventory R89,8 million (2014: R105,2 million)		
1 305	1 453	Non-current assets including deferred tax of R1,3 million (2014: R1,4 million)		
(67 154)	(72 191)	Current liabilities including trade and other payables of R61,3million (2014: R71,3 million)		
62 506	68 756	Equity (Net asset value)		
51%	51%	Portion of the Group's ownership		
31 878	35 066	Carrying amount of the investment		
		Joint venture's revenue and profit		
358 315	380 453	Revenue		
(303 046)	(316 544)	Cost of sales		
(24 898)	(25 012)	Sales, marketing, distribution and administrative expenses		
133	(59)	Other operating income/(expenses)		
(25)	123	Net finance income/(cost)		
30 479	38 961	Profit before taxation		
(8 534)	(10 909)	Income tax expense		
21 945	28 052	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
11 192	14 306	Group's share of profit for the year after tax		
(14 221)	(12 297)	Dividend received		
(3 029)	2 009	**Net movement**		

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 intends to manufacture, distribute, sell and market a range of functional food products using trademarks under licence from Clover and Futurelife.

GROUP			COMPANY	
2015 R'000	2014 R'000		2015 R'000	2014 R'000
		Clover Future Life		
		Joint venture's statement of financial position		
1		Current assets		
(507)		Current liabilities		
(506)		Equity		
50%		Portion of Group's ownership		
(253)		Carrying amount of investment		
		Joint venture's revenue and profit		
–		Revenue		
–		Cost of sales		
(506)		Sales, marketing, distribution and administrative expenses		
–		Other operating costs		
–		Finance income		
(506)		Loss before tax		
–		Income tax expense		
(506)		**Loss for the period**		
50%		Portion of the Group's ownership		
(253)		Group's share of loss for the year		
		Total interest in profits from joint ventures		
10 939	14 306	**Total Group share of profit after tax**		
31 625	35 066	**Total investments in joint ventures**		

5 SEGMENT REPORTING

The Group's manufacturing, distribution, other assets and liabilities are totally integrated between the different product groups. The Executive Directors (the Chief Operating Decision Maker) are 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;
- The fermented products and desserts consist of yoghurt, maas and desserts. In the 2014 Integrated Annual Report, maas was included as part of dairy fluid products, however, in the 2015 Integrated Annual Report, maas is disclosed under fermented products and desserts;
- Other consists of Clover Industries Ltd holding company and Lactolab (Pty) Ltd that render laboratory services.

30 June 2015 Segment report	Dairy fluids R'000	Dairy concentrated products R'000	Ingredients R'000	Non-alcoholic beverages R'000	Fermented products and desserts R'000	Other R'000	CIL Group R'000
External revenue							
Sale of products	4 396 169	1 259 208	274 860	2 065 101	269 782	6 964	8 272 084
Sale of raw milk	152 822	–	–	–	–	–	152 822
Charges against sales	(85 491)	(27 634)	(10 231)	(50 825)	(5 137)	–	(179 318)
Cost of material and packaging	(2 495 270)	(773 658)	(164 461)	(906 026)	(187 328)	(1 632)	(4 528 375)
Milk collection cost	(229 948)	(54 846)	(11 688)	(8 628)	(9 021)	–	(314 131)
Margin on material	1 738 282	403 070	88 480	1 099 622	68 296	5 332	3 403 082
Reconciliation of margin on material to operating profit							
Margin on material							3 403 082
Revenue from rendering of services							838 112
Rental income							3 233
Direct and indirect manufacturing cost							(1 063 341)
Primary distribution cost							(396 982)
Gross profit							2 784 104
Net other costs							(2 266 560)
Restructuring cost							(8 472)
Operating profit							509 072
Net financing cost							(74 064)
Tax expense							(100 286)
Depreciation and amortisation							(177 587)
Assets and liabilities							
Assets							5 474 837
Liabilities							2 889 989

30 June 2014 Segment report	Dairy fluids R'000	Dairy concentrated products R'000	Ingredients R'000	Non-alcoholic beverages R'000	Fermented products and desserts R'000	Other R'000	CIL Group R'000
External revenue							
Sale of products	3 765 162	1 128 758	265 599	1 930 094	93 679	9 358	7 192 650
Sale of raw milk	511 485	–	–	–		–	511 485
Charges against sales	(71 643)	(28 281)	(9 934)	(38 240)	(2 888)	–	(150 986)
Cost of material and packaging	(2 546 994)	(716 398)	(160 253)	(901 316)	(62 824)	(2 012)	(4 389 797)
Milk collection cost	(236 534)	(64 420)	(26 534)	(17 063)	(10 187)	–	(354 738)
Margin on material	1 421 476	319 659	68 878	973 475	17 780	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

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		6 INCOME AND EXPENSES		
		6.1 Cost of sales		
(179 318)	(150 986)	Charges against sales		
(3 472 187)	(3 443 072)	Cost of raw materials		
(1 056 188)	(946 725)	Packaging costs		
(314 131)	(354 738)	Milk collection cost		
(1 063 341)	(962 982)	Manufacturing direct and indirect cost		
(396 982)	(432 688)	Primary distribution cost		
(6 482 147)	(6 291 191)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below:		
		Depreciation, amortisation and impairment		
(94 380)	(75 756)	• Depreciation and impairment of property, plant and equipment		
(1 376)	(2 967)	• Amortisation and impairment of trademarks, patents and licences		
(95 756)	(78 723)	Total depreciation, impairment and amortisation included in cost of sales		
(20 744)	(19 617)	Total inventories, raw material and finished product written off or provided for included in cost of sales		
		6.2 Other operating income		
38 950	–	Profit on sale of property, plant and equipment and other assets		
9 966	21 279	Realised foreign exchange gains		
5 967	4 775	Scrap sales and sales to staff		
–	20 716	Discount on acquisition of property, plant and equipment by Clover Waters through issue of shares		
549	430	Consulting income for IT services rendered		
		Fees for the cession of milk rights	**49 369**	45 892
2 607	1 716	Sundry*	**–**	42
58 039	48 916	Total other operating income	**49 369**	45 934

** Sundry income consist of a number of immaterial items.*

GROUP 2015 R'000	GROUP 2014 R'000			COMPANY 2015 R'000	COMPANY 2014 R'000
		6.3	**Other operating expenses**		
(5 465)	(5 449)		Provision for consumable stock obsolescence (engineering spares)		
–	(5 102)		Loss on sale of property, plant and equipment		
(1 355)	(1 860)		Loss on share appreciation rights forward purchases		
(209)	(2 433)		Movement in provision on impairment of trade receivables		
–	(4 241)		Realised foreign exchange loss		
(2 999)	–		Unrealised foreign exchange loss		
(1 761)	–		Loss on diesel hedge		
(6 231)	(4 488)		Royalties		
(1 071)	–		Sundry*		
(19 091)	(23 573)		**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		
(25 184)	(23 796)		Development expenses		
			Rentals		
(35 025)	(26 261)		• land and buildings		
(39 616)	(29 918)		• equipment		
(329 804)	(312 636)		• vehicles		
(970)	(1 864)		• machines		
(2 933)	(1 106)		• other		
			Direct operating expenses of investment properties earning rental income		
(22)	(171)		• maintenance		
(433 554)	(395 752)		**Total other expenses**		
			Personnel expenses		
(1 556 894)	(1 375 415)		Wages, salaries, bonuses and car allowances		
(22 615)	(21 446)		Company contributions		
(88 839)	(76 964)		Pension contributions		
(31 786)	(29 568)		Medical aid fund contributions		
(71 283)	(46 959)		Other personnel expenses		
(8 156)	(7 174)		Retrenchment cost		
(1 779 573)	(1 557 526)		**Total personnel expenses**		

** Sundry operating expenses consist of a number of immaterial items.*

GROUP 2015 R'000	GROUP 2014 R'000			COMPANY 2015 R'000	COMPANY 2014 R'000
			Auditors' remuneration		
(10 087)	(9 173)		Audit fees current year	**(1 810)**	(1 890)
(216)	(350)		Prior year under provision		
(635)	(330)		Other fees		
(10 938)	(9 853)		**Total auditors' remuneration**	**(1 810)**	(1 890)
			Depreciation, amortisation and impairment		
(66 110)	(45 113)		Depreciation and impairment of property, plant and equipment	**(1)**	(1)
(132)	(624)		Depreciation of investment properties		
(15 672)	(7 728)		Amortisation and impairment of trademarks, patents and licences		
(186)	(3 920)		Scrapping and impairment of property, plant and equipment		
(82 100)	(57 385)		**Total depreciation and amortisation included in selling, distribution, restructuring and administrative expenses**	**(1)**	(1)
		6.5	**Finance income**		
329	275		Bank interest	**1 414**	1 593
5 148	5 079		Interest received on call deposits	**–**	–
3 564	1 880		Other	**1 370**	1 600
9 041	7 234		**Total finance income**	**2 784**	3 193
		6.6	**Finance cost**		
(17 505)	(7 863)		Bank loans and overdrafts	**(56)**	–
(61 387)	(54 859)		Debtors' securitisation		
(4 213)	(2 321)		Other		
(83 105)	(65 043)		**Total finance cost**	**(56)**	–
		6.7	**Restructuring cost**		
			Restructuring cost has been determined after taking into account the following expenses:		
(8 156)	(7 174)		Retrenchment cost		
(55)	(4 801)		Relocation of existing assets as part of Cielo Blu		
(75)	(141)		Listing fees for new shares issue	**(75)**	(49)
(186)	(3 920)		Scrapping and impairment of property, plant and equipment		
(8 472)	(16 036)		**Total restructuring cost**	**(75)**	(49)

7 TAXES

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		7.1 The major components of the tax expense are:		
		Local income tax		
		Current income tax		
(88 549)	(8 861)	• current year	**(10 954)**	(10 652)
–	8 921	• previous year		
		Deferred income tax		
(4 453)	(30 636)	• current year	**–**	49
2 381	(5 873)	• previous year	**524**	–
(636)	(915)	Withholding tax on foreign income		
		Foreign taxation		
		Current income tax		
(10 457)	(12 179)	• current year		
–	(160)	• previous year		
		Deferred taxation		
1 451	(88)	• current year		
(23)	–	• previous year		
(100 286)	(49 791)	**Total income tax expense**	**(10 430)**	(10 603)
211 247	91 579	**Estimated taxation losses available for reduction of future taxable income**		
%	%	**7.2 Reconciliation of income tax rate**	**%**	%
28,00	28,00	Standard income tax rate	**28,00**	28,00
		Adjusted for:		
(2,06)	(3,02)	Non taxable income*	**(15,80)**	(15,20)
2,30	3,07	Non deductible expenses#	**0,16**	–
0,55	1,40	Tax losses of foreign subsidiaries not deductible		
(0,68)	(1,35)	Effect of foreign jurisdictions tax at lower rates		
(0,53)	(1,47)	Prior year adjustments: over provision	**(0,59)**	–
(0,69)	(1,67)	Share of joint venture profit equity accounted		
(2,97)	(2,58)	Additional deferred tax asset recognised on assessed loss		
(0,24)	–	Utilisation of assessed loss not previously recognised		
(1,16)	(1,74)	Tax deduction realised on share appreciation rights exercised		
(0,03)	0,22	Other		
22,49	20,86	**Effective income tax rate**	**11,77**	12,80

* *Learnership allowances; employment tax incentive; accounting capital profits.*
\# *Professional and legal fees; non-deductible depreciation; share-based payment expense.*

8 EARNINGS AND HEADLINE EARNINGS PER SHARE

GROUP 2015	GROUP 2014		COMPANY 2015	COMPANY 2014
		8.1 Diluted weighted average number of ordinary shares		
183 989 596	182 478 589	Weighted average number of issued ordinary shares		
8 477 179	9 288 819	Increase in number of shares as a result of unexercised share appreciation rights		
192 466 775	191 767 408	**Diluted weighted average number of ordinary shares**		
R'000	**R'000**		**R'000**	**R'000**
		8.2 Profit for the year		
350 345	186 666	Profit for the year attributable to equity holders of the parent company		
Cents per share	Cents per share		**Cents per share**	**Cents per share**
		8.3 Earnings per share		
		Basic		
190,4	102,3	Attributable to equity holders of the parent		
		Diluted		
182,0	97,3	Attributable to equity holders of the parent		

8.4 Headline earnings per share

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Headline earnings attributable to equity holders of the parent company		
350 345	186 666	Profit for the year attributable to equity holders of the parent company		
		Gross remeasurements excluded from headline earnings		
(38 950)	5 102	(Profit)/Loss on sale of property, plant and equipment and gains on other assets		
–	(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		
–	11 915	Impairment and scrapping of plant and equipment		
		Taxation effects of remeasurements		
7 948	(505)	Profit/(Loss) on sale of property, plant and equipment and gains on other assets		
–	(1 213)	Impairment and scrapping of plant and equipment		
319 343	187 464	Headline earnings attributable to equity holders of the parent company		

GROUP 2015 Cents per share	GROUP 2014 Cents per share		COMPANY 2015 Cents per share	COMPANY 2014 Cents per share
		Headline earnings per share		
		Basic		
173,6	102,7	Attributable to equity holders of the parent		
		Diluted		
165,9	97,8	Attributable to equity holders of the parent		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		9 DIVIDENDS DECLARED AND PAID		
		During the year equity dividends were declared as follows:		
71 624	69 342	To ordinary shareholders	**71 624**	69 342
Cents per share	**Cents per share**		**Cents per share**	**Cents per share**
38,6	38,0	To ordinary shareholders	**38,6**	38,0

GROUP R'000	GROUP R'000		COMPANY R'000	COMPANY R'000
		10 ASSETS CLASSIFIED AS HELD-FOR-SALE		
3 776	359	Net book value at the beginning of the year		
1 740	3 417	Transfers from property, plant and equipment, and investment property	**429**	–
(5 087)	–	Disposals		
429	3 776	Carrying value	**429**	–

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 vacant plots in Carletonville and the properties are in the process of being registered in the purchasers' names.

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Freehold land and buildings

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Cost		
774 526	589 920	Balance at the beginning of the year	**679**	679
73 801	179 242	Additions capitalised		
(18 237)	(13 117)	Government grant received		
23 983	25 238	Acquisition through business combinations		
(429)	(6 757)	Transfer to assets classified as held-for-sale	**(429)**	
(14)	–	Disposals		
(286)	–	Reclassification between asset classes		
853 344	774 526	**Balance at the end of the year**	**250**	679
		Accumulated depreciation and impairment		
(194 993)	(180 901)	Balance at the beginning of the year	**(15)**	(14)
(22 103)	(18 145)	Depreciation for the year	**(1)**	(1)
–	(40)	Impairment		
8	1	Disposals		
(68)	–	Reclassification between asset classes		
–	4 092	Transfer to assets classified as held-for-sale		
(217 156)	(194 993)	**Balance at the end of the year**	**(16)**	(15)
		Carrying amounts		
579 533	409 019	Balance at the beginning of the year	**664**	665
636 188	579 533	Balance at the end of the year	**234**	664

11.2 Leasehold properties

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Cost		
29 765	26 956	Balance at the beginning of the year		
1 032	1 464	Additions capitalised		
233	1 345	Foreign exchange translations		
31 030	29 765	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(3 956)	(3 038)	Balance at the beginning of the year		
(1 160)	(768)	Depreciation for the year		
(29)	(150)	Foreign exchange translations		
(5 145)	(3 956)	**Balance at the end of the year**		
		Carrying amounts		
25 809	23 918	Balance at the beginning of the year		
25 885	25 809	Balance at the end of the year		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		11.3 Plant, equipment and vehicles		
		Cost		
1 762 564	1 515 344	Balance at the beginning of the year		
195 280	290 037	Additions capitalised		
(17 089)	(18 989)	Government grant received		
56 314	33 207	Acquisition through business combinations		
298	–	Reclassification between asset classes		
(50 726)	(56 323)	Disposals		
–	(3 301)	Transfer to assets classified as held-for-sale		
452	2 589	Foreign exchange translations		
1 947 093	1 762 564	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(678 887)	(625 250)	Balance at the beginning of the year		
(137 227)	(94 012)	Depreciation for the year		
–	(11 875)	Impairment		
(8)	–	Reclassification between asset classes		
33 089	50 166	Disposals		
–	2 550	Transfer to assets classified as held-for-sale		
(90)	(466)	Foreign exchange translations		
(783 123)	(678 887)	**Balance at the end of the year**		
		Carrying amounts		
1 083 677	890 094	Balance at the beginning of the year		
1 163 970	1 083 677	Balance at the end of the year		

11.4 Total property, plant and equipment

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Cost		
2 566 855	2 132 220	Balance at the beginning of the year	**679**	679
270 113	470 743	Additions capitalised		
(35 326)	(32 106)	Government grants received		
(429)	(10 058)	Transfer to assets classified as held-for-sale	**(429)**	
80 297	58 445	Acquisition through business combinations		
(50 740)	(56 323)	Disposals	**–**	–
685	3 934	Foreign exchange translations		
12	–	Reclassification between asset classes		
2 831 467	2 566 855	**Balance at the end of the year**	**250**	679
		Accumulated depreciation and impairment		
(877 836)	(809 189)	Balance at the beginning of the year	**(15)**	(14)
(160 490)	(112 925)	Depreciation for the year	**(1)**	(1)
–	(11 915)	Impairment	**–**	–
–	6 642	Transfer to assets classified as held-for-sale		
(76)	–	Reclassification between asset classes		
33 097	50 168	Disposals	**–**	–
(119)	(617)	Foreign exchange translations		
(1 005 424)	(877 836)	**Balance at the end of the year**	**(16)**	(15)
		Capital work-in-progress		
129 094	194 202	Balance at the beginning of the year		
121	(1 459)	Foreign exchange translations		
513 277	374 988	Additions: current year		
35 326	32 106	Government grants received		
(350 410)	(470 743)	Assets brought into use		
327 408	129 094	**Balance at the end of the year**		
		Total property, plant and equipment including work-in-progress		
		Carrying amounts		
1 818 113	1 517 233	Total property, plant and equipment at the beginning of the year	**664**	665
2 153 451	1 818 113	Total property, plant and equipment at the end of the year	**234**	664

GROUP			COMPANY	
2015 R'000	2014 R'000		2015 R'000	2014 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 2015 was R31,9 million (2014: R30,5 million). Additions during the year were R27,3 million (2014: R Nil 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. There are no unfulfilled conditions or contingencies attached to these grants.		
		Assets with an original cost price of R83,1 million (2014: R53,0 million) are still in use, although it has been fully depreciated.		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		12 INVESTMENT PROPERTIES		
		Cost		
6 096	6 096	Balance at the beginning of the year		
(5 826)	–	Transfer to assets held-for-sale		
270	6 096	**Balance at the end of the year**		
		Accumulated depreciation		
(4 716)	(4 093)	Balance at the beginning of the year		
(132)	(623)	Depreciation for the year		
76	–	Reclassifiication between asset classes		
4 525	–	Transfer to assets held-for-sale		
(247)	(4 716)	**Balance at the end of the year**		
		Carrying amounts		
1 380	2 003	Balance at the beginning of the year		
23	1 380	**Balance at the end of the year**		
272	555	Rental income derived from investment properties		
–	(171)	Direct operating expenses generating rental income		
272	384	**Net profit arising from investment properties carried at net book value**		

The fair value of the property is R1,1 million (2014: R3,4 million).

The fair value of investment properties has been determined based on valuations performed by 'The Property Partnership', an accredited independent valuer, 'The Property Partnership' is an industry specialist in valuing investment properties.

The valuation was determined by using the capitalisation of future rentals technique. It was based on a net annual rental income of R157 376 and a rental capitalisation into perpetuity factor of 14% and is considered to be a level 3 fair value disclosure.

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		13 INTANGIBLE ASSETS		
		13.1 Goodwill		
		Cost		
328 750	328 750	Balance at the beginning of the year		
46 455	–	Acquisition through business combinations		
375 205	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	327 439	Balance at the beginning of the year		
373 894	327 439	Balance at the end of the year		
		13.2 Trademarks, patents and customer lists		
		Cost		
69 003	69 004	Balance at the beginning of the year		
69 054	–	Acquisitions through business combinations		
–	(1)	Disposals		
138 057	69 003	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(9 452)	(4 637)	Balance at the beginning of the year		
(7 325)	(4 815)	Amortisation for the year		
(16 777)	(9 452)	**Balance at the end of the year**		
		Carrying amounts		
59 551	64 367	Balance at the beginning of the year		
121 280	59 551	Balance at the end of the year		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		13.3 Software licences		
		Cost		
86 483	85 109	Balance at the beginning of the year		
44 161	2 150	Additions		
(417)	(776)	Disposals		
(12)	–	Reclassification between asset classes		
130 215	86 483	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(56 234)	(51 025)	Balance at the beginning of the year		
(9 723)	(5 880)	Amortisation for the year		
403	671	Disposals		
(65 554)	(56 234)	**Balance at the end of the year**		
		Carrying amounts		
30 249	34 084	Balance at the beginning of the year		
64 661	30 249	Balance at the end of the year		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		13.4 Total intangible assets		
		Cost		
484 236	482 863	Balance at the beginning of the year		
44 161	2 150	Additions		
115 509	–	Additions through business combinations		
(417)	(777)	Disposals		
(12)	–	Reclassification between asset classes		
643 477	484 236	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(66 997)	(56 973)	Balance at the beginning of the year		
(17 048)	(10 695)	Amortisation for the year		
403	671	Disposals		
(83 642)	(66 997)	**Balance at the end of the year**		
		Capital work-in-progress – Software		
30 254	19 393	Balance at the beginning of the year		
137 138	13 011	Additions		
(159 670)	(2 150)	Amounts capitalised		
7 722	30 254	**Balance at the end of the year**		
		Carrying amounts		
447 493	445 283	Total intangible assets at the beginning of the year		
567 557	447 493	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% (2014: 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 17,19% (2014: 19,24%).

Goodwill has been allocated to Clover Industries Group excluding Clover Waters and then to Clover Waters (Iced Tea business) as the smallest separately identifiable cash-generating units due to income, cost, assets and liabilities not being possible to be split into smaller cash-generating units. The calculated recoverable amount exceeds the carrying amount of the cash-generating unit. No reasonably possible change will result in the carrying amount exceeding the recoverable amount of the cash-generating unit.

Goodwill has been allocated to the following cash-generating units for purposes of the impairment review:

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
349 928	303 473	Clover Industries		
23 966	23 966	Clover Waters (Iced Tea business)		
373 894	327 439	**Clover Industries Group**		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES		
		14.1 Other financial liabilities		
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedges		
1 761	–	Diesel hedge		
3 625	2 323	Clover Industries shares forward purchases		
5 386	2 323	**Total financial instruments at fair value**		
5 386	2 323	**Total other financial liabilities**		
2 670	2 323	Total current		
2 716	–	Total non-current		

GROUP			COMPANY	
2015	2014		2015	2014
R'000	R'000		R'000	R'000

Clover Industries shares forward purchase

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 follows:

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. The following inputs were taken into consideration with applying the model, a dividend yield of 2,16%, a credit spread of 2,75%, a spot rate of R17,60 and a swap interest rate reflecting the term of each tranche of the hedge.

	2015		2014	
Expiry date	Number of forwards	Forward price per share (Rand)	Number of forwards	Forward price per share (Rand)
1 June 2015			158 937	19,19
1 July 2015			253 575	19,36
1 October 2015	**308 500**	**19,80**	308 500	19,80
1 June 2016	**158 937**	**20,87**	158 937	20,87
3 October 2016	**308 500**	**21,40**	308 500	21,40
1 June 2017	**158 936**	**22,40**	158 936	22,40
2 October 2017	**308 500**	**23,20**	308 500	23,20
3 June 2019	**476 810**	**26,48**	476 810	26,48
30 June 2017	**158 937**	**22,29**		
30 June 2017	**253 575**	**22,46**		
Total	**2 132 695**		2 132 695	

Diesel hedge

Due to the Group being exposed to changes in the price of diesel, it has entered into a diesel hedge with RMB in the form of a long-futures contract, at a forward price of R11,76 per litre. The futures contract does not result in physical delivery of diesel.

The Group hedged 18 150 000 litres of diesel, this equals its diesel usage for 11 months. The hedge commenced on 26 June 2015 and expires on 26 May 2016.

14.2 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 2015, the Group held the following financial instruments carried at fair value in the statement of financial position:

	GROUP			
	30 June 2015 R'000	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Diesel hedge	**1 761**	**–**	**1 761**	**–**
Clover Industries shares forward purchases	**3 625**	**–**	**3 625**	**–**
During the reporting period ended 30 June 2015, there were no transfers between Level 1 and Level 2 fair value measurements.				
	30 June 2014 R'000	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
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				

15 DEFERRED TAXATION

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
(170 104)	(130 591)	Balance at the beginning of the year	77	28
14 547	(39 513)	Movements during the year	–	49
(155 557)	(170 104)	Balance at the end of the year	77	77
		The balance is constituted as follows:		
		Deferred tax assets		
694	1 755	Doubtful debts provision	77	77
5 818	3 953	Credit note accrual		
1 382	1 767	Leases straight-lined		
61 570	42 014	Employee related expenses that are only deductible when paid		
9 194	7 565	Income received in advance		
7 416	8 200	Other accruals		
40 709	14 625	Assessed loss carried forward		
624	–	Foreign tax credits		
1 854	2 874	Other		
129 261	82 753	Total deferred tax assets	77	77

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Deferred tax liabilities		
(277 314)	(244 419)	Property, plant and equipment	–	–
(3 873)	(2 240)	Prepayments	–	–
(1 615)	(2 666)	Consumable stores		
(1 320)	(1 320)	Pension fund asset		
–	(1 931)	Lease straight-lined		
(696)	(281)	Other		
(284 818)	(252 857)	Total deferred tax liabilities	–	–
(155 557)	(170 104)	Net deferred tax (liability)/asset	77	77
		Reflected in the statement of financial position as follows:		
32 696	8 919	Deferred tax assets	77	77
(188 253)	(179 023)	Deferred tax liabilities		
(155 557)	(170 104)	Net deferred tax (liability)/asset	77	77

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 to the value of R69 million (2014: R73,5 million). In addition no deferred tax asset has been provided on tax losses amounting to Rnil million (2014: R39,3 million) which have no expiry date.

16 INVENTORIES

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
5 800	5 800	Delivery agreements		
127 986	109 827	Raw materials		
100 422	97 071	Work-in-progress		
91 517	88 172	Consumable stores		
614 456	267 022	Finished goods		
940 181	567 892	Total inventories		

The amount of the write-down of inventories recognised as an expense is R20,7 million (2014: R19,6 million). This expense is included in the cost of sales line item as a cost of inventories.

17 TRADE AND OTHER RECEIVABLES

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
1 137 640	870 514	Trade receivables	**4 170**	3 837
86 406	153 730	Other receivables and advance payments	**489**	277
15 644	16 811	Loans to Executive Directors and other Executives	**15 644**	16 811
		Inter-company loan: Clover SA	**502 298**	398 088
		Loan: CIL Share Purchase Plan Trust	**9**	7
(2 525)	(3 849)	Allowance for impairment	**(275)**	(275)
(21 586)	(14 213)	Credit note accrual		
1 215 579	1 022 993	Total trade and other receivables	**522 335**	418 745

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.

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. 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.

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 2015, trade receivables of an initial value of R2,5 million (2014: R3,8 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
3 849	3 309	Balance at the beginning of the year	**275**	317
–	2 428	Charge for the year	**–**	(42)
(1 324)	(1 888)	Impairment loss written off		
2 525	3 849	Balance at the end of the year	**275**	275

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 2015, the Group had available R30 million (2014: R120 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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Cash at bank and on hand		
255	304	On hand		
82 154	294 333	Outstanding deposits		
979	78 459	Call deposits and money market investments	**590**	24 741
392 048	280 793	Cash in banks	**39 425**	10 496
475 436	653 889	Total cash and short-term deposits	**40 015**	35 237

Included in prior year 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.

GROUP 2015 Number of shares	GROUP 2014 Number of shares		COMPANY 2015 Number of shares	COMPANY 2014 Number of shares
		19 SHARE CAPITAL AND SHARE PREMIUM		
		19.1 Ordinary shares		
		Authorised		
		2 billion (2014:2 billion) ordinary shares with a par value of 5 cents (2014: 5 cents) each		
		Shares issued		
182 478 589	181 218 149	Ordinary shares in issue at the beginning of the year	**182 478 589**	181 218 149
5 252 549	–	Issued on 17 March 2015	**5 252 549**	–
–	1 260 440	Issued on 1 July 2013	**–**	1 260 440
187 731 138	182 478 589	**Ordinary shares in issue at the end of the year**	**187 731 138**	182 478 589

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Ordinary share capital		
9 387	9 124	187,7 million (2014: 182,5 million) ordinary shares of 5 cents (2014: 5 cents) each	**9 387**	9 124
		Ordinary share premium		
838 363	734 414	Ordinary share premium on 187,7 million (2014: 182,5 million) ordinary shares	**838 363**	734 414
847 750	743 538	**Total ordinary share capital and ordinary share premium**	**847 750**	743 538
		Shares were issued as follows during the year		
		Ordinary shares:		
263	63	Ordinary shares of 0,5 cents (2014: 0,5 cents) each	**263**	63
103 949	21 151	Ordinary share premium of R19,79 (2014: R16,78) per share	**103 948**	21 151
104 212	21 214	**Total ordinary share capital raised during the year**	**104 211**	21 214
		20 OTHER RESERVES		
72 880	73 267	Share-based payments reserve	**10 252**	28 720
209 957	209 958	Other capital reserves	**478**	478
(209 957)	–	Other capital reserves transferred to retained earnings	**(478)**	–
72 880	283 225	**Total at the end of the year**	**10 252**	29 198
		21 FOREIGN CURRENCY TRANSLATION RESERVE		
(2 314)	(5 582)	Foreign currency translation reserve related to Clover Botswana and Clover West Africa		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		22 INTEREST-BEARING LOANS AND BORROWINGS		
		22.1 Secured liabilities		
900 000	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%. The third tranche of R250 million is repayable on 30 June 2019, and is charged a floating interest rate of 160 bps above 3 month Jibar		
36 247	22 003	(b) Secured by plant and equipment with a book value of R31,9 million (2014: R30,5 million). Repayable in monthly instalments. Payments due within the next year are R5,1 million (2014: R11,4 million). Variable interest rate portion: 8,5% (2014: 6,05%). Maturity: between July 2014 and March 2022. Fixed interest rate portion 9,0% and 10,5% (2014: 9,0% and 10,5%)		
936 247	672 003	Total secured liabilities		
		22.2 Unsecured liabilities		
688	3 348	(a) Unsecured loan from Merchant West, interest is charged at 6,96% (2014: 6.96%), and is repayable in quarterly instalments with a final payment on 1 October 2015		
1 938	6 476	(b) Bank overdraft		
		Repayable on demand. The full outstanding amount is repayable within one year		
		Variable interest rate: 9% – 9,25% (2014: 9,0%)		
316 304	195 025	(c) Call loans		
		Variable interest rate: 6,75% – 7,8% (2014: 6,25% – 6,8%)		
318 930	204 849	Total unsecured liabilities		
1 255 177	876 852	Total secured and unsecured liabilities		
		Current portion transferred to current liabilities:		
254 646	9 646	• Secured liabilities		
318 930	204 849	• Unsecured liabilities		
573 576	214 495	Total current portion transferred to current liabilities		
681 601	662 357	Total non-current interest-bearing borrowings		
1 255 177	876 852	Total current and non-current interest-bearing loans and borrowings		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		23 EMPLOYEE-RELATED OBLIGATIONS		
		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:		
6 976	6 435	Active members		
6,8%	8,2%	Salary escalation ratio		
7,8%	9,0%	Discounting rate		
65	65	Normal retirement age		
26 376	28 909	Balance at the beginning of the year		
9 198	5 224	Amounts provided		
(10 706)	(7 757)	Amounts utilised		
24 868	26 376	**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 and leave days taken are recognised as utilisations.		
61 251	51 918	Balance at the beginning of the year		
10 413	15 609	Amounts provided		
(7 203)	(6 276)	Amounts utilised		
64 461	61 251	**Total leave pay provision**		
		23.3 Total provisions		
74 901	67 615	Long-term portion		
14 428	20 013	Short-term portion transferred to current liabilities		
89 329	87 628	**Total long-term and short-term provisions**		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		24 TRADE AND OTHER PAYABLES		
1 072 019	1 000 205	Trade payables	**8 392**	9 883
230 972	157 300	Other payables	**1 335**	1 359
346	1 009	Interest payable	**346**	1 009
48 507	32 511	Payable to joint ventures		
1 351 844	1 191 025	Total trade and other payables	**10 073**	12 251
21 459	4 351	Non-current portion included in other payables transferred to non-current liabilities	**–**	–
1 330 385	1 186 674	Current portion	**10 073**	12 251
1 351 844	1 191 025	Total trade and other payables	**10 073**	12 251

The terms for trade payables and other 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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
33 877	(16 723)	Amount receivable/(due) at the beginning of the year	**1 328**	807
(124 741)	(36 717)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	**(10 434)**	(10 652)
24 940	7 078	Taxation charged through statement of changes in equity, excluding deferred taxation		
(40 330)	(33 877)	Amount (receivable)/due at the end of the year	**(2 157)**	(1 328)
(106 254)	(80 239)	Total tax paid	**(11 263)**	(11 173)

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		26 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS		
		26.1 Defined-benefit fund		
9 277	15 613	Value of fund assets		
(4 452)	(10 839)	Value of fund liabilities		
4 825	4 774	Net surplus (recognised in other receivables)		
		Funding level		
		All of the fund's assets are indirectly invested in a quoted market by the utilisation of unit trusts.		
8,8%	9,0%	Expected rate of return		
8,8%	9,0%	Discount rate		
8,1%	8,2%	Future salary increases		
6,8	1,9	Expected average remaining working life in years		

The fund is a defined-benefit fund and was actuarially valued on 30 June 2015. 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.

During the current financial year the Board of Clover and the Trustees of the Clover Pension fund approved the move of the Clover Pension fund to the Sanlam Umbrella fund, with effect from 1 July 2015. As part of this transfer, all defined benefit members will become defined contribution members. 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. Accordingly a pre-payment asset was raised during the 2014 financial year for R4,8 million. 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 2015: 4 (30 June 2014: 5). The fund closed for new entrants on 1 July 1994.

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 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 2015: 1 102 (30 June 2014: 990).

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 2015:6 143 (2014: 5 415).

26.3 Amounts recognised in profit or loss

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Contributions for the Group for the current year:		
105	101	Defined-benefit fund		
34 985	32 008	Pension fund		
53 749	44 856	Provident fund		
88 839	76 965	**Total contributions recognised in profit or loss**		

27 COMMITMENTS AND CONTINGENCIES

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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Future minimum lease payments are as follows:		
289 823	286 374	Within one year		
847 451	1 003 852	After one year but not more than five years		
535 302	1 450 868	More than five years		
1 672 576	2 741 094	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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2015 are as follows:		
7 609	2 993	Within one year		
8 607	9 387	After one year, but not more than five years		
16 216	12 380	Total lease payments receivable		

GROUP 2015 Minimum payments R'000	GROUP 2015 Present value of payments R'000		GROUP 2014 Minimum payments R'000	GROUP 2014 Present value of payments R'000
		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.		
		Future minimum lease payments with the present value of the net minimum lease payments are as follows:		
8 248	**5 196**	Within one year	14 195	12 752
41 488	**31 739**	After one year but not more than five years	17 836	12 599
49 736	**36 935**	Total minimum lease payments	32 031	25 351
(12 801)		*Less:* Amounts representing finance charges	(6 680)	
36 935	**36 935**	Present value of minimum lease payments	25 351	25 351

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		27.1.4 Capital commitments		
146 225	286 966	Capital expenditure authorised and contracted for		
29 305	53 787	Capital expenditure authorised but not contracted for		
175 530	340 753	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 the prior year capital expenditure authorised and contracted for is R150 million for the acquisition of Dairybelle.

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 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. There have been no guarantees provided or received for any related party receivables or payables except for a sub-ordination agreement with Clover Namibia and Clover West Africa. During the year under review, additional impairment was raised on the loan from Clover SA to Clover West Africa of R5,9 million (2014: R9,1 million) and a reversal of the prior year impairments on the loan to Clover Namibia of R5,5 million (2014: R5,4 million – impairment). 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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		(a) Fees earned by CIL for services rendered to Group Companies		
		Clover SA – Subsidiary	**49 369**	45 892
		Total fees earned by CIL for services rendered to Group Companies	**49 369**	45 892
		(b) Amounts due to CIL from Group Companies		
		Clover SA – Subsidiary	**502 298**	401 925
		Total amounts due to CIL from Group Companies	**502 298**	401 932
		(c) CIL received the following dividends during the year from Group Companies		
		Clover SA – Subsidiary	**50 000**	45 000
		Total dividends received by CIL from Group Companies	**50 000**	45 000

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		28.2 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:		
–	2 009	MG Elliott (resigned 26 November 2013)		
–	20 078	JC Hendriks (Dr) (resigned 13 March 2014)		
118 495	92 409	WI Büchner		
42 870	31 527	NA Smith		
11 888	3 598	PR Griffin (appointed 13 March 2014)		
173 253	149 621	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 advanced to Directors and senior management outstanding		
		Executive Director		
13 019	14 238	JH Vorster	**13 019**	14 238
		Other Executives		
2 625	2 573	JHF Botes (Dr)	**2 625**	2 573
15 644	16 811	Total	**15 644**	16 811
		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 Deloitte Risk Management. 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 79,5% (2014: 73,6%) 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.

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.

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% (2014: 25%) of long-term borrowings should mature in the next 12-month period. In less than one year, the Group's long-term debt of 20,3% (2014: 1,5%) will mature 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.

The following guarantees were in place:

Guarantees	2015 Rm	2014 Rm
Municipalities	**15,60**	15,29
Other	**0,42**	0,35
	16,02	15,64

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 Naira. Certain exchange rate exposures are hedged through the use of forward exchange contracts. No forward exchange contracts were in place at year end.

The Group hedges amounts greater than R2 million (2014: R2 million) denominated in a foreign currency. Forward exchange contracts are used to hedge currency risk, when applicable, 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 2015 Change in rate	GROUP 2015 Effect on profit before tax R'000	GROUP 2015 Effect on equity R'000		GROUP 2014 Change in rate	GROUP 2014 Effect on profit before tax R'000	GROUP 2014 Effect on equity R'000
			Foreign subsidiaries – equity			
+10%			Rand – strengthening	+10%		
		(17 134)	Loss on Pulas			(13 078)
		5 066	Profit on Naira			4 472
-10%			Rand – weakening	-10%		
		17 134	Profit on Pulas			13 078
		(5 066)	Loss on Naira			(4 472)

(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 2015 R'000		GROUP 2014 R'000
	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	
400 000	Fixed-rate instruments	416 755
855 177	Variable-rate instruments	460 097
1 255 177		876 852
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2014: 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	
(8 552)	Decrease in profit before tax	(4 601)
	Decrease of 100 basis points	
8 552	Increase in profit before tax	4 601

(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 (2014: 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.

GROUP 2015 R'000		GROUP 2014 R'000
	Increase of 10 percent in share price	
3 754	Increase in profit before tax	3 585
	Decrease of 10 percent in share price	
(3 754)	Decrease in profit before tax	(3 585)

(iv) Fuel price risk management

The Group is effected by the volatility of the diesel price. Its operating activities require the ongoing purchase of diesel for logistic puposes.

Based on an 11 month forecast about the required diesel supply, the Group hedged the purchase price of diesel using a futures contract linked to the Rand Ice Gas Oil Price. The Group hedged 18 150 000 litres of diesel, which is equivalent to 11 months diesel usage. The hedge commenced on 26 June 2015 and expires on 26 May 2016.

Diesel hedge sensitivity

An increase/decrease of 10 percent in the diesel price at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior year.

GROUP 2015 R'000		GROUP 2014 R'000
	Increase of 10 percent in diesel price	
21 344	Increase in profit before tax	–
	Decrease of 10 percent in diesel price	
(21 344)	Decrease in profit before tax	–

29.2 Capital management

Capital consists of ordinary share capital, as well as ordinary share premium.

A combination of retained earnings, senior debt, 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 R900 million (2014: R650 million). The securitisation provides access to senior debt equal to 74,5% (2014: 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 14,5% (2014: 8,6%) was achieved. In comparison the weighted average interest expense on interest-bearing borrowings was 7,8% (2014: 7,6%).

29.3 Fair value

The carrying amount of 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 2015					
	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	**3 812**	**3 732**	**7 502**	**23 455**	**11 235**	**49 736**
Secured by securitisation of trade debtors	**37 212**	**36 903**	**557 851**	**437 323**	**–**	**1 069 289**
Unsecured loans	**317 008**	**–**	**–**	**–**	**–**	**317 008**
Guarantees	**–**	**16 023**	**–**	**–**	**–**	**16 023**
Bank overdrafts	**2 338**	**–**	**–**	**–**	**–**	**2 338**
Financial liabiities	**598**	**2 118**	**2 670**	**–**	**–**	**5 386**
Trade and other payables	**1 284 506**	**45 878**	**10 730**	**10 730**	**–**	**1 351 844**
Total financial liabilities	**1 645 474**	**104 654**	**578 753**	**471 508**	**11 235**	**2 811 624**

	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

At 30 June 2015, the Group had available R30 million (2014: R120 million) of unutilised committed borrowing facilities in respect of which all conditions precedent had been met.

The maturity profile of the financial instruments is summarised as follows for the Company:

	COMPANY 2015 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	**10 073**	**–**	**–**	**–**	**–**	**10 073**
Total financial liabilities	**10 073**	**–**	**–**	**–**	**–**	**10 073**

	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

29.5 Credit risk

GROUP Carrying value 2015 R'000	GROUP Carrying value 2014 R'000		COMPANY Carrying value 2015 R'000	COMPANY Carrying value 2014 R'000
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
1 137 640	870 514	Trade receivables	**–**	–
95 469	168 673	Other receivables	**522 334**	418 745
475 436	653 889	Cash and short-term deposits	**40 015**	35 237
1 708 545	1 693 076	**Total financial assets**	**562 349**	453 982
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
904 841	640 624	Retail chain stores		
68 246	71 987	Wholesale chain stores		
164 553	157 903	Industrial/Catering/General trade		
1 137 640	870 514	**Total**		
		The ageing of trade receivables at the reporting date is as follows:		
1 059 421	821 246	Neither past due not impaired		
56 454	40 324	Past due, but not impaired 0 – 30 days		
12 157	6 084	Past due but not impaired 31 – 120 days		
9 608	2 860	Past due but not impaired 120 days		
1 137 640	870 514	**Total**		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
3 849	3 309	Balance at the beginning of the year		
–	2 428	Increases in impairments		
(1 324)	(1 888)	Impairment loss written off		
2 525	3 849	**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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Share-based payment investment in Clover SA	**8 084**	26 551
		Total investment in subsidiary	**334 819**	353 286
		Share of investment in a joint venture		
(253)	–	Clover Futurelife		
31 878	35 066	Clover Fonterra		
31 625	35 066			

Subsidiary and joint venture: Name of company	Country of incorporation	Nature of business	Effective interest in capital 2015 %	Effective interest in capital 2014 %	Gross investment in subsidiaries and joint ventures[1] 2015 R'000	Gross investment in subsidiaries and joint ventures[1] 2014 R'000	Profit/(loss) after taxation[3] 2015 R'000	Profit/(loss) after taxation[3] 2014 R'000
Clover SA[2]	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**334 818**	353 286	**282 443**	97 405
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	**100**	100	**361 458**	190 642	**(3 231)**	12 581
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**39 488**	41 892
Clover MilkyWay	South Africa	Dairy manufacturing and sales	**100**	–	**50 050**	–	**615**	–
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**561**	1 964
Lactolab	South Africa	Testing of dairy products	**100**	52	**5 500**	*	**1 317**	1 935
Clover Fonterra[#]	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**31 878**	35 066	**11 192**	14 306
Clover West Africa	Nigeria	Marketing of non-alcoholic beverage products	**100**	100	**468**	468	**(8 139)**	(7 871)
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	*****	*	**5 641**	(4 169)
Clover Waters	South Africa	Marketing, sales, distribution and production of water and Iced Tea	**70**	70	**69 392**	34 997	**(15 939)**	4 811
Clover Futurelife[$#]	South Africa	Manufactures, distributes, sells and markets a range of functional food products	**50**	50	**(253)**	–	**(253)**	–

[#] *Joint venture.*
* *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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Lactolab		
		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. Therefore, in the 2015 financial year, Clover SA held the entire equity stake in Lactolab and there was no non-controlling interest.		
		Subsidiary's statement of financial position		
	3 541	Current assets including cash and cash equivalents R1,9 million and inventory R0,3 million		
	2 665	Non-current assets including property, plant and equipment R2,6 million		
	(1 462)	Current liabilities including trade and other payables of R0,6 million		
	4 744	Equity (Net asset value)		
	52%	Portion of the Group's ownership		
	2 467	Net asset value of the investment		
		Subsidiary's revenue and profit		
	9 358	Revenue		
	(2 012)	Cost of sales		
	(4 259)	Sales, marketing, distribution and administrative expenses		
	(325)	Other operating income/(expenses)		
	(63)	Net finance income/(cost)		
	2 699	Profit before taxation		
	(764)	Income tax expense		
	1 935	**Profit for the year**		
	52%	Portion of the Group's ownership		
	1 006	Group's share of profit for the year		
	1 040	Dividend received		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Clover Waters		
		Subsidiary's statement of financial position		
83 513	62 383	Current assets including cash and cash equivalents Rnil (2014: R11,5 million) and inventory R28,3 million (2014: R23,0 million)		
89 149	93 395	Non-current assets including property, plant and equipment R52,8 million (2014: R55,5 million)		
(5 887)	(10 319)	Non-current liabilities including deferred tax R3,9 million (2014: R10,3 million)		
(121 882)	(84 626)	Current liabilities including trade and other payables of R121,4 million (2014: R84,6 millions)		
44 893	60 833	Equity (Net asset value)		
70%	70%	Portion of the Group's ownership		
31 425	42 583	Net asset value of the investment		
		Subsidiary's revenue and profit		
255 730	215 609	Revenue		
(174 730)	(103 951)	Cost of sales		
(85 231)	(117 183)	Sales, marketing, distribution and administrative expenses		
(14 578)	6 773	Other operating (expenses)/income		
(3 500)	(2 629)	Net finance cost		
(22 309)	(1 381)	Loss before taxation		
6 370	6 192	Income tax		
(15 939)	4 811	**(Loss)/profit for the year**		
70%	70%	Portion of the Group's ownership		
(11 157)	3 368	Group's share of (loss)/profit for the year		
–	–	Dividend received		

Refer to note 4 for the joint ventures namely Clover Fonterra Ingredients and Clover Futurelife.

GROUP			COMPANY	
2015 R'000	2014 R'000		2015 R'000	2014 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 16 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 exercised 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 exercise employees will be awarded shares to the value 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 exercise.

Further details on the scheme are available in the detailed circular issued to shareholders on 7 May 2010 and the Report on Remuneration on page 60 to 75.

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%.

Allocation to new Executive Committee member – Expected volatility of 22,7%, risk free rate of 7,45% and a dividend yield of 2,14%.

Seventh allocation – Expected volatility of 26,9%, risk free rate of 7,37% and dividend yield of 1,92%.

Expected volatility is calculated based on the average share price per day and the intra-day share price movements since listing.

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	4 970 158 (2014: 10 932 272)	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	Nil (2014: 186 667)	R4,31	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013
Clover's Share Appreciation Rights Plan (2010) – Third allocation	1 July 2011	Four years	R11,00	57 778 (2014: 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 (2014: 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 (2014: 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	R14,15	925 500 (2014: 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 (2014: 3 041 063)	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 (2014: 3 134 141)	R4,83	Full allocation vest on 30 June 2017
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member J van Heerden	26 September 2014	Five years	R17.55	501 425 (2014:Nil)	R5,25	One third on 26 September 2017, one third on 26 September 2018 and a final third on 26 September 2019
Clover's Share Appreciation Rights Plan (2010) – Seventh allocation	30 June 2015	Seven years	R17,34	3 656 212 (2014: Nil)	R5,38	Full allocation vest on 30 June 2018

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		Provision against income		
18 080	17 351`	Share-based payment expense		

32 DIRECTORS' REMUNERATION AND INTERESTS

32.1 Directors' remuneration

	2015								
	Basic salary R'000	Fees for services as Director R'000	Car allowance R'000	Individual performance bonus R'000	Profit share bonus R'000	Retirement and medical contributions R'000	Other benefits* R'000	Total R'000	Share appreciation rights exercised** R'000
Executive Directors									
JH Vorster	4 204		1 147	1 615	6 446	1 376	55	14 843	53 652
LJ Botha	2 879		801	1 210	3 406	874		9 170	31 610
CP Lerm(Dr)	2 524		712	1 059	2 996	762		8 053	12 423
Total remuneration of Executive Directors	9 607		2 660	3 884	12 848	3 012	55	32 066	97 685
Non-executive Directors									
WI Büchner		1 111						1 111	
TA Wixley		897						897	
SF Booysen (Dr)		743						743	
JNS Du Plessis (Adv)		512					54	566	
NA Smith		330					5	335	
N Mokhesi		359						359	
B Ngonyama		432						432	
PR Griffin		299						299	
Total remuneration of Non-executive Directors		4 683					59	4 742	
Total Directors' remuneration	9 607	4 683	2 660	3 884	12 848	3 012	114	36 808	97 685
Other Executives (prescribed officers)									
H Lubbe	2 511		714	1 091	2 995	782		8 093	
JHF Botes (Dr)	2 522		716	1 094	3 002	780		8 114	9 856
ER Bosch	2 515		682	1 039	3 002	830		8 068	
MM Palmeiro	2 070		594	1 259	2 235	626	600	7 384	
J van Heerden	1 463		443	475	915	391		3 687	
Total remuneration of other Executives	11 081		3 149	4 958	12 149	3 409	600	35 346	9 856

* *Travel and accommodation expenses, fees paid for directorships held in subsidiaries.*

** *All share appreciation rights excercised by Executives as part of the MPCRE (refer to page 75;–– legacy scheme SARS issues) were settled in shares.*

	2014								
	Basic salary R'000	Fees for services as Director R'000	Car allowance R'000	Individual performance bonus R'000	Profit share bonus R'000	Retirement and medical contributions R'000	Other benefits* R'000	Total R'000	Share appreciation 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 (resigned 24 November 2013)		144					7	151	
JC Hendriks (Dr) (resigned 13 March 2014)		254						254	
TA Wixley		783						783	
SF Booysen (Dr)		710					15	725	
NP Mageza (resigned 26 November 2013)		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.*

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:

	Allocation of rights	Number of rights as at 30 June 2014	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2015	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	First	4 587 200		3 058 133	**1 529 067**	R 19,84	R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Third	821 256		821 256	**–**	R 19,84	R11,00	All on 1 July 2014.
	Fourth	1 036 716			**1 036 716**		R13,73	All on 1 July 2015.
	Fifth	879 589			**879 589**		R16,83	All on 1 July 2016.
	Sixth	906 510			**906 510**		R17,31	All on 30 June 2017.
	Seventh		975 927		**975 927**		R17,34	All on 30 June 2018.
CP Lerm (Dr)	First	1 636 505		818 253	**818 252**	R 19,84		One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Third	1 119		1 119	**–**	R 19,84		All on 1 July 2014.
	Fourth	389 123			**389 123**			All on 1 July 2015.
	Fifth	332 135			**332 135**			All on 1 July 2016.
	Sixth	342 300			**342 300**			All on 30 June 2017.
	Seventh		371 109		**371 109**			All on 30 June 2018.
LJ Botha	First	2 443 140		1 628 760	**814 380**	R 19,84	R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Second	186 667		186 667	**–**	R 17,84	R0,00	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013.
	Third	404 063		404 063	**–**	R 19,84	R11,00	All on 1 July 2014.
	Fourth	533 657			**533 657**		R13,73	All on 1 July 2015.
	Fifth	452 775			**452 775**		R16,83	All on 1 July 2016.
	Sixth	466 633			**466 633**		R17,31	All on 30 June 2017.
	Seventh		505 334		**505 334**		R17,34	All on 30 June 2018.
Total Executive Directors		15 419 388	1 852 370	6 918 251	**10 353 507**			

	Allocation of rights	Number of rights as at 30 June 2014	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2015	Share price on date exercised	Grant price	Date from which exercisable
Other Executives (prescribed officers)								
H Lubbe	First	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.
	Third	57 778			**57 778**		R11,00	All on 1 July 2014.
	Fourth	389 123			**389 123**		R13,73	All on 1 July 2015.
	Fifth	332 135			**332 135**		R16,83	All on 1 July 2016.
	Sixth	342 301			**342 301**		R17,31	All on 30 June 2017.
	Seventh		370 992		**370 992**		R17,34	All on 30 June 2018.
JHF Botes (Dr)	First	913 936		456 968	**456 968**	R 19,84	R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Third	330 723		330 723	**–**	R 19,84	R11,00	All on 1 July 2014.
	Fourth	389 123			**389 123**		R13,73	All on 1 July 2015.
	Fifth	332 135			**332 135**		R16,83	All on 1 July 2016.
	Sixth	342 301			**342 301**		R17,31	All on 30 June 2017.
	Seventh		372 023		**372 023**		R17,34	All on 30 June 2018.
E Bosch	Allocation of newly appointed	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.
	Fifth	332 135			**332 135**		R16,83	All on 1 July 2016.
	Sixth	342 301			**342 301**		R17,31	All on 30 June 2017.
	Seventh		371 988		**371 988**		R17,34	All on 30 June 2018.
MM Palmeiro	Allocation of newly appointed	925 500			**925 500**		R14,15	One-third on 1 October 2015, a third on 1 October 2016 and final third on 1 October 2017.
	Fifth	380 159			**380 159**		R16,83	All on 1 July 2016.
	Sixth	391 795			**391 795**		R17,31	All on 30 June 2017.
	Seventh		417 246		**417 246**		R17,34	All on 30 June 2018.
J van Heerden	Allocation of newly appointed		501 425		**501 425**		R17,55	One third on 26 September 2017, a third on 26 September 2018 and final third on 26 September 2019.
	Seventh		271 593		**271 593**		R17,34	All on 30 June 2018.
Total other Executives		8 106 556	2 305 267	787 691	**9 624 132**			
Total		23 525 944	4 157 637	7 705 942	**19 977 639**			

32.3 Interest of Directors and other Executives of the Company in ordinary share capital

Number of shares at 30 June 2015				Number of shares at 30 June 2014		
Direct	Indirect	Associates		Direct	Indirect	Associates
			Executive Directors			
8 346 599	**–**	**398 315**	JH Vorster	7 575 496	–	398 315
3 294 122	**–**	**–**	CP Lerm (Dr)	2 919 804	–	–
2 318 014	**–**	**–**	LJ Botha	1 568 707	–	–
13 958 735	**–**	**398 315**		12 064 007	–	398 315
			Non-executive Directors			
–	**628 400**	**–**	WI Büchner*	–	710 400	–
–	**997 586**	**–**	NA Smith	–	1 227 586	–
47 619	**–**	**–**	TA Wixley	47 619	–	–
53 245	**–**	**–**	PR Griffin	95 000	–	–
–	**–**	**–**	MG Elliot* (resigned 24 November 2013)	241 689	–	–
–	**–**	**–**	JC Hendriks (Dr)* (resigned 13 March 2014)	1 112 892	–	–
–	**–**	**–**	NP Mageza (resigned 26 November 2013)	5 977	–	–
100 864	**1 625 986**	**–**		1 503 177	1 937 986	–
14 059 599	**1 625 986**	**398 315**	**Total Directors' interests in ordinary share capital**	13 567 184	1 937 986	398 315
			Other Executives (prescribed officers)			
459 712	**–**	**–**	H Lubbe	752 222	–	–
951 998	**–**	**–**	JHF Botes (Dr)	738 543	–	–
1 411 710	**–**	**–**	**Total interest of other Executives in ordinary share capital**	1 490 765	–	–

There have been no changes in directors' interests in the share capital of the Company between the end of the financial year and the date of the approval of the annual financial statements.

* *These Directors are trustees of the Clover Milk Producer Trust that holds 22 553 000 (2014: 21 932 000) ordinary shares in the Company.*

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 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
22 963	24 906	Employees with employment date before 01/01/2001		
1 905	1 470	Employees with employment date after 01/01/2001		
24 868	26 376	**Total past service liability**		

The valuation results as at 30 June 2015 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 2014 are based on the previous best estimates.

GROUP 2015 %	GROUP 2014 %		COMPANY 2015 %	COMPANY 2014 %
		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:		
9,0	8,5	a) The following discount rate per annum was used for the calculation of interest cost		
8,2	8,3	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		

GROUP 2015 R'000	GROUP 2014 R'000		COMPANY 2015 R'000	COMPANY 2014 R'000
		The increase in the past service liability is summarised as follows:		
		Past services liability build-up		
26 376	28 909	Opening balance		
2 394	2 370	*Plus:* Interest cost		
1 252	1 608	Current service cost		
(10 653)	(7 747)	*Less:* Benefits paid		
5 500	1 236	Actuarial loss		
24 869	26 376	**Closing balance**		

34 EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to the year-end that would require disclosure or amendment of these financial statements.

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
Clover MilkyWay (Pty) Limited:	Clover MilkyWay
Clover Futurelife (Pty) Limited:	Clover Futurelife

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.

ADMINISTRATION

Registered office
200 Constantia Drive, Constantia Kloof, 1709

Postal address
PO Box 6161, Weltevredenpark, 1715

Telephone
(011) 471 1400

Telefax
(011) 471 1504

Internet address
www.clover.co.za

External Auditors
EY Incorporated

Bankers
The Absa Group
First National Bank
Investec Bank

Company registration number
2003/030429/06

Attorneys
Werksmans
Roestoff, Venter and Kruse
Kocks and Dreyer
Adams & Adams