Clover Industries Limited
INTEGRATED ANNUAL REPORT for the year ended 30 June 2016

AN AWARD WINNING JOURNEY

As the 19th century drew to a close, a group of dairy farmers spread across the fertile Natal Midlands decided to organise themselves for better distribution and prices by founding a dairy co-operative. Through astute vision and leadership, their humble co-operative grew into South Africa's leading dairy business.

Some 112 years later Clover's shareholders took a giant visionary stride into the future by listing on the JSE on 14 December 2010 to raise the capital needed to grow a way better Clover upon its fundamental dairy base. Clover has since embarked on a value creation journey that in 2016 saw Clover being acclaimed as the most reputable company in the 2016 South Africa RepTrak® study. Clover has since 2013 received many awards as depicted here.

'These awards prove that "Way Better" is not just Clover's brand promise – it's how everyone in the Clover value chain actually performs.'

Werner Büchner

Chairman of the Board

2013

Sunday Times TOP BRANDS

Clover Krush won 2nd place and Tropika, 3rd place, both in the Fruit Based Drinks category

ICON BRANDS

Clover Fresh Milk and Fresh Cream won 1st place in each of its categories

Danao won the 1st place for innovation in the Dairy Beverage category.

Both UHT and Clover 800g Cheese won in the New Packaging category

Clover was highly commended in the Dairy category

2014

Sunday Times TOP BRANDS

Clover Fresh Milk and Clover Krush each won 1st place in their respective categories

ICON BRANDS

Clover Fresh Milk won in the Milk category and Clover UHT won 2nd place

Clover won 1st place in the Dairy category

Clover Industries Limited won 1st place in Best Presentation to the Society for companies with market cap below R5bn category.

2015

Sunday Times TOP BRANDS

Clover Milk won first place in the Milk category

ICON BRANDS

Clover Fresh Milk won 1st in the Milk category

Clover Cheese was the winner in the Cheese category

Clover Krush was in the Top 5 in the Non-Alcoholic Beverages category

Clover appointed as winner in the Dairy category

2016 AWARDS

Clover's Chief Executive Johann Vorster named EY's World Entrepreneur (Southern Africa) 2015

Clover's "Way Better" approach to doing business was recognised when our Chief Executive, Johann Vorster received the 2015 prestigious EY World Entrepreneur Award in the Master category on 3 November 2015.

The award programme is marking its 18th year anniversary of recognising outstanding entrepreneurs for their vision, innovation, courage, and leadership. EY noted that these entrepreneurial individuals build and grow successful businesses that influence the way we live, the products and services we depend on, and the economic vibrancy of our local communities and global markets.

On behalf of all staff and the Executive Team we congratulate Johann on this honour and celebrate with him the world-class recognition for his tireless commitment and dedication in ensuring success to build a better working world.

Sunday Times Top Brand 2016: Consumer overall favourite brand

Clover was named as one of South Africa's most favourite brands on 24 August 2016. Clover Krush won in the fruit juice and Clover Fresh Milk in the milk category. Overall, Clover ranks 8th out of the 10 top brands awarded by Sunday Times.

Clover clinched first place in the 2016 South Africa RepTrak® Study

Clover claimed top spot in the Reputation Institute's study of the most reputable companies in South Africa in 2016.

Clover's reputation was measured against key themes such as Esteem, Admire, Trust and Feeling as well as seven reputation dimensions namely Product/Services, Innovation, Workplace, Governance, Citizenship, Leadership and Performance. Clover, a newcomer to the study, also ranked first in the leading branded food and beverage company industry category which was added for the first time this year. In terms of the seven reputation dimensions, Clover was placed first in Governance and Citizenship, second in Products and Services, Workplace, Leadership and Performance and third in Innovation. On the basis of public support, Clover was commended for its trusted products and was positioned as an ideal company to work for.

Tropika wins "Product of the Year 2016" Award

In 2015, the brand launched a new payoff line "Nothing Smooother" and a highly successful campaign "Smoooth Trip in Every Sip", which resulted in a market share high of 74,7% over the campaign period (Nielsen, 4 MM Dec '15). Further to this, the brand also won the coveted "Product of the Year 2016" award at the Innovation Awards in March 2016. This is the first time that Tropika Long Life has won a "Product of the Year" award, making the victory just that little bit "smooother" for the brand.

CONTENTS

PROLOGUE 3
- Setting the scene for reporting 3
- About this Report 4
- Navigation Board 6
- In the Spotlight 2016 7

CLOVER'S WAY BETTER STORY 9
- Clover's vision and mission 10
- Clover at a glance 14

BUSINESS REVIEW 17
- Chairman's report 20
- Chief Executive's report 24
- Chief Financial Officer's report 34
- Six year Financial Review 42
- Financial Highlights 45

THE SHAPE OF CLOVER 47
- Geographic footprint 48
- Group structure 49
- Our shareholders and shareholder information 50
- Directorate and management 52

HOW CLOVER CREATES VALUE 55
- Overview of Clover's value creation process 55
- Clover's business model 56

CLOVER'S WAY FORWARD 59
- Way better value creation 60
- Clover's Timeline 62
- Clover's future value creation philosophy 64
- Strategy 66

REPORT ON GOVERNANCE, RISK AND COMPLIANCE 69
- Report on governance, risk and compliance 70
- Clover's risk universe 77
- King III Index 81

REPORT ON REMUNERATION 85
- Report on Remuneration 86
- Amended Remuneration policy 90

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS 99
- Human capital 104
- Natural capital 113
- Manufactured capital 117
- Intellectual capital 125
- Social and relationship capital 135
- Financial capital 144
- Combined assurance 145

ANNUAL FINANCIAL STATEMENTS 147
- Audit and risk committee report 148
- Approval of the financial statements 150
- Certificate by Company Secretary 150
- Independent Auditor's report 151
- Directors' report 152
- Consolidated statements of comprehensive income 154
- Consolidated statements of financial position 156
- Consolidated statement of changes in equity 157
- Consolidated statements of cash flows 159
- Notes to the consolidated financial statements 161
- Abbreviations 241
- Definitions 242

SIX CAPITALS

HUMAN

NATURAL

MANUFACTURED

INTELLECTUAL

SOCIAL AND RELATIONSHIPS

FINANCIAL

PROLOGUE

SETTING THE SCENE

Welcome to Clover's 2015/16 Integrated Annual Report, in which we share the collective thinking behind our strategy for creating long-term value.

This report is a concise account of Clover's operational and financial affairs during the course of its past financial year, covering the period 1 July 2015 to 30 June 2016.

It deals with how Clover has attained its objectives and the manner in which it executed its strategies. Throughout this report we address Clover's challenges, opportunities and the external factors that impact our operations. This report also covers the processes through which Clover interacts and communicates with our stakeholders, as well as how Clover works within sound corporate governance structures to enhance the interests of all our stakeholders and the broader community.

In this report, Clover only includes issues our Board and executive management considers to be material. Our materiality considerations are discussed in more detail on page 66.

Scope and boundary

The scope of this report covers all operations of Clover and our subsidiaries. Since the release of Clover's 2015 Integrated Annual Report, we have acquired two new companies, which are reported on later.

ABOUT THIS REPORT

The 2016 Clover Integrated Annual Report deals with the most relevant and material issues that could substantially impact on Clover's ability to create and sustain value for its stakeholders. This report is intended to concisely and accurately inform our stakeholder universe of our strategy, governance, performance and prospects in terms of Clover's value creation over the short, medium and long term.

Compliance

The information provided in this Integrated Annual Report has been guided by local and international requirements.

These include the:

- Companies Act 71 of 2008 as amended (Companies Act)
- King III Code of Governance reporting principles 2009 (the King III Code)
- The Listings Requirements of the JSE Limited (the JSE Requirements)
- Integrated Reporting Framework (<IR> framework) of the International Integrated Reporting Council (IIRC)
- International Financial Reporting Standards (IFRS)
- Relevant Applicable Legislation and Best Practice

The Board has satisfied itself that Clover has conformed throughout the reporting period to all the principles of the King III Code and the JSE Requirements, with limited exceptions. Where we have partially complied or not complied with these provisions, Clover has provided motivations and reasons, as indicated in the King III index on page 81 of this report.

Furthermore, legal compliance with Regulation 43 of the Act is described fully in the Report on Six capitals. Compliance with Clover's regulatory universe is described under Compliance in the Governance section, on page 79.

Integrated Combined Assurance

All disclosures included in this report are intended to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The Board, its Committees and management were involved in finalising disclosures made in this Integrated Annual Report and assume responsibility for the information contained therein. Please refer to page 145 where this is discussed.

Together with the horizontal and vertical relationships with assurance providers, this integrated combined assurance model assists the Board in assessing the adequacy of the internal control environment and assessing the integrity of information used for decision-making and reporting. Clover understands that insightful reporting for our shareholders is an important consideration for establishing this assurance model.

Considering the sustainability of Clover's business model and in complying with Regulation 43 of the Companies Act, as well as King III, all material risks are incorporated into Clover's risk universe. These are monitored under Clover's risk management process, as described more comprehensively under the Governance section of this report.

Statement of Board responsibility

The Clover Board of Directors (the Board) acknowledges its responsibility for ensuring the accuracy of this 2016 Integrated Annual Report. The Board has applied its collective expertise to this report and, in its opinion, this report addresses all material issues and presents an integrated and accurate view of Clover's performance in the year under review.

Based on the recommendations of the Board Committees, the Board approved this report for release on 12 September 2016.

Contact information

We welcome your feedback on this report.

For more information regarding the contents of this report, please contact Mr Elton Bosch, Chief Financial Officer, at Tel: +27 (0)11 471 1445

FORWARD LOOKING DISCLAIMER

This report may contain forward looking statements, including statements regarding our intent, belief or current expectations with respect to Clover's businesses and operations, market conditions, results, capital adequacy, provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements as forecasts are subject to uncertainty and contingencies outside Clover's control. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Clover does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the publication date of this report.

NAVIGATION BOARD

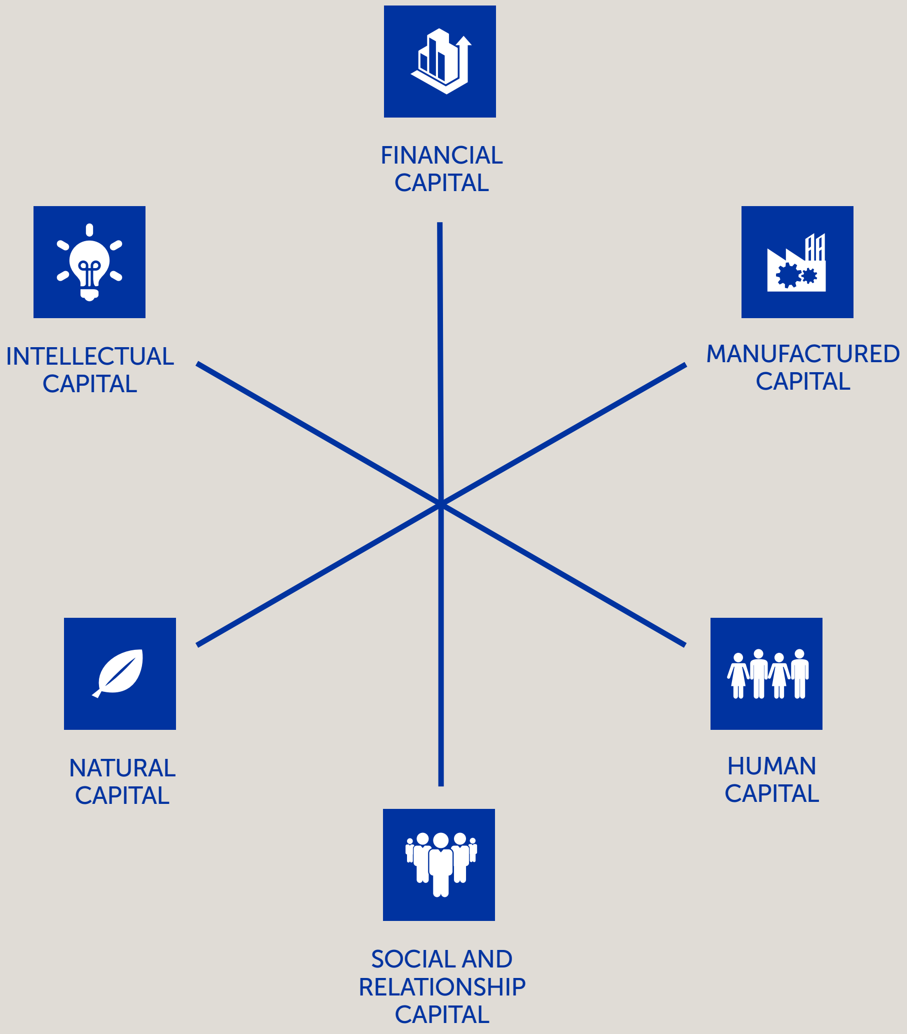
Throughout this report you will encounter icons representing Clover's specific strategic value drivers. These are placed to assist your easy referencing of key aspects of Clover's value creation process.

THE SIX CAPITALS

All commercial organisations prioritise and blend various forms of capital to create value and preserve commercial viability. As recommended by the International Integrated Reporting Council (IIRC), Clover defines these capitals as our financial, manufactured, human, social and relationship, natural and intellectual capitals.

The six capitals are stocks of value that flow through Clover's business model to be increased, decreased or transformed into outputs and outcomes. For example, Clover's financial capital will increase in line with our profit, or the capacity of our human capital is raised when employees receive specific training. On the other hand, a larger training budget for employees may reduce financial capital in the short term, but the trade-off is that the training should deliver improved financial and other capitals over the medium to long term.

The sign posts featured here assist in identifying reporting content linked to one or more of Clover's six capitals.



IN THE SPOTLIGHT: 2016

FINANCIAL CAPITAL

Revenue
▲ **6,0%**
to R9,8 billion

HEPS
▲ **8,9%**
to 188,9 cents

Headline earnings
▲ **11,7%**
to R356 million

Operating profit
▲ **10,9%**
to R564 million

Total dividends per share
▲ **16,3%**
to 65,2 cents

MANUFACTURED CAPITAL

611 million litres of milk procured during the year, compared to **606 million litres** last year

Output per man hour worked increased by **14 index points**

FSSC 22 000 quality management system in process of implementation

Service 3 000 retail and wholesale **outlets**

Masakhane sales have increased by **64%**

15 factories
20 545 delivery points
25 distribution centres

HUMAN CAPITAL

Achieved a **level 4 B-BBEE status**

1 624 new Clover recruits, compared to **1 380** in the prior year

An **increase of 9,8%** in permanent employees

Employed **5,5%** more **woman** than the previous year

8 456 permanent employees and

493 temporary employees

INTELLECTUAL CAPITAL

Clover CEO, Mr Johann Vorster received **EY's Southern Africa World Entrepreneur Award** for 2015

Received 2016 RepTrak® **top award** for **SA's most reputable company**

Awarded Reader's Digest **Most Trusted Brand** for 2015

118 years of experience

NATURAL CAPITAL

Coal consumption intensity
▼ **5,0%**

Electricity consumption intensity
▼ **12,0%**

Total carbon emissions
▼ **10,01%**

Celebrating 5 years of our **green strategy**

SOCIAL AND RELATIONSHIP CAPITAL

R2,7 million spent on education, training and development

R849 000 spent on infrastructure development

Trained 2 022 since the start of the Clover Mama Afrika initiative

42 Mamas across the country

Caring for over **15 500 children** across South Africa

DAIRY FLUIDS –

MILK (FRESH, UHT, STERI, AND ULTRA-PASTURISED) AND CREAM

- Dairy fluid volumes grew 5,9% for the period.
- MOM for fluids increased by 3,3% to R1 795,7 million.
- Dairy fluids contributed 48,6% to Clover's total sale of products for the period.

CLOVER'S WAY BETTER STORY

CLOVER'S VISION AND MISSION

OUR VISION

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

In 2016, Clover outshone top South African companies in the RepTrak® study to clinch first place in this globally recognised reputation index. We are thrilled to be recognised as the most reputable company in South Africa for 2016.

OUR MISSION

Clover's mission is ambitious – yet well within reach. For more than a century Clover has steadily built itself up as a premium brand, based on quality products, close alignment to agricultural communities, exemplary service and visionary management.

Listing on the JSE in 2010 brought in fresh sources of capital and the incentive for Clover to restructure into a lean and efficient business that retains the human touch with clients, communities and our employees.

Nevertheless, staying with the pace as a market leader in hotly contested food sectors requires innovation and forward thinking, combined with expert management of every aspect of the Clover business model.

Preferred employer

As a producer of food products consumed by millions of people daily, Clover is a people and community facing business entity. In that role we work hard to attract outstanding people into the Clover culture to infuse the expertise, innovation and passion that will continue driving Clover forwards and upwards.

In 2014, Clover participated in the Deloitte "Best Company to Work For Survey" (BCTWF), for the first time. We achieved third place, which has spurred us on to improve further.

Being a responsible corporate citizen

Clover endeavours to impact as lightly as possible on the natural environment, given the reality that we must remain competitive. Clover is devoting considerable management time into materially reducing our environmental impacts by evaluating our production processes and motivating our suppliers to reduce their negative environmental impacts. As discussed in the six capitals report later in this document (as issued by Clover's Social and Ethics Committee), Clover is methodically addressing any negative environmental impacts occurring from our procurement, production and distribution operations.

Each year, the Investment Analysts Society (IAS) of South Africa recognises JSE-listed companies for excellence in sustainability and financial reporting to the investment community. Clover Industries Limited has won prestigious awards in 2012, 2013 and 2014.

We established the Clover Mama Afrika project in 2004, to help restore dignity and livelihoods to vulnerable South Africans from disadvantaged communities. The Clover Mama Afrika project has won numerous PMR Diamond Arrow Awards and is a widely recognised CSI champion.

"Way better" operations across the supply chain to promote sustainable shareholder value

To be "way better", Clover must continuously look beyond "business as usual" processes to find new ways to tweak our business model. As a result, we are introducing new technologies and global best practices to all aspects of the Clover business. Today's business and consumer markets are evolving with increasing speed, therefore we work hard to remain ahead of change curves.

Occupy number one or number two positions in chosen segments

Clover's mission required our brands to hold dominant positions in their market segments. To achieve these positions, Clover leverages our outstanding marketing, merchandising and distribution functions, while also reducing costs through improved efficiencies. We acquire brands and infrastructure that fit naturally into the Clover portfolio. Clover also moves into other African countries and new markets when these opportunities become viable.

Clover brands have won numerous awards, including:

- *Agri Expo SA Dairy Championships*
- *Apex Awards*
- *Icon brands*
- *PMR.africa Awards*
- *Product-of-the-Year*
- *Qualite Awards*
- *Reader's Digest Most Trusted Brands*
- *Sunday Times Top Brands.*

Provide quality and trusted products, underpinned by leading dairy businesses

Over many decades Clover has built an outstanding reputation for quality products and we only add or acquire new brands that can further build out this premium status. Our marketing and sales teams will continue informing our markets that Clover never compromises on quality – from source ingredients to end product.

In 2015, Clover was the winner of Reader's Digest's Most Trusted Brands Award.

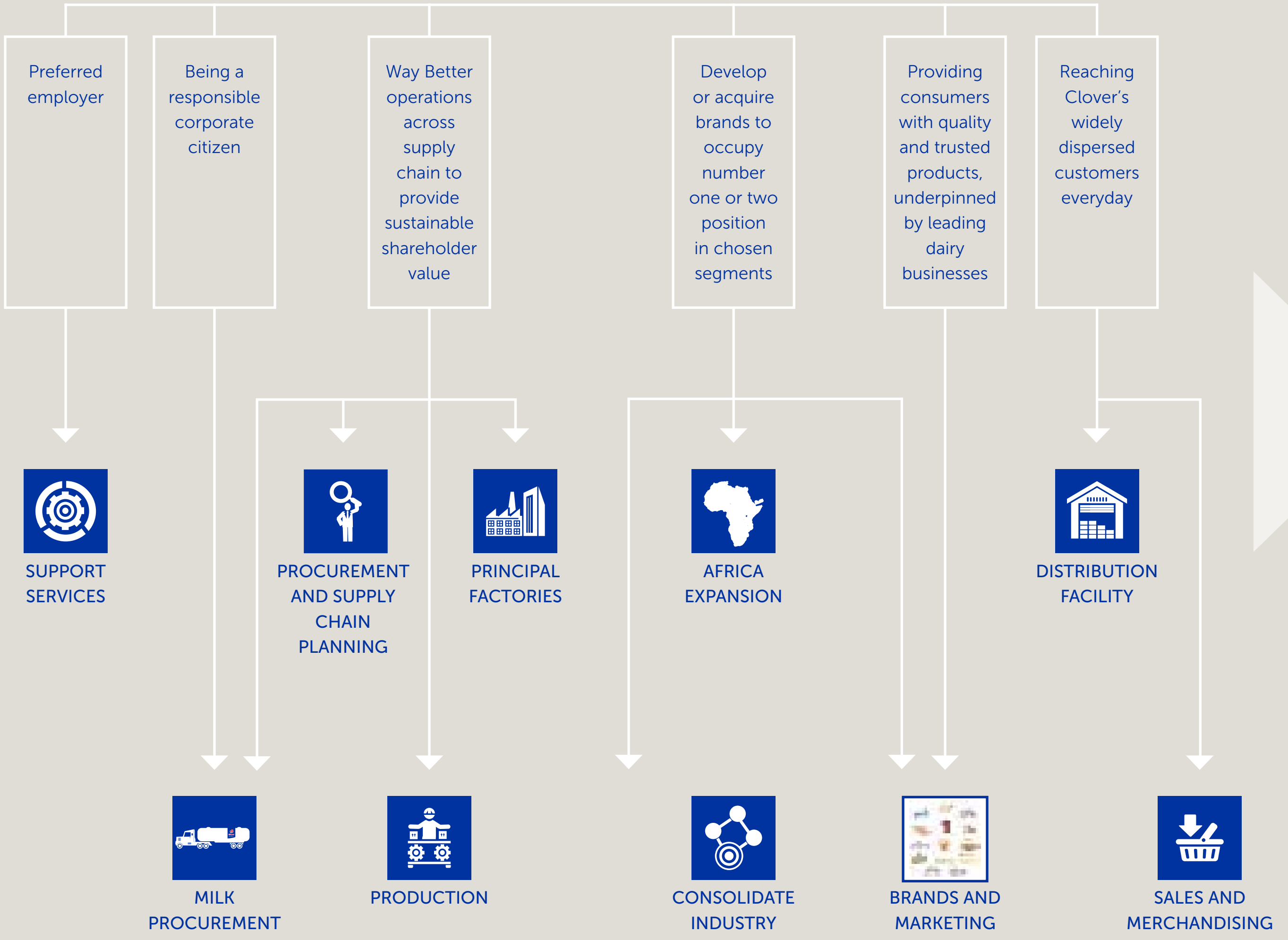
Reaching the Clover's widely dispersed consumers and customers everyday

Clover's distribution network for food and beverage products is universally regarded as South Africa's finest. Large nationwide retailers and other businesses retain Clover to distribute and provide merchandising services for their chilled, ambient temperature and non-perishable inventories. Clover's thousands of distribution points and large fleet of owned and outsourced delivery vehicles enable daily, or several times per week, deliveries to Clover supply depots and client outlets. These include Shoprite, Pick n Pay and Spar, just to mention a few.

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



GOVERNANCE

VISION AND MISSION

OPPORTUNITIES AND RISKS

STRATEGY AND RESOURCE ALLOCATION

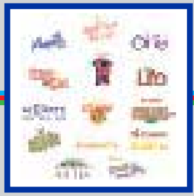
PRINCIPAL FACTORIES
The distribution and in-store merchandising services at retailers for Clover and our principals in return for service fee income.

PRIMARY DISTRIBUTION

DISTRIBUTION FACILITY
Distribution of Clover's products to our customers throughout its extensive national distribution footprint across 20 545 delivery points.

SECONDARY DISTRIBUTION
25 distribution centres

PRODUCTION (15 factories)
Clover products are produced in accordance with international best practices for quality, hygiene and food safety. All South African Clover factories are HACCP certified. All factories are in transitional phase from ISO 22000 to FSSC 22000.



BRANDS AND MARKETING
This function ensures that existing and newly developed household brands remain relevant,while finding innovative ways to expand our portfolio of categories and brands.

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

SUPPLIERS
Packaging, transport and other

CONCENTRATE AND INGREDIENT SUPPLIERS

MILK PRODUCERS
Clover milk producers are contracted to ensure a consistent supply of good quality milk in order to match market demands.

Four main regions: Eastern Cape, KwaZulu-Natal, western Highveld and eastern Highveld.

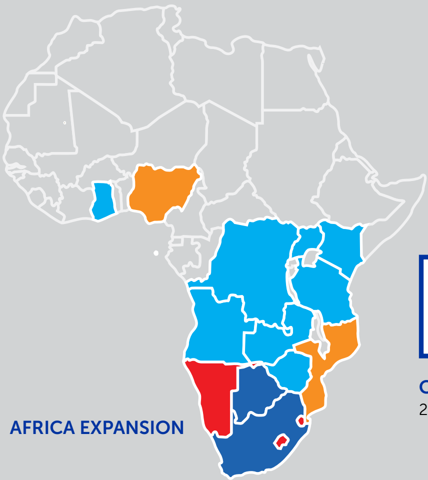
RETAILERS AND OUTLETS

CONSUMERS

MILK PROCUREMENT
Procurement, collection and transport of raw milk.

PROCUREMENT AND SUPPLY CHAIN PLANNING
Procures high quality ingredients and packaging materials from carefully selected suppliers.

CUSTOMERS
20 545 delivery points



AFRICA EXPANSION

- People (HR)
- Process
- Technology
- Output
- Input

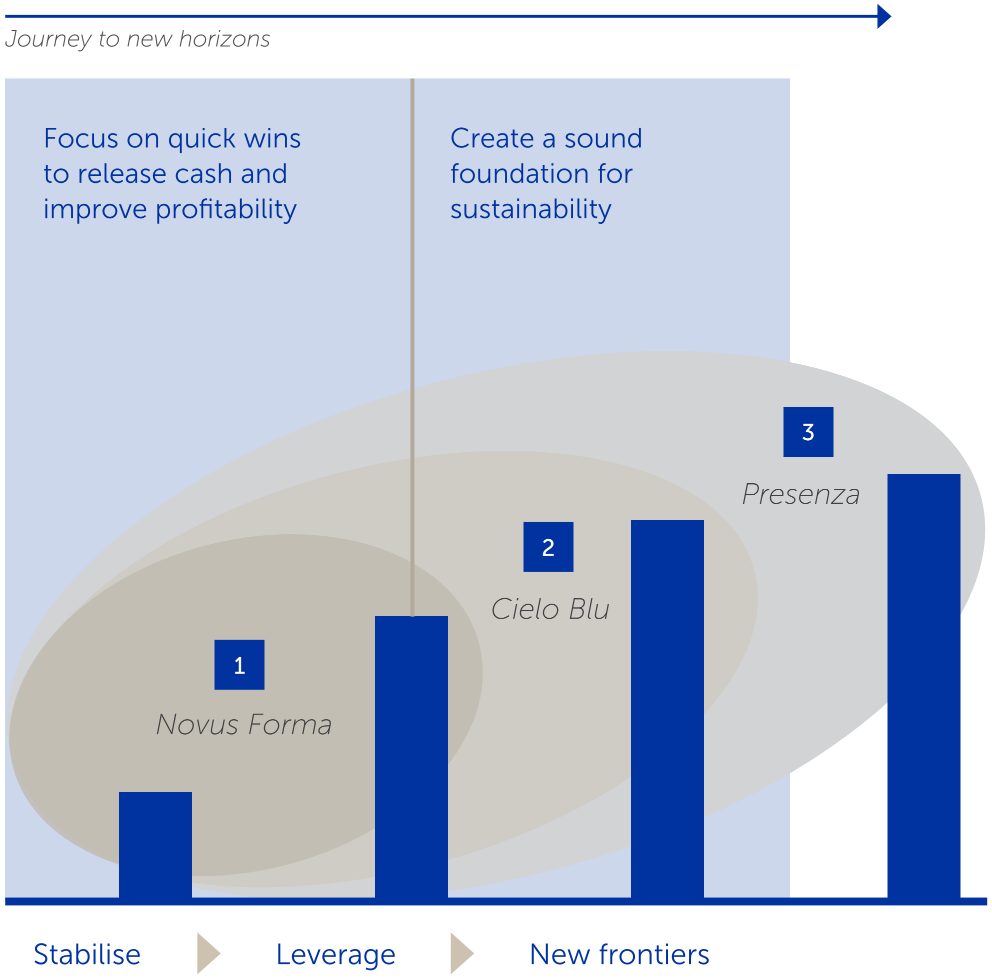
PERFORMANCE

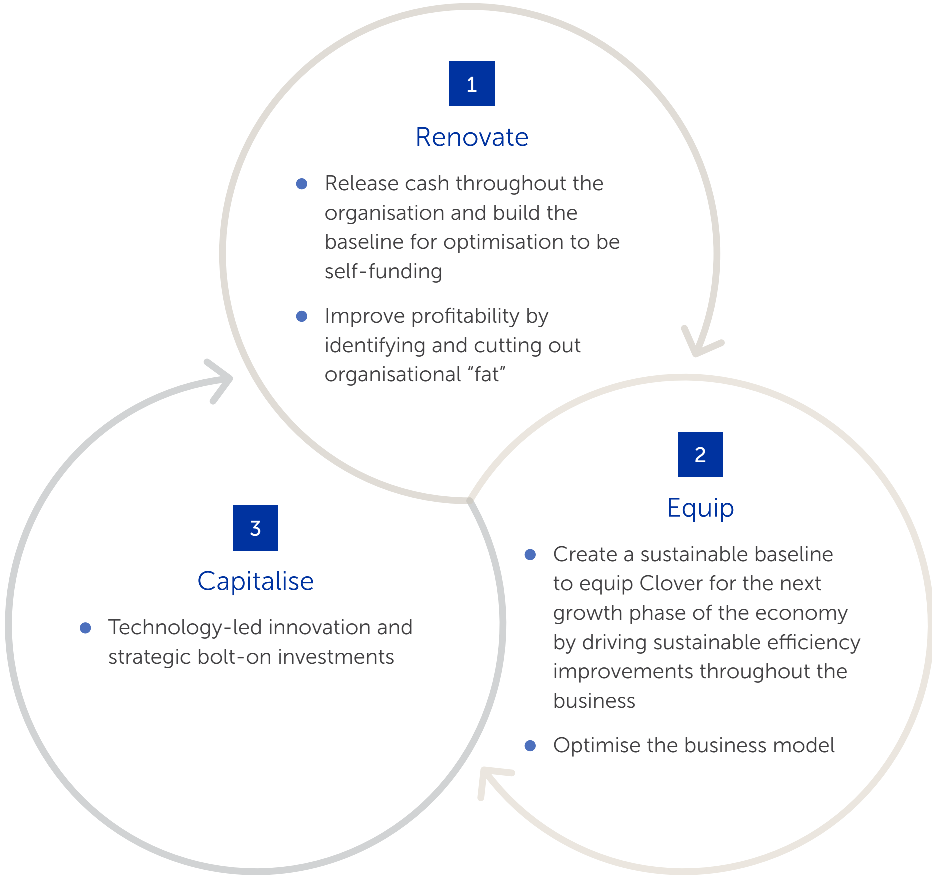
FUTURE OUTLOOK

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

CLOVER AT A GLANCE

THE STORY OF CLOVER





Yesterday – "Renovate and Stabilise"

The Clover name is synonymous with South Africa's green farmlands and fertile valleys. Founded in 1898 as a dairy farming co-operative in the bountiful Mooi River farming district of KwaZulu Natal, Clover has steadily evolved into one of South Africa's largest dairy and fast-moving consumer goods groups, all the while remaining true to its founding ethos of providing premium quality products.

In 2010, Clover took the transformational step of listing on the JSE, which brought access to fresh investor capital, but demanded major internal refocusing and reorganising.

Clover restructured around a business model that dovetails its founding principles with best business practices that operate 24/7 to keep Clover moving and growing.

Today – "Equip and Leverage"

This business model – as discussed in more detail later – is designed for long-term sustainability, regardless of market and political instability. People will always need food and drink, therefore Clover will always be there to make high-quality and safe products widely available.

Clover's business model has been continuously optimised to attain tight integration throughout the value chain. Starting with the wide scale collection of raw milk at farm gates, we aggregate products at procurement points and transport them to our production facilities or distribution centres. Every step of the way is supported by best practice logistics and supply chain management.

Our market penetration as suppliers, distributors and merchandisers offers deep insights into the food and beverage markets. These guide our decision-making for organic and acquisitive growth into current or adjacent market segments.

Clover's continuing success is measurable through financial results, market share growth in various segments, and the numerous awards we have won in recent years. Clover wins abundant awards each year for our superior products, appealing marketing, excellent reporting standards and 'Mama Afrika', our corporate social investment project.

Recognising that the nature of business is changing fundamentally through social and environmental pressures, Clover's leadership decides strategy on the basis of sustainable business practices that value our investments in people and communities as equally worthy to capital spent on infrastructure, technology and acquisitions. Without communities and people, Clover's vision would be meaningless. We accept the reality that Clover and communities we impact can only be sustainable when we consider and look after each other's interests.

Corporate social investment (CSI) projects such as Mama Afrika reflect that Clover is a longstanding business with integrity that finds exceptionally practical ways to support under resourced and struggling communities. This is why Clover's Mama Afrika project is a prime example of how to make an actual difference for vulnerable people.

Clover is rigorous about sourcing raw materials only from suppliers whom we have assessed as reliable producers of high quality product. Source quality is of utmost importance to Clover's brand values. At present, we procure approximately 600 million litres of raw milk annually from 155 accredited producers. The raw milk is transported by Clover to 15 production centres around southern Africa that are HACCP certified, excluding Botswana. All factories are in transitional phase from ISO 22000 to FSSC 22000. All Clover products undergo a thorough 55-point safety and quality check.

Clover's business model is underpinned by one of the finest distribution networks in South Africa, with a fleet of specialised vehicles serving close to 21 000 distribution points up to several times a week. Besides delivering Clover products to our customers, we also earn a significant portion of our revenue from distributing a wide range of principal products to many of South Africa's larger retailers and other businesses.

Tomorrow – "Reach New Frontiers and Capitalise"

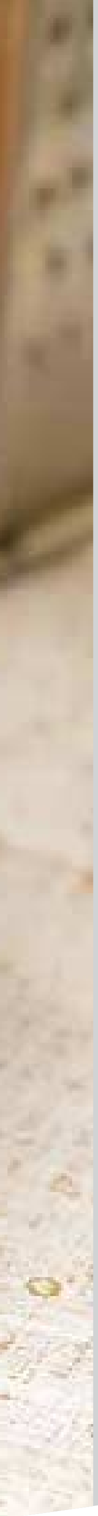
Guided by a visionary management team that is well proven and respected, Clover is poised to continue its prudent and sustainable climb to greater heights. The Board and leadership is keenly aware of the need to balance short-term shareholder expectations against investments required to secure Clover for the longer-term. In the immediate future Clover will be riding out South Africa's 0,2% growth economy and the after effects of the southern African drought. We will use this time to tighten up efficiencies and examine new country markets and segments, while planning for improved weather and the next economic upturn. There is always an upturn, and the signs are that it is on the way.

Clover will embark on adjacent plays by identifying like-minded companies for collaboration. Growth will be pursued through an acquisitive strategy as Clover's business platform has been significantly upgraded for strategic bolt-on acquisitions. New products and markets will be developed.

CONCENTRATED PRODUCTS

CHEESE

- Pre-packed cheese volumes increased by 18,0%
- Clover's bulk mozzarella grated dices volume increased by 28,0%.
- Processed cheese slices volumes grew by 48,0%, albeit off a low base.
- Feta volumes increased by 9,3%.
- Concentrated dairy products contributed 14,9% to Clover's total sale of products for the period.



BUSINESS REVIEW

BUSINESS REVIEW (continued)

Clover's leadership reports have been structured in such a way to report on the environment in which Clover operates such as the dairy industry and global economy, how well Clover performs in these environments in the South African context and lastly, Clover's financial performance.

Werner Büchner
Chairman of the Board

Clover's Leadership

Local Dairy Industry

Global Dairy economy

Global environment in which Clover operates

Johann Vorster
Chief Executive

Clover and the world in which it operates

South African economy

Impact on 6 capitals

Value creation journey

Elton Bosch
Chief Financial Officer

Reporting on Clover's financial performance

Clover's strategic pillars and competitive strengths drive the business forward as a sustainable and growing branded consumer goods giant. The 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.

CHAIRMAN'S REPORT

Dear Stakeholder,

This is Clover's third Integrated Annual Report structured according to the principles of the International Reporting Council's framework. It is aimed at providing you with a concise and transparent overview of our business activities as well as our impact and performance against legislative requirements, standards, and best practice including the six capitals.

Since listing in December 2010, Clover's strategy has been to diversify away from bulk, commoditised foodstuff into branded, higher margin value-added products. Although our roots will always firmly remain in dairy, our short-term aim remains to achieve an equal margin contribution from non-dairy/new products and traditional dairy products respectively.

MACRO-ECONOMIC ENVIRONMENT

The Bureau for Food and Agricultural Policy has published their 12th baseline agricultural outlook covering 2016 to 2025. It should be read for context on the global and domestic dairy industry and is available at:
www.bfap.co.za/documents/baselines/BFAP_Baseline_2016.pdf.

The past financial year has been a 'tale of two halves' with record raw milk volumes in the first two quarters diminishing sharply as one of the worst droughts on record impacted much of southern Africa. At the same time, a rising interest rate cycle, political instability (especially over December 2015) and the continued threat of a sovereign ratings downgrade wreaked havoc with the currency volatility.

For dairy processors such as Clover, these macro-economic dynamics resulted in downwards pressure on selling prices, rising input costs and a stagnant domestic economy, as South Africa narrowly avoided a third quarter contraction in GDP growth. Growth is currently forecast at zero percent.

It is therefore all the more pleasing to report a solid improvement in headline earnings per share, up 8,9% or 15,3 cents to 188,9 cents (2015: 173,6 cents). Normalised earnings per share also improved by 8,7% to 192,2 cents. (2015: 176,9 cents.)

Operating margins increased to 5,7% from 5,5% whilst normalised operating margin (calculated as normalised operating profit as a percentage of revenue excluding raw milk sales) increased from 5,2% to 5,9%.

Mr Elton Bosch's report on page 34 elaborates more on Clover's financial performance.

What make these results more significant, is the record-high base from which it was achieved, after Clover reported an all-time high financial performance for its 2015 financial year.

We've always maintained that Clover has a number of levers to mitigate against risks and on behalf of the Board I commend the management team under the leadership of Mr Johann Vorster for their initiatives to reduce costs and optimise efficiencies in an environment where cost increases could not be passed on to the consumer without significant volume and market share risk. Johann shares more on how he and his team implemented and unlocked value from our strategy in his report on page 24.

The precarious operating environment, characterised by increased cost inflation and neutral selling prices resulted in the absorption of above inflationary cost increases into the margin of certain products to protect volumes and market share, as reflected in the margin growth lagging the strong volume growth reported.

By April 2016 stability was required in the primary industry and Clover successfully negotiated retail selling price increases for the benefit of our producers.

Despite these headwinds, our value-added products performed well with healthy volume growth. Following capacity upgrades, the 87% volume growth reported for our higher value fermented products and deserts is particularly pleasing.

Our non-alcoholic beverages portfolio performed above expectations, supported by successful price increases in July 2015 and heatwave conditions experienced over the December holidays.

Following our exit from the Danone contract, revenue from principles is still lower than in prior years, however I'm particularly encouraged by the progress made in filling excess capacity primarily with our own products, particularly the yoghurt and custard range. This was partially supported further by the acquisition of Nkunzi Milkyway Proprietary Limited (which saw us enter the Ayrshire and Organic Milk markets) Frankies and Good Hope (our entry into soya based milk alternative products and export markets) as well as new principal business.

Over the past number of years, Clover has invested significantly into its business. The Board is satisfied that plant and equipment has been sufficiently upgraded to support future growth and capacity requirements and no new significant capital projects are anticipated.

As this cycle in our evolution concludes, our focus is on delivering the expected targeted returns from these initiatives, improving cash flow and financial performance measures such as earnings per share.

Simultaneously we will maintain and build on the trust our stakeholders place in us as the most reputable company and one of the top ten brands in South Africa.

REGULATORY ENVIRONMENT

During the review period, Treasury tabled the introduction of a proposed sugar tax in Parliament. Although glycaemic sugar is not included in this tax, the potential consequence if the regulation is imposed in its current form, will be severe.

As an industry we continue to engage with regulators on finding an optimal way forward that will have the minimal impact on output and employment.

TRANSFORMATION AND EMPOWERMENT

Clover's B-BBEE status was assessed earlier this year and we maintained our rating as a level 4 contributor.

New B-BBEE codes for the dairy industry have been circulated and codes for the broader agricultural sector are still being debated. Realistically, Clover can only evaluate the potential impact of these once they've all been promulgated.

Internally, our employment equity planning is well on track in preparing a younger generation for leadership throughout Clover.

Given the low-growth environment and changes in the political landscape following the recently concluded local elections, it is likely that worker unions could significantly increase wage demands, which will protract the negotiation period and place the secondary industry under pressure. At the time of writing, we have successfully concluded the annual wage negotiations with representative unions, although at a higher rate than what we feel the current economic environment warrants.

What make these results more significant, is the record-high base from which it was achieved, after Clover reported an all-time high financial performance for its 2015 financial year.

CHAIRMAN'S REPORT (continued)

THE ENVIRONMENT AND OUR COMMUNITIES

Throughout our endeavours to create shareholder value and growth, we remain cognisant of our responsibility towards our stakeholders and our operating environment.

Our Report on Six Capitals detailing how we interacted as a corporate citizen with our stakeholders is available on page 99 of this report, as well as online at www.clover.co.za.

GOVERNANCE

The Board continuously reviews and updates Clover's corporate governance approach, procedures and policies to reflect an evolving business environment and company, by aligning these to international best practices. More information is contained in the Report on Governance, Risk and Compliance on page 69.

Clover has come a long way since its listing in 2010 in building sturdy governance structures. In 2016, Clover was publicly acclaimed as the most reputable company in South Africa, as determined in a study conducted by the Reputation Institute. This is an accomplishment each staff member of Clover should truly be proud of.

I want to draw readers' attention to the letter by the Chairman of the Remuneration Committee on page 86. The Board views the substandard outcome of the non-binding approval of the Group's Remuneration Policy at the Annual General Meeting of shareholders held on 27 November 2015 in a serious light.

As a result the Remuneration Committee has been instructed to re-engage with our shareholders in order to find a sustainable way of balancing all stakeholders' interests.

DIVIDEND

The Board declared a final dividend of 40,94 cents, representing a total dividend for the year under review of 65,15 cents. (2015 combined dividend: 56 cents per share).

Mr Elton Bosch elaborates on our progressive approach to dividend cover in his overview on page 38.

APPRECIATION

In this year we bade farewell to three stalwarts of Clover's journey to becoming one of South Africa's leading branded groups, with Mr Tom Wixley, Dr Chris Lerm and Mr Jacques Botha retiring from the Board after many years of dedicated service.

Chris and Jacques were integral to Clover's preparation for listing in 2010 and the intensive reorganisation and repositioning of Clover that followed. On behalf of the Board and the entire company, I wish them well for their retirements and any other endeavours they decide on.

I had the privilege of working with Tom since his appointment to the Board in 2007. Over the past 12 years, Tom's consistent wise council, corporate experience and pragmatic approach to some very tough challenges had a direct impact on Clover's success to date. His standpoints not only impacted at Board level, but in many instances on a personal level too. On behalf of Clover, and the Board in particular, I thank you for your contributions over the years.

I would also like to thank Mr Peter Griffin who will be retiring from the Board and won't be standing for re-election. We wish you well in your future endeavours and I would like to thank you on behalf of the Board and everyone at Clover for your contributions over the past two years.

Our CE, Mr Johann Vorster was duly recognised by Ernst & Young as the EY entrepreneur for Southern Africa in 2016, which sent him off to Monaco as a finalist for the World Entrepreneur of the Year. Johann did not clinch the big prize, but being recognised in this unexpected manner on the global business stage shows how intrinsic Johann was to repositioning Clover as a world class food and beverage company.

These awards prove that "Way Better" is not just Clover's brand promise – it's how everyone in the Clover value chain actually performs.

Finally, I thank the Board, management and each and every Clover employee for working tirelessly to produce the robust results reflected in this report despite some very trying circumstances.

Werner Büchner
Chairman of the Board

12 September 2016


Clover
KRUSH
100%
A SOURCE OF
V3
A-C-E VITAMINS
TROPICAL
100%
FRUIT JUICE BLEND
ORANGE, APPLE AND/OR
GRAPE & OTHER FRUIT
Clover
KRUSH
100%
A SOURCE OF
V3
A-C-E VITAMINS
APPLE
100%
APPLE JUICE
APPLE

CHIEF EXECUTIVE'S REPORT

INTRODUCTION

In the 2014/15 financial year, Clover reported record the earnings of its 118-year history. Although we are very proud of that performance, it set an exceptional benchmark against which we had to achieve this year. I am therefore all the more pleased to report continued strong growth across most performance measures.

Headline earnings per share increased by 8,9% or 15,3 cents to 188,9 cents per share, whilst earnings per share was down 2,4% to 185,9 cents (2015: 190,4 cents). A complete overview of Clover's financial performance is available in the Chief Financial Officer's report on page 34 of this Integrated Annual Report.

My overview will elaborate on how the business successfully mitigated a range of challenges and successfully created stakeholder value through leveraging opportunities. This report should be read in conjunction with the Chairman's report as well as the Chief Financial Officer's report for a holistic view of the Company and its performance during the year under review.

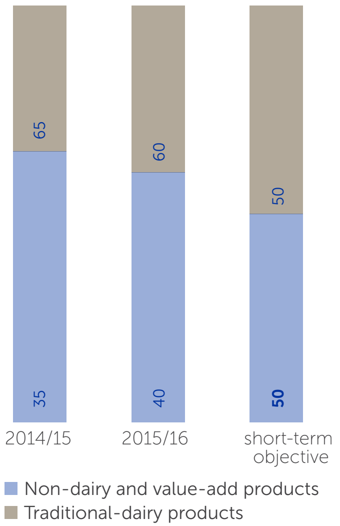
Financial strategy

We came to market in 2010 with the objective of diversifying our business away from bulk, commoditised dairy products, into higher margin, value added branded foods and beverages. Although our roots will always remain firmly in dairy, our quest to achieve above average operating margins through a portfolio not exposed to dairy price fluctuations continued to gain traction. Our efforts were significantly bolstered by the strong performance in the beverages portfolio in particular, and the fermented products categories in general.

Management's short-term focus remains to achieve an equal margin contribution from non-dairy and new value-add products on the one hand, and traditional dairy products on the other.

As illustrated in the graph below, the contribution to overall margin on material (MOM) of non-alcoholic beverages, fermented products and desserts, and other value-add products, increased from 35% in the 2014/15 financial year to 40% in the year under review.

Margin growth from non-dairy vs traditional dairy product (%)



Focus on cost reduction

The oversupply of raw milk in the earlier part of the reporting year, followed by the impact of a severe and protracted drought across most of the country in the latter part, accompanied by currency weakness and low economic growth, resulted in selling price stagnation and above inflationary cost pressures.

As a result, we focused on cost saving drives during the review period, with the management team driving efficiencies and cost savings exceptionally hard, with a specific on containing variable costs.

Selling and distribution costs were reduced by 2,6% or R52,1 million through re-negotiating contracts, especially on the delivery fleet.

We spent R30,6 million or 13% less on advertising, marketing, research and development costs compared to the prior year, by leveraging synergies through a "mother brand" approach.

Administrative expenses were consequently reduced by 2,8% or R8,5 million.

Head office incurred zero inflationary salary increases and expenses were reduced by 7,4% through:

- A freeze on filling vacant positions, especially at executive level
- A moratorium on legal and consulting fees
- The cancellation of conferences and special events.

Skills Development Levy grants received further offset the amount spent on training, compared to the prior year period.

Although the integration of certain manufacturing facilities created cost savings through synergies, a once-off retrenchment cost of R8,5 million was incurred, accounted for as restructuring expenses. (Refer to Human Capital, later in my report for more on the restructuring).

In the current financial year, Clover's senior management has committed to a salary freeze with no increases in order to contain costs further.

Curtailing capex

As reported on at the interim results, the completion of Cielo Blu marked a step change in Clover's approach from being expansion orientated to focusing on fully utilising its capacities and asset base. The remaining challenge is that Clover has several dispersed concentrated factories which are currently not being optimally utilised. Clover's butter factory is 280km from its main powder facility which produces most of the cream for butter production, and similarly its whey powder tower is 290km from its cheese factory that produces all Clover's liquid whey. There are currently two milk powder factories, one butter factory, one cheese factory and one whey powder factory, all in different towns, and this is not optimal for efficient functioning of our dairy supply chain.

The only exception is the Bloemfontein yoghurt capacity expansion which is due for completion in July 2018.

With our IT collaboration project with IBM (see Intellectual Capital below) and the Clayville chilled distribution expansion completed during the year under review, Clover's asset base is now substantially rejuvenated. Going forward, new capex investments will only be considered if there is a demonstrable, exceptional return on investment and a clear fit or bolt-on opportunity to the existing infrastructure.

Positive cash flow

A solid operational performance, supported by our cost savings drive and reduced capital expenditure, impacted favourably on Clover's cash flow, resulting in a positive cash flow position reported for the year under review, as highlighted below:

CIL Group	2016 R'000	2015 R'000	2014 R'000
Cash generated from operations activities	**673 448**	160 185	403 067
Cash used in investing activities	**(332 629)**	(556 822)	(351,734)
Cash (outflow)/flow from financing activities	**(212 426)**	218 097	(97 780)
Net increase/(decrease) in cash and cash equivalents	**128 393**	(178 540)	(46 447)

Management's short-term focus remains to achieve an equal margin contribution from non-dairy and new value-add products on the one hand, and traditional dairy products on the other.

CHIEF EXECUTIVE'S REPORT (continued)

Return on Equity (ROE)

Return on Equity is a paramount performance measure for a number of capital market investors. Throughout the year we engaged with these shareholders to integrate greater focus on this measure into the long-term incentives for especially senior management. (Refer to the Report on Remuneration, and especially the letter to shareholders on page 86 of this Integrated Annual Report.)

Given a stagnant selling price environment and above inflationary increases in variable costs during the reporting year, it is no surprise that return on equity excluding exceptional items decreased from the high base of 13,5% set in the prior reporting period, to 13,3%. Rising interest rates therefore impacted negatively on the ROE.

South Africa – 2016 Top 10

1	Clover	78,1
2	Coca Cola	76,2
3	Woolworths	75,4
4	Spar	74,9
5	MassMart	73,3
6	Pick n Pay	72,6
7	FNB	72,1
8	Nestle	71,6
9	Sanlam	70,2
10	Old Mutual	69,9

GOVERNANCE

I am particularly encouraged by Clover claiming the top spot in the 2016 South Africa RepTrak® study award for the most reputable company in South Africa, following the addition of the leading branded food and beverage company industry category this year.

Clover placed first in Governance and Citizenship, second in Products and Services, Workplace, Leadership and Performance and third in Innovation.

We pride ourselves on being a mature organisation, applying global best practice through an Enterprise Wide Risk Management Framework. The Board and management views corporate governance as paramount to sustainability and our risk policy and framework incorporate guidelines by The Committee of Sponsoring Organisations (COSO).

More information on how we manage, monitor and measure compliance through the internal audit function (outsourced to Deloitte), and our Ethics Hotline and Clover's Competition Law Centre of Excellence, is available in the Report on Governance, Risk and Compliance on page 70 of this Integrated Annual Report.

HUMAN CAPITAL

The Reptrak study mentioned above makes reference to Clover's ranking as "an ideal company to work for."

This accolade is supported by our exceptionally low staff turnover and high-performance culture. As a management team we go to great lengths to ensure staff across all levels in the organisation is well-informed of our objectives and the strategies to achieve this.

Establishing a "creative tension" drives our strategy and "Way Better" philosophy, retaining key skills within the business, such as with the City Deep facility integration into Clayville, where most staff were redeployed in the business.

The Board subscribes to and supports Government's equity objectives and broad-based black economic empowerment. To this end we work closely with the Jobs Fund to unlock opportunities, such as our Masakhane project, that has already created a significant number of permanent employment opportunities and is set to create hundreds more.

Launched in 2012, the Clover Masakhane initiative is Clover's channel of entry into emerging markets and less formal trading outlets such as spazas, tuck shops, corner cafés, bottle stores, shacks and shebeens.

This channel is growing vigorously into a game changer for the emerging market, bringing many new entrepreneurs and employees into the mainstream market, while also creating demand for Clover's quality and nutritious brands in areas where these were previously unavailable.

Clover trains emerging entrepreneurs in retail skills and supply chain management so that their businesses can grow and become sustainable. Masakhane is proving to be such a win-win situation that Clover has received positive feedback for the Masakhane project.

More information on Masakhane and other Human Capital initiatives can be found on page 123 and 109 of this Integrated Annual Report respectively.

NATURAL CAPITAL

In 2015 South Africa produced a record three million tons of raw milk, followed by a sharp fall in raw milk supply through the first half of 2016 due to the severe drought and regular seasonal variations. The depressed prices for raw milk in 2015 rose considerably in the first half of 2016.

The high raw milk flow necessitated a reduction in farm gate milk prices which came into effect in August 2015 as the national milk intake was still 7,2% higher than the previous year. The impact of the drought towards the third quarter of the year under review was most notable in Kwa Zulu-Natal and the Highveld. Coupled with increasing feed cost as a result of a weak rand, farm gate milk prices were increased substantially above the levels at the time of overproduction in order to protect the primary industry.

Clover's proprietary Unique Milk Procurement System ("CUMPS") matches milk procurement to market demand through quotas and contracted delivery agreements. Our raw milk source remains secure in the face of all foreseeable eventualities and we anticipate that the improved weather conditions forecasted for late 2016 and 2017 will normalise milk production.

The aim of CUMPS is to protect the primary industry in South Africa as dairy producers have greater see-through on potential milk offtake. The irony is that South Africa produces some of the highest quality milk internationally. Production capacity is not the challenge – finding a sustainable offset point for this production capacity is, but I will elaborate more on that under Manufactured Capital below.

The sustainability of Natural Capital is recognised throughout our value chain, including our carbon footprint, electricity consumption and wastage. Readers should refer to the chapter on Natural Capital on page 113 of this Integrated Annual Report for more information.

MANUFACTURED CAPITAL

Following our highly successful "Cielo Blu" project, which optimised Clover's distribution network and delivered over R100 million per annum in supply chain savings, management took a long a hard look at Clover's production facilities. Due to historic factors, some of these plants are geographically far apart and incur inefficient transport expenses from moving products and ingredients between them.

Over the past two financial years Clover has invested heavily in our production infrastructure and will significantly cut back on expenditure in this area for at least the next financial year. We integrated Dairybelle's and Nkunzi MilkyWay production facilities into Clover's manufactured capital, as well as installing two new production lines to meet a surge in demand for our incoming yogurt and custard brands.

We are optimising where we economically can, but a longer term solution is to centralise all our major production facilities into a strategically located and purpose-built industrial park strategically located near supply sources, other production facilities and major transportation routes.

This purpose built industrial park will offer substantial cost efficiencies by producing many of the ingredients and concentrates required for Clover products. By producing longer life powders, this industrial park would be purposefully designed for exporting local dairy products.

This is a medium to long term project due to the large capital investment required, therefore management is considering the business case for the park in conjunction with various stakeholders and government.

I am equally excited about Clover Masakhane, as I elaborated on under "Human Capital" above. This project is a catalyst for growth in a previously untapped market segment. The nuts and bolts are discussed further under Manufactured Capital on page 117.

INTELLECTUAL CAPITAL

The hyper competitive retail industry is moving towards planning its product selection and stocking levels through an average daily rate of sale, whereby future customer orders will be calculated by a statistical algorithm and the retailers themselves take hands-on control of their demand and in-store planning.

Clover's leadership decided on an aggressive approach to evaluating and adopting technologies that will future-proof Clover. To this end we have partnered with IBM to develop a proprietary business intelligence system to support management decision-making at all levels. This "Kolabo" project will enable managers to use "big data" analysis for insights into market dynamics, trends in consumer consumption and the needs of our clients.

CHIEF EXECUTIVE'S REPORT (continued)

But these technological advances are not without risk, and could threaten Clover's distribution revenues if we don't react promptly: As Pick 'n Pay in the Western Cape is presently updating its ordering systems, Clover has temporarily halted distributing certain products for its stores.

Clover and one of the prominent retailers are collaborating closely on an enhanced distribution system based on the aforementioned evolution towards algorithms, which will provide important lessons for the remainder of our distribution network.

The largest component of Intellectual Capital is our brands, the performance of which is outline below. All the market share and market growth statistics discussed below are based on the independent "Nielsen Total Trade Desk" data ("Nielsen data"), which comprises Shoprite Checkers, Pick n Pay, Woolworths, Spar group and Fruit and Veg City data and is consistent with the measures applied in prior reporting years. We also compare the "Nielsen data" to our internal volumes as the Nielsen data is based on the top-end, and does not necessarily include data that relates to the bottom of the pyramid.

Fresh and ultra-pasteurised milk

Clover's volume only increased 2,3% against the prior year, mainly as a result of the low market prices for UHT. The total market for fresh milk contracted by 2% against the comparative year also reflecting the low prices for UHT. Clover's market share for the year reduced from 27,9% to 24,1%.

UHT milk

Continued aggressive pricing by retailer house brands resulted in overall total market volume growth of 9,9%, albeit slower than the 19% market growth recorded in the industry. The surplus experienced in the last quarter of the prior financial year curtailed Clover's ability to retain market share during that year. During the current year, Clover's UHT volumes in the Nielsen channels also contracted as a result of Clover's increased involvement in Dealer Owned Brands, Clover's market share contracted from 16,4% to 14,4 % for the year.

Cream

Total market volume growth contracted 2,4 % for the year under review. Clover's market share however decreased by 8,9% to 28,8%, largely as a result of less cream available to sell due to the lower fresh milk sales during the year.

Maas

Clover's volumes grew by 34,2% and we continued making inroads into this segment by growing market shares from 7,3% to 9,3%.

Feta cheese

Clover grew its market share by 7,1% to 28% on the back of a 9,3% volume growth in Clover.

Pure juices

Overall volumes in the pure fruit juice market continued to decrease, reflective of reduced discretionary consumer spend. Despite a contraction in the overall market, Clover's volumes increased by 4,14%, although its market share in the top end contracted by 6,9% to 42,9%.

Iced-tea – ready to drink

The ice tea category continued its growth, and Clover's volumes increased by 11,1%. Clover's market share in this competitive category also increased by 1,7% to 17,5%.

Dairy fruit mix

Clover maintained its market share at 79,3% through its popular "Tropika" and "Danao" brands at 79,3%. Given a strong performance at the bottom-end, however, Clover managed to achieve 5,9% volume growth in this category.

Bottled water

The total market volume in this segment increased by 21,8% during the year under review although Clover Waters' market share in this segment declined by 16% to 10,9% from 13%, mainly as a result of strong competition.

Pre-packed cheese

The overall volumes for natural pre-packed cheese grew by 18,0% during the year under review. Clover's market share in this category grew 24,8% to 23,8% due to more competitive pricing.

Flavoured milk

Clover's "Super M" brand increased its volumes by 8,7%, although its market share contracted by 3,5 % to 25,6%.

Yogurt

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 136,6 % during the year under review. Clover's market share for the whole year (although only participating in this category for half of the year) came to 8,3%. The market share at June 2015 was 4%.

This marked improvement, was done to manufacturing capacity in Bloemfontein being increased.

Custard

Similar to yoghurt, Clover only entered the custard market in January 2015. Volumes in this market category grew 199% and Clover's share of this market's annual sales volumes was 7,7% compared to 2,6% previously. Clovers total volumes grew 133% in this category.

Butter

Total market volumes contracted by 5,1% as a result of low inventory levels and the availability of cream.

Carbonated drinks (Frankies), Soya and nut-based drinks (Good Hope), Smart drinks (Futurelife)

All of the above had no base year, and volumes and market share therefore grew 100%.

SOCIAL AND RELATIONSHIP CAPITAL

I am proud of all the awards that Clover has won over the past year, which shows that we are doing much that is right and good. In particular, winning the 2016 South Africa RepTrak® study award as the most reputable company in South Africa was an eye-opening accolade, especially as we placed ahead of legendary brands such as Coca-Cola and Woolworths.

The Clover Mama Afrika project launched in 2004 is close to my heart, being such a practical and authentic means of channelling self-empowerment, skills development and dignity into marginalised communities. This worthy undertaking was again recognised by winning PMR's prestigious Diamond Arrow Award.

I underwent my own somewhat unexpected awards adventure by being selected as Southern Africa's EY Entrepreneur of the Year, which meant going to Monaco in June 2016 to face off against the EY regional winners from around the globe.

After a fascinating week of interacting with great international achievers – not all from the world of business – and rubbing shoulders with truly special entrepreneurs, we all had to face up to the fact that we had again lost to an Australian. Manny Stul was a worthy winner with a stirring story to tell of struggling to succeed against exceptionally unkind events – and he did. I was inspired and humbled, while learning much to bring home.

OUTLOOK

Much of the world – including South Africa – has entered into such a precarious era that attempting to make any kind of prediction can be foolhardy.

Nevertheless, I will err on the side of optimism by predicting that South Africa's weather and milk production will normalise through the summer of 2016/17. Current indications are that the strong El Niño effect over the Pacific Ocean that is blamed for Africa's drought has dissipated and is being replaced by weak La Niña, which is likely to bring heavier than average rains to southern Africa from November 2016 onwards.

In this scenario, food and beverage input costs should fall and bring down food price inflation. South Africa and its population should benefit from a multimillion rand turnaround in the agricultural sector that will ease balance of payment pressures from food imports and hopefully lower prices for producers and consumers alike.

VALUE CREATION

In addition to innovative projects such as Masakhane, Clover will continue to expand its operations within the BNLS (Botswana, Namibia, Lesotho and Swaziland) region and will pursue further export opportunities on the continent where risks can be mitigated.

Our focus will remain on fully utilising capacities and the asset base we built over the past five years, and we will explore local consolidation opportunities where synergies can be leveraged.

APPRECIATION

I would like to thank the Board, especially Mr Werner Büchner, for its continued support and guidance during a challenging 12 months. Mr Tom Wixley has been the lead independent director on our Board since listing in 2010. Tom decided not to stand for re-election and I wish him well in his retirement. Thank you for your sage advice and input over the past six years.

Our relationship with our producers remain a beachhead for our sustainability and once again I thank them for their continued support and interaction. Mr Peter Griffin, a producer shareholder, has decided to retire from the Board and won't be offering himself for re-election. I would like to thank Peter for his valuable guidance and look forward to engaging with him in future, especially as a representative voice for some of our producer stakeholders. The Board has decided not to appoint any new directors to replace Mr Wixley and Mr Griffin at this point in time.

In particular I want to thank each staff member and their families for their devotion and hard work during a challenging year – your "Way Better" approach to challenges has carried us through.

Lastly, a final word goes to my executive team for their hard work and commitment. It is with a heavy heart that I say farewell on a professional level to Mr Jacques Botha and Dr Chris Lerm, who both retired from the Board during the year. Your contribution to our success as a company and a team was tremendous and something I personally cherish.

The strategy has always been to maintain a focused executive team, and our succession planning processes began many years ago as we knew some of the executives were due to retire. The appointment of Mr Elton Bosch, Mr Marcelo Palmeiro and Mr Jacques van Heerden to the executive team was part of succession planning, making them an integral part of the functioning of the Executive Committee assisted with adequate knowledge transfer. Together with their core skills sets, this enabled us to have a seamless transition in replacing Mr Jacques Botha, Dr Chris Lerm and Mr Manie Roode over the past three years. As a result, the Executive Committee has now been reduced from eight members to six members, which will assist us in curtailing costs further.

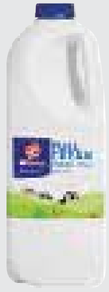
I welcome Mr Elton Bosch to the position of Financial Director and look forward to his continued contribution and insights as part of the Board.

Johann Vorster
Chief Executive

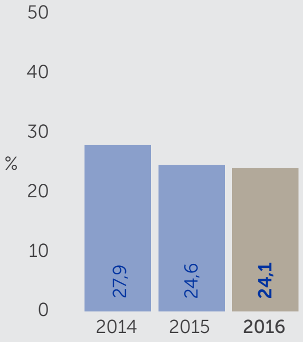
12 September 2016

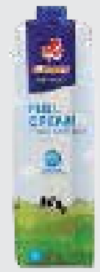
CHIEF EXECUTIVE'S REPORT
(continued)

All market shares shown here are based on data received from Nielsen. Please note some market shares for 2015 have been restated due to changes made in the Nielsen database.

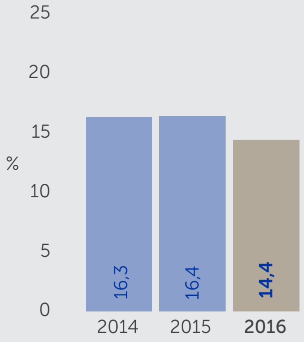


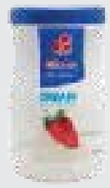
Fresh and UP milk



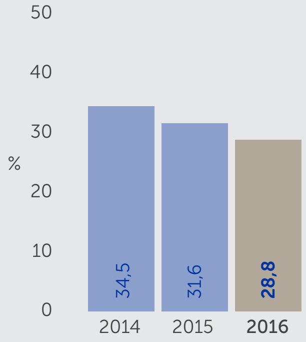


UHT Milk





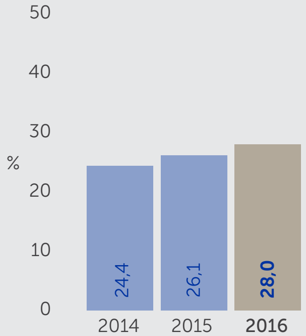
Cream



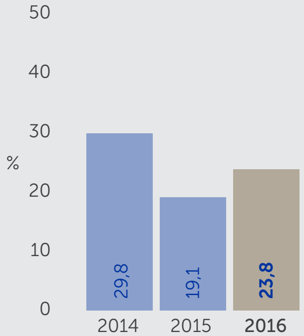
KASI STAR BRANDS

Clover Fresh Milk achieved Kasi Star Brand status in the 2015 Ask Afrika/TGI survey and was chosen as one of the most loved brands in SA Townships

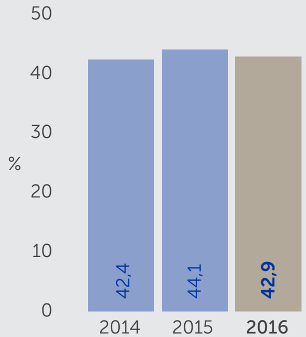
Feta cheese



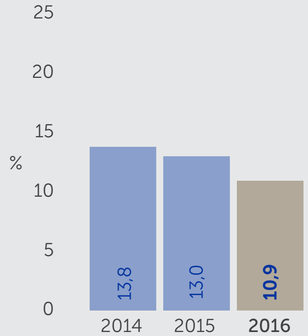
Pre-packed cheese



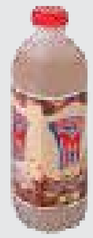
Pure fresh juices



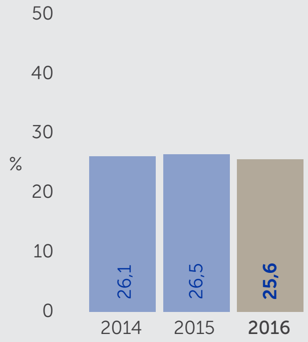
Water brands



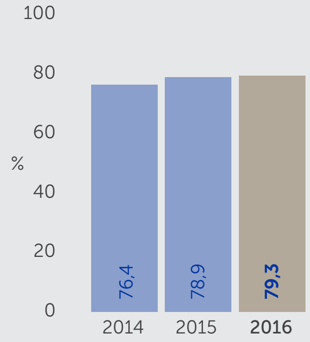
CHIEF EXECUTIVE'S REPORT
(continued)



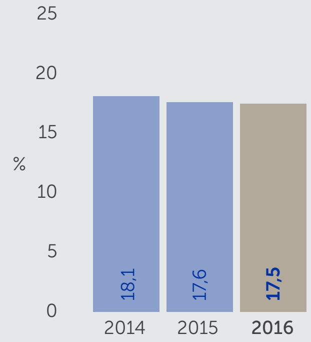
Flavoured milk



Dairy fruit mix



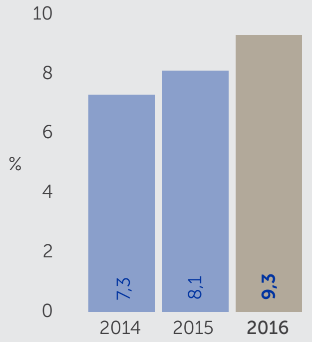
Iced tea



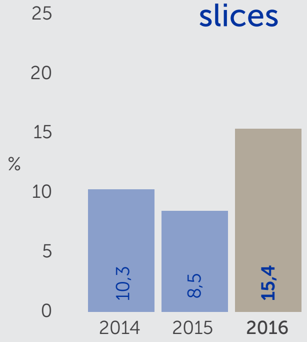
SAFTA AWARDS

Clover Litre Big Cook off wins the Best Game Show category in the 9th SAFTA awards in 2015

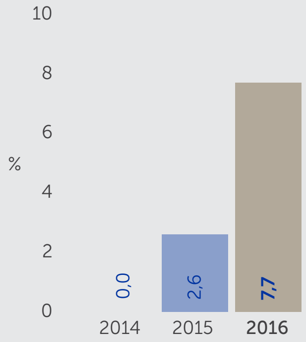
Maas



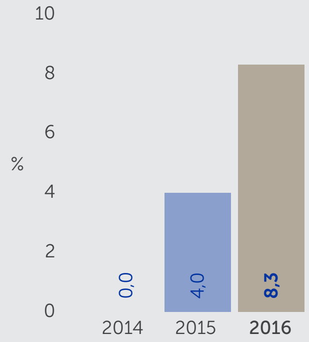
Processed cheese slices



Liquid custard



Yoghurt



CHIEF FINANCIAL OFFICER'S REPORT

Financial highlights

	2015/2016 R'000 unless otherwise stated	2014/15 R'000 unless otherwise stated	% change
Revenue	**9 818 717**	9 266 251	6,0
EBITDA	**753 092**	686 659	9,7
EBITDA %	**7,7**	7,4	0,3
EBIT	**564 450**	509 072	10,9
EBIT %	**5,7**	5,5	0,2
Headline EBITDA	**758 868**	647 709	17,2
Headline EBITDA %	**7,7**	7,0	0,7
Headline EBIT	**570 226**	470 122	21,3
Headline EBIT %	**5,8**	5,1	0,7
Normalised EBITDA	**767 361**	656 181	16,9
Normalised EBITDA %	**7,8**	7,1	0,7
Normalised EBIT	**578 719**	478 594	20,9
Normalised EBIT %	**5,9**	5,2	0,7
Net finance cost	**(112 825)**	(74 064)	52,3
Effective tax rate (%)	**24,5**	22,5	2,0
Headline earnings	**356 595**	319 343	11,7
HEPS (cents)	**188,9**	173,6	8,9
Diluted HEPS (cents)	**184,7**	165,9	11,4
Normalised earnings	**362 709**	325 443	11,5
Normalised EPS (cents)	**192,2**	176,9	8,7
Capital Expenditure	**423 071**	489 753	(13,6)
Return on equity (%)	**12,9**	14,5	(1,6)
Return on equity excluding exceptional items (%)	**13,3**	13,5	(0,2)
Cash generated from operations	**673 448**	160 185	320,4
Dividends per share (cents) – interim	**24,21**	22,60	7,1
Dividends per share (cents) – final	**40,94**	33,40	22,6

Clover's Board of Directors believe the financial statements published in this Integrated Annual Report present fairly, in all material respects, the financial position, financial performance and cash flows of Clover Industries Limited in accordance with International Financial Reporting Standards (IFRS), and without material misstatements. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements section of this Integrated Annual Report. The Board and senior management is confident that Clover's internal control system is adequate for preparing accurate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa.

OVERVIEW

Clover faced numerous economic headwinds for the year ended 30 June 2016. Our interim results released in March stated that the strong 8,1% growth in national raw milk supply during our 2014/15 financial year lowered dairy product market prices throughout the peak milk season in 2015/16. Our dairy segments therefore operated in a price neutral environment throughout the year, while the heatwave of December 2015 increased sales volumes in all product categories. Clover's new yoghurt and custard categories helped grow our overall sales volume growth by 9,7%.

Higher national milk flow increased our inventory levels substantially in the first six months of the year, although Clover did not increase dairy selling prices until April 2016 to protect market shares in the dairy categories. Clover's brands traded in line with expectations, buoyed by solid festive season demand for our beverages. As we had increased beverage portfolio selling prices in July 2015, the drought and heatwaves of the 2015/16 summer delivered an exceptional performance for our beverage brands.

The weakening foreign exchange rate throughout the period pushed up cost inflation, which forced Clover to raise selling prices on all product categories in April 2016.

On average, the rand weakened against the euro and dollar when compared to the prior year, which increased plastic and carton packaging material. The Group also experienced sharp increases in ingredients costs. To mitigate further volatility in selling prices, Clover took a decision to hedge diesel prices for the budget year. Although our diesel prices stabilised, we did not necessarily benefit to the same extent when diesel prices dropped from time to time.

Given the ending of our partnership with Danone in the previous financial year, Clover was able to largely replace the Danone volumes through new partnerships, acquisitions and healthy sales of our new and existing products.

Management embarked on a radical cost efficiency drive to mitigate the impact of higher than expected inflationary cost increases across Clover's value chain. Farm gate milk prices were reduced in August as the national milk intake was still 7,2% higher than the previous year, which had yielded unprecedented growth. Although Clover's unique milk procurement system (CUMPS) protects against oversupplied raw milk volumes from our own producers, it doesn't prevent lower prices in the market for dairy products.

A prolonged drought primarily in the Highveld and Kwazulu-Natal increased feed prices due to maize shortages and the scarcity of good quality roughage. Due to the resulting lower milk prices and higher feed costs, raw milk production eased downwards and Clover was compelled to pass price increases on to our producers to protect the primary industry. At the time of writing this report the availability and cost of feed still impacts the producers and there is a current challenge to supply the forecasted market with milk. Nevertheless, milk flow during this spring and summer will determine market conditions for next winter. Businesses and consumers are under pressure due to the current economic headwinds and South Africa's 0,2% growth GDP forecast for 2016.

ECONOMIC VIABILITY

The Board and management are keenly aware of the need to balance short-term shareholder expectations against investments required to secure Clover for the longer-term. In the immediate future Clover will be riding out South Africa's 0,2% growth economy and the after effects of the southern African drought. We will use this time to tighten up efficiencies and examine new country markets and segments, while planning for improved weather and the next economic upturn.

International research shows that traditional dairy companies have operating margins of 3% to 5%. Clover will therefore continue investing in newly launched products and adding to a portfolio that is not exposed to dairy price fluctuations. Clover's business model is continuously optimised to attain tight integration throughout the value creation chain in order to remain economically viable. Clover remains focussed on fully utilising the capacities and asset base that we invested into heavily during the last five years.

Clover's continuing economic viability is measurable through financial results and market share growth in various segments. In our quest to grow our range of branded and value-added products, we frequently identify and assess potential mergers, acquisitions or joint venture opportunities with the view of unlocking possible supply chain synergies. These investigations are done in parallel with maintaining Clover's traditional dairy business. Clover only considers opportunities that will sustainably enhance margin and shareholder returns.

CHIEF FINANCIAL OFFICER'S REPORT (continued)

COMPREHENSIVE INCOME

Headline Earnings

Headline earnings increased by 11,7% or R37,3 million to R356,6 million. This increase in headline earnings mainly consists of:

- headline operating profit, which improved by 21,3% or R100,1 million
- net finance costs, which lifted by 52,3% or R38,8 million
- headline income tax, which grew by 13,7% or R13,7 million. The effective tax rate based on headline profit before tax and headline tax increased by 2% to 24,5%, which is still well below the 28% companies tax rate as explained under "Profit for the year" later in this report
- share of profit from a joint venture, which increased by 30,4% or R3,3 million
- non-controlling interests, which decreased by 121,2% or R5,6 million.

Headline earnings per share improved by 8,9% (15,3 cents), or 2,8% less than headline earnings, as a result of equity share appreciation rights settled during the year.

Total comprehensive income attributable to shareholders of the parent grew by R31,8 million above the growth in headline earnings. This was mainly due to profits of a capital nature of R22,7 million after tax (which is excluded from headline earnings), and translation of net investment in foreign operations accounted in other comprehensive income of R28,4 million reclassified to profit or loss, which is added back to headline earnings.

Revenue

Revenue improved by 6% or R552,5 million to R9 818,7 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 7,5%. Raw milk sales declined by 85,1% to R22,8 million as the supply of raw milk to Danone was systematically phased out, but some contract manufacturing proceeded beyond the 31 December 2014 cut-off.

Sale of products increased by 10,0% to R9 102,5 million within overall volume expansion of 9,7%. Clover's volume and mix changes were primarily due to the strong growth in national raw milk supply of 8,1% during our 2014/15 financial year.

Services rendered to principals contributed R684,5 million to revenue, which was 18,3% lower than the previous year. Notwithstanding the decreased contract manufacturing income from our Ola factory, the phasing out of services rendered to Danone Southern Africa during the second half of the year slowed revenue growth. Most services to Danone and revenue streams from that source were completely phased out by 31 December 2014.

Cost of sales

Cost of sales increased by 8,4% or R543,4 million. Our selling price increases necessitated by rising input costs required more vigorous advertising, causing charges against sales to rise by R28,8 million or 16%.

The cost of raw materials and finished goods acquired for resale increased by 4,3%. Average raw milk prices were 5,1% lower than the previous year, as milk flow only started to really decrease in December, following a year of unprecedented milk flow. Raw material cost increases resulted predominantly from volume and mix changes during the year of 9,7%. Ingredients costs increased by 25%, mainly due to price and mix changes of 15,3% and a 9,7% volume increase. The 15,3% price and mix change is primarily attributed to the weakening rand against the euro and dollar compared to the previous financial year.

The rand weakened in excess of 23% against the dollar and euro from July 2015 to June 2016. Packaging costs increased by 15,4% or R162,8 million primarily as a result of:

- Volume increases of 9,7%,
- a 3,7% HDPE bottle and closure price increase, while PET bottle prices increased by 4,3%
- new products and mix changes, which accounted for 3,1% of the total increase.

Fortunately, the price of cartons did not increase as Clover had already negotiated fixed prices and suppliers did offer discounts.

Milk collection costs lifted 3,2%, given the strong growth in national raw milk supply up to the end of February 2016. The increased milk flow, particularly in UHT volumes, pushed up the cost of transporting milk to long life and concentrated factories.

Manufacturing costs rose by 13,4% year on year. Inflation, volume increase and the newly acquired ex-Dairybelle yoghurt, ex-Dairybelle UHT, ex-Nkunzi MilkyWay, Frankies and Good Hope factories, were primarily responsible for this rise. The year started with higher inventory levels given the national milk flow, but from February 2016 the milk flow eased and production volumes started to decline. Due to the predominantly fixed nature of manufacturing costs and the new factories absorbed into the supply chain, unit manufacturing costs increased 5,2%. Savings achieved from consolidating Clover's Parow and Stikland factories helped curb these unit manufacturing cost increases.

Primary distribution costs grew by 12,2%, primarily due to inflationary increases, new factories and the resulting complexity and length of supply routes.

Gross profit

Cost of sales increased 8,4% or R543,4 million, in contrast to the 6% or R552,5 million growth in revenue. As a result, gross profit percentage decreased from 30% to 28,4% and gross profit increased by 0,3% or R9,1 million. When excluding the effect of raw milk sales, revenue increased by 7,5% compared to an 10,6% increase in cost of sales, resulting in a decrease in the gross margin from 30,5% to 28,5%.

Other operating income

Other operating income of R73,7 million mainly constituted:

- R20,9 million profit on the sale of property, plant and equipment (PPE) and scrap
- R36,9 million in foreign exchange gains
- Fair value adjustment and bargain purchase of R6,6 million primarily relating to Good Hope and Frankies
- Sundry income of R8,3 million, largely from the canteen.

Selling and distribution costs

Selling and distribution costs fell by 2,6% or R52,1 million, due to a thorough cost efficiency drive to counter the sluggish economy, milk oversupply and unfavourable market pricing. Clover's staff structure was optimised and no new positions were filled, while Inflationary costs were contained by negotiating more keenly priced contracts, in particular for vehicle and fleet costs. While electricity and fuel costs were realised, Clover had stabilised its input costs to an extent by hedging our diesel usage. As a result, we did not realise the benefits from certain falls in diesel prices.

In total, Clover spent 13% or R30,6 million less on advertising, marketing, research and development costs compared to the prior year. Despite the reduced budget, Clover increased its marketing campaigns and spend by over 30% in the 2014/15 financial year. During the current year Clover leveraged various synergies using an approach focusing on the previous investments in the mother brand.

Administrative expenses

Clover reduced administrative expenses by 2,8% or R8,6 million.

Vacant staff positions were not filled, which helped limit the annual increase in personnel expenditure to just 2,7%.

Head office managed to avoid inflationary increases to overheads and reduced its overall spend by 7,4% or R21 million through:

- not filling vacant positions, particularly at executive level
- reducing training spend through higher Skills Development Levy (SDL) grants received in this period
- a moratorium placed on legal and consulting fees
- cancelling several conferences and special events scheduled for this year.

Restructuring expenses

Approximately R8,5 million was spent on retrenchment costs, which are classified as restructuring expenses.

Operating profit

Operating profit lifted by 10,9% to R564,5 million. Headline operating profit grew by 21,3% to R570,2 million when excluding capital profits and the R28,3 million loss in foreign currency translation reserve through profit or loss. Clover's restructuring costs remained the same and normalised operating profit also increased by 20,9% to R578,7million.

Our operating margin improved marginally to 5,7% from 5,5%. The normalised operating margin (normalised operating profit as a percentage of revenue excluding raw milk sales) similarly improved from 5,2% to 5,9%.

Profit for the year

Profit for the year ended 1,8% or R6,2 million higher at R351,9 million. This result was the outcome of a R55,3 million increase in operating profit, a R38,7 million increase in net finance charges, a R13,7 million increase in the income tax expense and a R3,3 million increase in the share of profits from the Clover Fonterra Ingredients joint venture.

Clover's inventory during the first six months of the year was 20% higher and interest bearing debt was 42% higher than the previous corresponding period. Improved working capital and a reduction in capital expenditure largely contributed to an increase of just R19,3 million in interest bearing debt as at 30 June 2016. The higher net finance charges resulted predominantly from a rate increase in finance charges and the milk flow challenges of the first half of the year.

Clover's effective tax rate calculated to 24,5%, which was well below the 28% normal corporate tax rate. The effective tax rate increased by 2,0% from the prior year primarily as a result of:

- Increase in non-taxable income (1,35%)
- Increase in non-deductible expense 0,34%
- Increase in special deductions (0,29%)
- Reduction in SAR's exercised 0,46%
- Once off recognition of deferred tax asset in the prior year 2,97%
- Increase in JV profits (0,15%)

Return on equity

Operating in a price inflationary environment, while variable costs increased ahead of inflation, resulted in Clover's return on equity (excluding exceptional items) decreasing from 13,5% to 13,3%.

CHIEF FINANCIAL OFFICER'S REPORT (continued)

DIVIDENDS

The Company declared and paid an interim dividend of 24,21 cents per share during April 2016. A final dividend of 40,94 cents was declared by the Board, which will bring the final dividend for the current financial year to 65,15 cents.

The Board previously stated that it will during the medium term progressively reduce the dividend cover to lower levels. The total dividends for 2015/16 represent a dividend cover of 2,9 times compared to the 2014/15 dividend cover of 3,1 times. The dividend cover for 2013/14 was 3,2 times although for that year 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

Since listing in 2010, Clover has invested heavily in acquisitions and rejuvenating our factories and distribution assets for continual and sustainable growth. This level of investment was needed to maintain Clover's outstanding reputation for quality products. New acquisitions or the internal development of brands and products must support the further build out of this premium status. Our brand reputation is underpinned by Clover's chilled distribution network, which is universally regarded as South Africa's finest. This invaluable asset also required a significant investment to maintain its hard earned reputation.

All of these assets need to be funded, while also maintaining an optimal debt to equity ratio.

Clover invested capital of R366,7 million into tangible assets. This amounts to a R362,5 million increase in property, plant and equipment for the financial year, which excludes depreciation and takes into account capital work in progress movements.

MAJOR CAPITAL PROJECTS DURING THE YEAR WERE:

Description	R'm
Relocate Inhle Production	50,6
Yoghurt Facility	48,1
UHT Optimisation	22,5
Visitors Centre	23,9
Good Hope fixed assets	20,9
Gouda & Feta Expansion	9,6
Relocate Ayrshire MilkyWay	13,3
Expansion Capacity	33,3
IBM Collaboration	44,4

Clover has aligned with government initiatives to grow manufacturing capacity and local business competitiveness, while reducing the consumption of natural resources, especially energy and water. In order to achieve this, Clover engages current government grants such as the Department of Trade and Industry's Manufacturing Competitive Enhancement Program (MCEP). The Group received R16,1 million in government grants of which R4,5 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.

The Board and management are keenly aware of the need to balance short-term shareholder expectations against investments required to secure Clover for the longer-term. In the immediate future Clover will be riding out South Africa's 0,2% growth economy and the after effects of the southern African drought. We will use this time to tighten up efficiencies and examine new country markets and segments, while planning for improved weather and the next economic upturn.

Current assets

Clover stated in its December interim results that the strong 8,1% growth in national raw milk supply during our 2014/15 financial year led to a 20% increase in inventory in December 2015. The effects of a prolonged drought primarily in the Highveld and Kwazulu-Natal then caused a sharp decrease in milk supply from early 2016. Clover's volume and mix changes were caused by the strong growth in national raw milk supply up until December 2015 that provided a 9,7% increase in volumes. Lower selling prices, increased volumes, and a diminished milk flow resulted in inventory levels decreasing by 2,5% or R23,2 million in comparison to the previous corresponding reporting period.

Trade and other receivables were 7,6% higher than at June 2015 resulting from:

- the 9,7% volume increase and the higher values of custard and yoghurt products
- the additional VAT included in accounts receivable caused by the introduction of the vatable custard and yoghurt products also marginally increased debtors
- trade support increased by 17,5% or R29 million as a result of support to new products

Trade receivable days outstanding and bad debts remained at minimal levels when compared to the combined sales of Clover and those principals for which we provide credit management. (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 R44,4 million over the prior financial year due to the issue of new ordinary shares that settled vested share appreciation rights in terms of Clover's SAR Scheme.

Non-current liabilities

An increased investment in working capital and capital expenditure was the primary contributor to a R19,3 million net increase in interest bearing debt (both current and non-current).

Apart from interest bearing debt, non-current liabilities were similar to the previous year, with the exception of the deferred tax liability that increased by R4,1 million due to accelerated wear and tear allowances.

Current liabilities

Clover's higher volumes, together with our new yoghurt and custard lines, accounted for R33 million or 2,5% increase in trade and other payables.

GEARING

Group gearing decreased from 48,6% to 44,1% at 30 June 2016. The deceased gearing was primarily as a result of retained earnings and enhanced sales. Clover's gearing is well within our ability to service interest and repayments, while we have the reserve capacity to extend gearing if necessary to fund additional growth opportunities.

CASH FLOW

Clover's net current assets ratio improved from 1,4 to 1,6. Excluding inventory, the position improved from 0,9 to 1,1. Lower capital expenditure from operating cash flows and improved sales largely drove this improvement.

Cash generated from operations, before working capital changes, totalled R709,7 million compared to R566,7 million reported in the prior year. Higher cash generation was primarily due to the higher profit recorded. In this year, working capital absorbed just R36,2 million of cash compared to the R406,5 million of the prior year. Due to lower milk prices and higher feed costs, milk production slowed from the exceptionally high levels of the preceding 18 months, which considerably eased the need for investment in inventory, trade and other payables. Clover spent a massive R396,6 million less on inventory in comparison to the previous corresponding period. The increases recorded in trade and other receivables was in line with Clover's growth in invoiced revenue.

Investment activities consumed R332,6 million in cash compared to R556,8 million in the previous year, following the acquisitions of the Dairybelle yoghurt and UHT businesses and the Nkunzi MilkyWay business. Clover also spent R101,4 million less capital on tangible assets.

In terms of financing activities R231,7 million was paid for finance costs and dividends, compared to R154,7 million in the previous year. Clover utilised R19,3 million of additional debt at the end of the year when compared to the previous year to fund investing activities.

Clover reported a net increase in its cash position for the year of R128,4 million.

CHIEF FINANCIAL OFFICER'S REPORT (continued)

SEGMENTAL PERFORMANCE

Segmental information is only disclosed to Margin on Materials (MOM) level as Clover's assets and operations are largely integrated between segments, which makes 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. Clover's entry into the yoghurt and custard under our own brands necessitated the establishment of a dedicated fermented products and desserts division to manage our yoghurt, custard, maas (previously included under dairy fluids) and dessert interests.

Dairy Fluids

The dairy fluids segment is now made up of fresh milk, UHT milk, steri milk, ultra-pasteurised milk and cream. It no longer includes maas (traditional fermented milk), which is now reported as part of fermented products and desserts.

Dairy fluids volumes grew by 5,9% for the period. Clover's UHT volumes increased by 9,9% whilst fresh and ultra-pasteurised milk volumes increased by 2,3%.

The MOM margin, improved by 1% to 40,6%, mainly as a result of lower milk prices given the high milk flow experienced during the last season and the first six months of this financial year. MOM for fluids increased by 3,3% to R1 795,7 million. Price deflation was 5,0% on average while the cost of raw materials and packaging decreased by 1,6% net of the volume effect, following the lower 5,1% average raw milk prices for the year.

Concentrated products

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

Clover's concentrated dairy product volumes increased by 5,9% 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;
- Clovers volumes decreased 12% on bulk processed cheese.
- Clovers bulk mozzarella grated dices volumes improved by 28%
- Pre-packed cheese volumes increased 18%
- Processed cheese slices grew 48%, albeit off a low base.
- Feta volumes improved 9,3 %
- Condensed milk volumes were up 7,4%.

The biggest volume contributor to this category is butter, and given limited availability of cream, volumes were down 5,1%.

Revenue for this product group grew by 7,6% based on average price inflation of 1,2%. The price of packaging and raw materials increased 11,2% net of the volume effect. As a result MOM decreased by 1,0% and the MOM margin decreased 2,4% to end the year on R400,7 million.

Ingredients

Although Clover does not at present participate actively in the international dairy ingredients market, we balance seasonal milk and cheese production by annually selling excess skimmed milk and whey powder into the local ingredients market.

The high milk flow caused an increase in the sale of skimmed milk powder during 2015/16 and consequently sales volumes grew by 15,6%. On average prices decreased by 18,5%, mostly due to low commodity prices of skim milk powder. Material and packaging costs were higher given the volumes produced. Revenue decreased by 2,9%, MOM was 54,6% less than the prior year, and the MOM% decreased by 17,1% to 15,0% primarily as a result of the lower pricing.

Non-alcoholic beverages

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

Clover managed to increase its beverage portfolio selling prices in July 2015 as anticipated. The severe heat wave and drought conditions resulted in an exceptional performance of the beverage portfolio during the summer, with beverage volumes increase by 7,3%.

Dairy fruit mix and fruit juice volumes increased by 5,9% and 4,1 % respectively when compared to the previous year. Flavoured milk volumes increasing 8,8%.

Water and ice tea volumes increased 13% on the previous year.

Prices were 7,3% up on the previous year resulting in revenue increasing by 14,6% and the MOM% improving by 2,3% to 55,5%.

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.

Volumes grew by 87,2% on the previous year given that the Group only traded in this category for six months in the prior year.

Overall product Group revenue was up 151,8% following the volume increase and the introduction of higher value yoghurt and custard. The MOM % improved from 25,3% to 28,8% given better pricing and improved efficiencies.

CONCLUSION

The pedestrian growth and outlook of the sub-Saharan economy does not create a conducive environment for growth. Consumers remain under pressure and discretionary spend will be further affected by rising inflation and resultant interest rate increases. This will be further compounded by the impact of the recent drought, and a key determining factor for the industry's success would be the rainfall and resultant milk flow in the upcoming spring. The recent currency volatility and foreign exchange liquidity will also mute potential growth prospects. The industry has been subject to evolving and increasing legislation, and the impact of the recently proposed sugar tax could have far reaching consequences.

Clover remains focussed on fully utilising its capacities and the asset base that was heavily invested in during the last five years. Clover will continue to explore local consolidation opportunities to leverage its existing value chain, and continues to invest in new products to grow a portfolio that is not exposed to dairy price fluctuations. Management remains committed to rapidly adapting to market changes, and will employ numerous levers to mitigate the major effects of cyclicality in the business for the year that lies ahead.

Elton Bosch
Chief Financial Officer

12 September 2016

SIX YEAR FINANCIAL REVIEW

Summarised results for the year	Increase/ (decrease) 2016 vs 2015	2016 R'000	2015 R'000	2014 R'000	*2013 R'000	*2012 R'000	*2011 R'000
Revenue	6,0%	**9 818 717**	9 266 251	8 530 237	7 832 911	7 223 863	6 542 321
Operating profit	10,9%	**564 450**	509 072	282 276	371 624	371 232	319 019
Net financing cost							
Current and long-term liabilities	52,3%	**(112 825)**	(74 064)	(57 809)	(46 717)	(1 855)	(16 081)
Debt portion of preference share capital	–	**–**	–	–	–	(22 007)	(21 359)
Profit before tax from continuing operations	3,8%	**451 625**	435 008	224 467	324 907	347 370	281 579
Taxes	13,7%	**(113 992)**	(100 286)	(49 791)	(99 022)	(137 654)	(97 534)
Share of profit of joint ventures	30,4%	**14 268**	10 939	14 306	13 974	–	–
Profit after tax from discontinued operations	–	**–**	–	–	–	–	–
Non-controlling interest	(121,2%)	**(995)**	4 684	(2 316)	(1 233)	(4 426)	(4 446)
Profit attributable to equity holders of the parent	0,2%	**350 906**	350 345	186 666	238 626	205 290	179 599
Headline earnings attributable to equity holders of the parent	11,7%	**356 594**	319 343	187 464	214 894	207 800	175 177

Normalised earnings		2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Operating profit	**564 450**	509 072	282 276	371 624	371 232	319 019
Adjusted for exceptional items:						
(Profit)/loss on sale and scrapping of property plant and equipment and other assets	**(20 869)**	(38 950)	5 102	(11 680)	(878)	(7 277)
Gain on fair valuing of existing investment in joint venture due to acquiring control	**–**	–	–	(16 747)	–	–
Discount on acquisition of PPE by Clover Waters through issue of shares		–	(20 716)	–	–	–
Bargain purchase at acquisition of stake in Clover Good Hope	**(1 721)**					
Retrenchment costs	**8 493**	8 156	7 174	17 184	3 629	6 628
Legal and professional services costs associated with the listing	**–**	75	141	49	–	8 499
Release of foreign currency translation reserve in abandonment of foreign operations	**28 366**					
Other restructuring cost	**–**	241	8 721	18 517	5 944	1 780
Normalised operating profit	**578 719**	478 594	282 698	378 947	379 927	328 649
Net financing cost	**(112 825)**	(74 064)	(57 809)	(46 716)	(23 862)	(37 440)
Tax expense						
Total tax expense	**(113 992)**	(100 286)	(49 791)	(99 022)	(137 654)	(97 534)
Other non-recurring tax adjustments		–	–	–	18 254	–
Taxation adjustment on exceptional items	**(2 466)**	5 576	(4 286)	(8 453)	(2 745)	(1 845)
Share of profit of joint ventures after tax	**14 268**	10 939	14 306	13 974	–	–
Non-controlling interest	**(995)**	4 684	(2 316)	(1 233)	(4 426)	(4 446)
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	**362 709**	325 443	188 276	237 497	229 493	187 384

* *From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect, the figures from 2011 to 2012 have not been restated.*

	2016 R'000	2015 R'000	2014 R'000	**2013 R'000	**2012 R'000	**2011 R'000
Dividends						
Equity dividends – ordinary shares	**108 755**	71 624	69 342	41 912	53 734	58 720
Preference dividends recognised as interest	**–**	–	–	20 346	22 007	21 359
Earnings and dividends per share	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Equity dividends per ordinary share – Interim	**24,21**	22,6	16,0	10,0	15,0	10,0
Equity dividends per ordinary share – Final	**40,94**	33,4	16,0	22,0	13,4	15,0
Preference dividend recognised as interest per preference share	**–**	–	–	22,7	24,6	23,9
Earnings per ordinary share	**185,9**	190,4	102,3	133,1	114,6	116,7
Diluted earnings per ordinary share	**181,8**	182,0	97,3	123,8	107,4	108,9
Headline earnings per ordinary share	**188,9**	173,6	102,7	119,9	116,0	113,8
Diluted headline earnings per ordinary share	**184,7**	165,9	97,8	111,5	108,7	106,2
Normalised earnings per share, calculated by dividing the normalised profit by the weighted average number of ordinary shares	**192,2**	176,9	103,2	132,5	128,1	121,8
Summarised statement of financial position	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Non-current assets	**2 972 730**	2 752 656	2 302 052	1 997 482	1 526 306	1 361 355
Deferred taxation asset	**37 019**	32 696	8 919	6 722	492	3 262
Current assets	**2 856 294**	2 689 485	2 298 621	2 413 733	2 336 745	2 180 874
Total assets	**5 866 043**	5 474 837	4 609 592	4 417 937	3 863 543	3 545 491
Shareholders' funds	**2 865 412**	2 571 338	2 252 270	2 113 116	1 894 244	1 742 362
Non-controlling interest	**23 305**	13 510	20 471	2 309	1 796	9 443
Non-current portion of interest-bearing borrowings	**931 455**	681 601	662 357	666 640	21 686	432 833
Non-current portion of provisions	**73 474**	74 901	67 615	60 814	61 637	62 522
Non-current portion of trade and other payables	**19 311**	21 459	4 351	9 267	6 904	13 357
Other non-current financial liabilities	**2 199**	2 716	–	–	–	–
Deferred taxation liability	**192 358**	188 253	179 023	137 313	116 950	32 015
Current portion of interest-bearing borrowings	**343 015**	573 576	214 495	172 646	421 376	173 828
Current liabilities excluding interest-bearing borrowings	**1 415 514**	1 350 199	1 209 010	1 255 832	1 338 950	1 079 131
Total equity and liabilities	**5 866 043**	5 474 837	4 609 592	4 417 937	3 863 543	3 545 491
Net assets	**2 888 717**	2 584 848	2 272 741	2 115 425	1 896 040	1 751 805
Replacement value of property, plant and machinery*	**9 116 408**	7 577 153	7 577 153	6 106 300	5 746 800	5 445 700

* *Replacement value of property, plant and machinery is determined by an external valuator.*
** *From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect. The figures from 2011 to 2012 have not been restated.*

A list of all definitions used in the above calculation is set out on page 242.

SIX YEAR FINANCIAL REVIEW (continued)

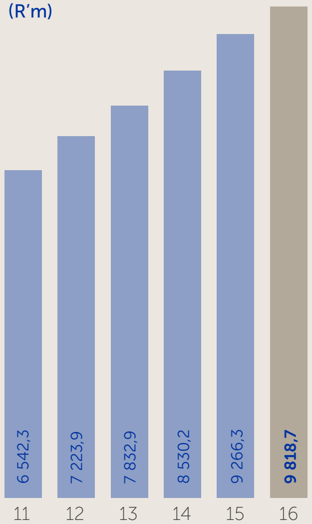
Number of shares in issue	2016	2015	2014	*2013	*2012	*2011
Number of ordinary shares in issue at year-end	**190 314 350**	187 731 138	182 478 589	181 218 149	179 111 867	179 111 867
Weighted average number of ordinary shares	**188 733 409**	183 989 596	182 478 589	179 267 674	179 111 867	153 882 447
Weighted average number of ordinary shares for calculation of diluted earnings	**193 021 978**	192 466 775	191 767 408	192 750 186	191 127 152	164 890 519
Number of preference shares in issue at year-end	**–**	–	–	–	89 442 022	89 442 022
Weighted average number of preference shares	**–**	–	–	–	89 442 022	89 442 022
Cash flow	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Cash flow from operating activities	**673 448**	160 185	403 067	219 198	417 910	256 927
Cash (used in)/from investment activities	**(332 629)**	(556 822)	(351 734)	(515 811)	(256 150)	(253 323)
Cash flow/(outflow) from financing activities	**(212 426)**	218 097	(97 780)	297 159	(272 951)	391 333
Cash flow from operating activities per share (cents)	**356,8**	87,1	220,9	122,3	233,3	167
Ratios and returns	**%**	**%**	**%**	**%**	**%**	**%**
Operating profit to revenue	**5,7**	5,5	3,3	4,7	5,1	4,9
Normalised operating profit	**5,9**	5,2	3,3	4,8	5,3	5
Return on net assets	**13,2**	13,5	8,6	13,1	14,9	15
Return on net assets excluding exceptional items	**13,5**	12,7	8,6	13,4	15,2	15,4
Return on equity holders' funds	**12,9**	14,5	8,6	11,9	11,3	12,9
Return on equity holders' funds excluding exceptional items	**13,3**	13,5	8,6	11,9	12,6	13,7
Gearing percentage (net of cash)	**23,2**	30,2	9,8	6,4	(14,2)	(12,4)
Effective tax rate	**24,5**	22,5	20,9	29,3	39,6	34,6
	Times	**Times**	**Times**	**Times**	**Times**	**Times**
Net asset turn	**4,5**	5,0	5,6	6,2	6,8	8,3
Current ratio	**1,6**	1,4	1,6	1,7	1,3	1,7
Employees statistics	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Average number of employees	**8 456**	7 177	6 393	6 519	6 555	6 353
	R'000	***R'000***	***R'000***	***R'000***	***R'000***	***R'000***
Revenue per employee	**1 161,2**	1 291,1	1 334.3	1 201.6	1 102	1 030
Operating profit per employee	**66,8**	70,9	44,2	57,0	57	50
Normalised operating profit	**68,4**	66,7	44,2	58,0	58	52
Average net assets per employee	**323,6**	338,4	343,2	307,7	278	223

* *From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect. The figures from 2011 to 2012 have not been restated.*

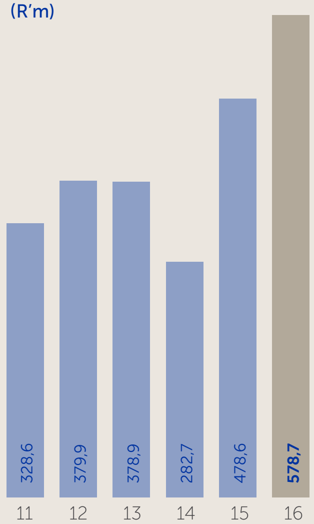
A list of all definitions used in the above calculation is set out on page 242.

FINANCIAL HIGHLIGHTS

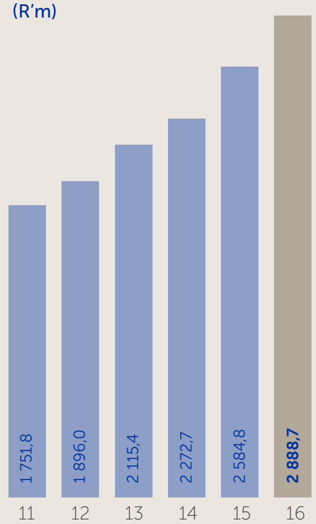
Revenue
(R'm)



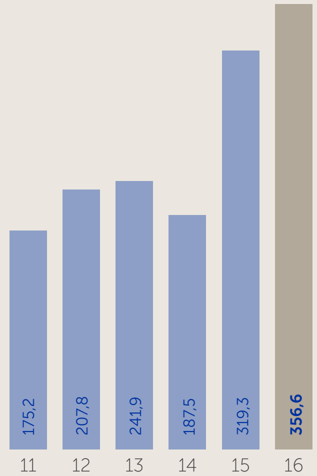
Normalised Operating Profit
(R'm)



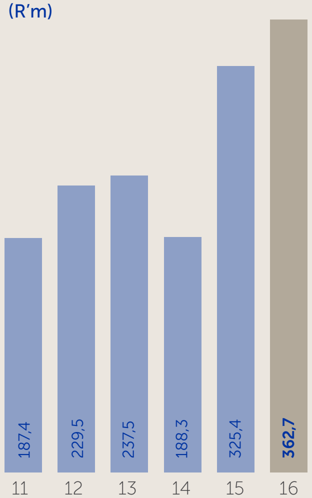
Net asset value
(R'm)



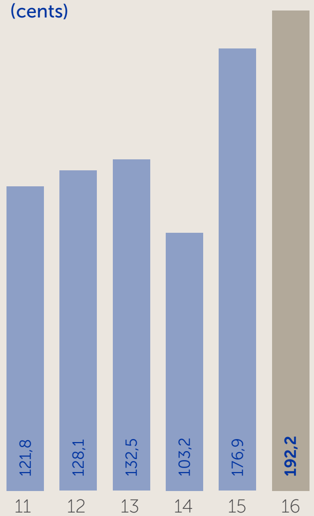
Headline earnings attributable to equity holders of the parent
(R'm)



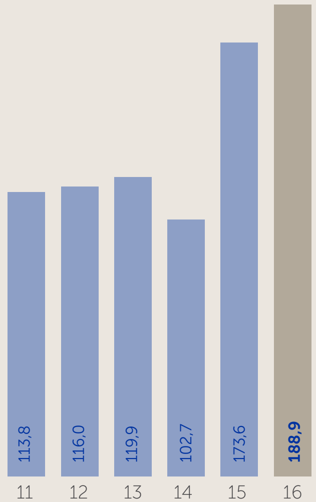
Normalised profit attributable to equity holders of the parent
(R'm)



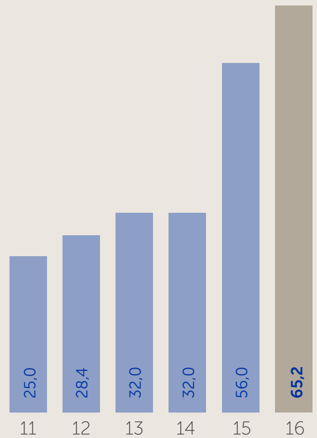
Normalised earning per share
(cents)



Headline earnings per share
(cents)



Dividends per share declared relating to each financial year
(cents)



CONCENTRATED PRODUCTS

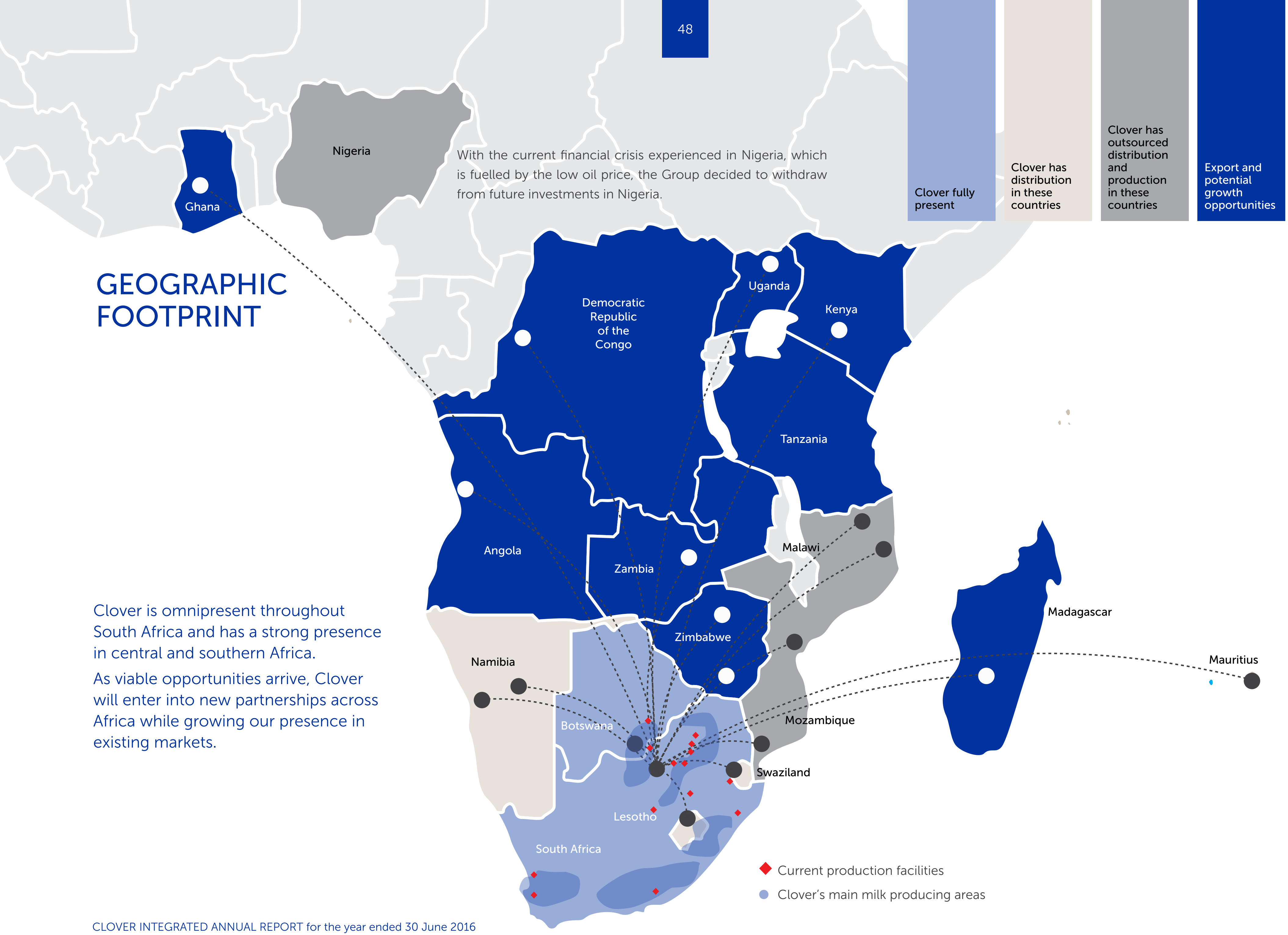
CONDENSED MILK

- Condensed milk volumes grew by 7,4% for the period.
- Revenue for the concentrated product group grew by 7,1%.

THE SHAPE OF CLOVER

GEOGRAPHIC FOOTPRINT

With the current financial crisis experienced in Nigeria, which is fuelled by the low oil price, the Group decided to withdraw from future investments in Nigeria.



Clover is omnipresent throughout South Africa and has a strong presence in central and southern Africa.

As viable opportunities arrive, Clover will enter into new partnerships across Africa while growing our presence in existing markets.

GROUP STRUCTURE

Established in 1898, as the Natal Creamery Limited, the fast growing business was reorganised in 1934 as the National Cooperative Dairies (NCD), operating country wide. Clover Industries Limited emerged in 2003 and in 2010 listed on the JSE.

Clover Industries Ltd

Clover SA (Pty) Ltd
100%

DIVISIONS

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

Company	Shareholding
Clover West Africa Ltd	100%[1]
Clover Swaziland (Pty) Ltd	100%
Clover Dairy (Namibia) (Pty) Ltd	100%
Clover Botswana (Pty) Ltd	100%
The Real Beverages Company (Pty) Ltd	100%
Clover Fonterra Ingredients (Pty) Ltd	51%
Clover Waters (Pty) Ltd	70%
Clover MilkyWay (Pty) Ltd	100%
Lactolab (Pty) Ltd	100%[2]
Clover Frankies (Pty) Ltd	51%[3]
Clover Good Hope (Pty) Ltd	51%[4]

1 Clover West Africa placed in liquidation from 29 February 2016.

2 The entire issued share capital of Lactolab (Pty) Ltd was sold to Mérieux MultiSciences with effect from 1 July 2016.

3 With effect from 1 November 2015, Clover and Frankies Olde Soft Drink Company formed a new company called Clover Frankies (Pty) Ltd, which acquired the entire soft drink business from Frankies Olde Soft Drink Company (Pty) Ltd. Clover SA (Pty) Ltd owns 51% of Clover Frankies (Pty) Ltd.

4 With effect from 1 May 2016, Clover and Good Hope International Beverages SA (Pty) Ltd formed a new company called Clover Good Hope (Pty) Ltd, which acquired the entire soya milk business from Good Hope International Beverages SA (Pty) Ltd. Clover SA (Pty) Ltd owns 51% of Clover Good Hope (Pty) Ltd.

Note: Clover Futurelife (Pty) Ltd has been removed from the group structure as this company did not become effective.

OUR SHAREHOLDER AND SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS – CLOVER INDUSTRIES LTD – ORDINARY SHARES

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	1 215	48,29	423 021	0,22
1 001 – 5 000 shares	645	25,64	1 572 258	0,83
5 001 – 10 000 shares	128	5,09	965 769	0,51
10 001 – 50 000 shares	211	8,39	5 402 987	2,84
50 001 – 100 000 shares	95	3,78	6 803 273	3,57
100 001 shares and over	222	8,81	175 147 042	92,03
Totals	**2 516**	**100,00**	**190 314 350**	**100,00**

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	39	1,55	27 462 578	14,43
Close Corporations	20	0,79	328 394	0,17
Endowment Funds	18	0,72	448 174	0,24
Individuals	1 851	73,57	20 018 486	10,52
Insurance Companies	24	0,95	4 556 633	2,39
Investment Companies	13	0,52	2 908 258	1,53
Medical Schemes	4	0,16	469 384	0,25
Milk Producers Trust	1	0,04	23 100 000	12,14
Mutual Funds	107	4,25	47 561 006	24,99
Other Corporations	10	0,40	77 055	0,04
Private Companies	39	1,55	4 005 971	2,10
Producers	78	3,10	12 771 730	6,71
Public Companies	1	0,04	44 000	0,02
Retirement Funds	150	5,96	41 276 424	21,69
Trusts	161	6,40	5 286 257	2,78
Totals	**2 516**	**100,00**	**190 314 350**	**100,00**

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-Public Shareholders	20	0,79	48 986 015	26,09
Directors of the Company	19	0,76	25 886 015	13,79
Strategic Holdings (more than 10%)	1	0,04	23 100 000	12,30
Public Shareholders	2 496	99,21	141 328 335	73,91
Totals	**2 516**	**100,00**	**190 314 350**	**100,00**

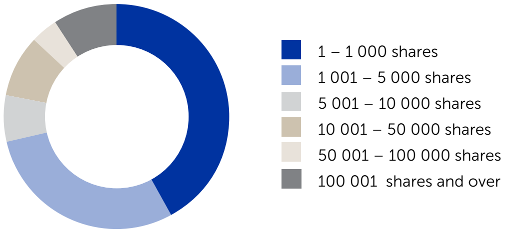
Beneficial shareholders holding 3% or more	Number of shares	%
Clover Milk Producers Trust	23 100 000	12,30
Allan Gray	16 943 360	9,03
Government Employees Pension Fund	11 603 289	6,18
Vorster, JH	9 754 846	5,20
Letko Brosseau	7 287 733	3,88
Development Capital Partners	6 062 791	3,23
Totals	**74 752 019**	**39,82**

Company:
Clover Industries Limited

Register date:
24 June 2016

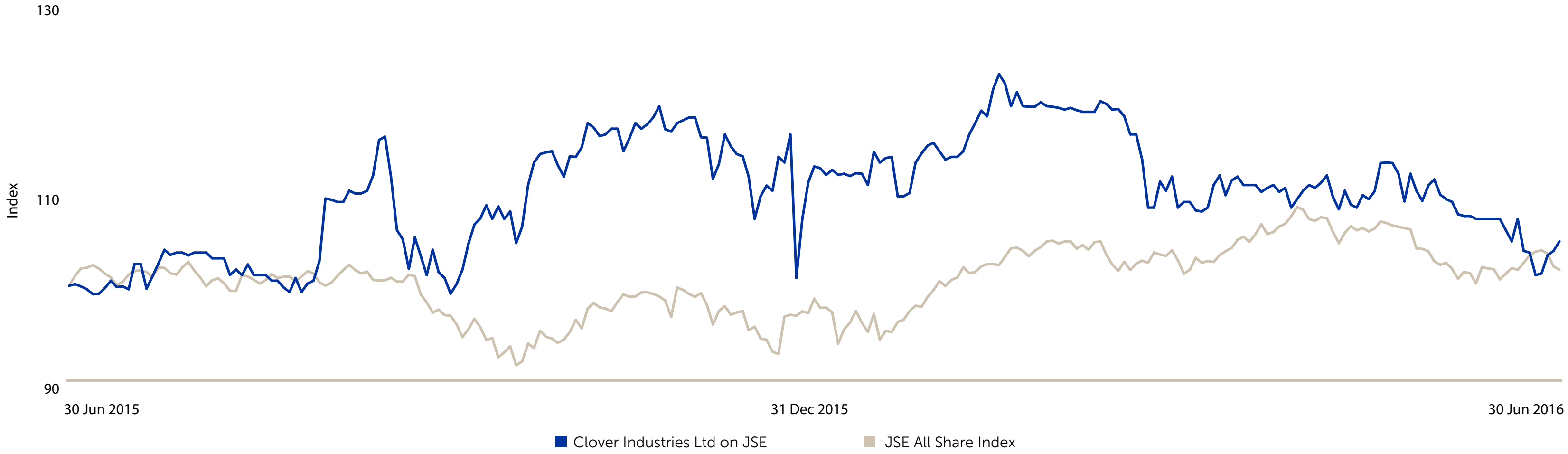
Issued Share Capital:
190 314 350

Shareholder spread
Number of shareholders (percentage)

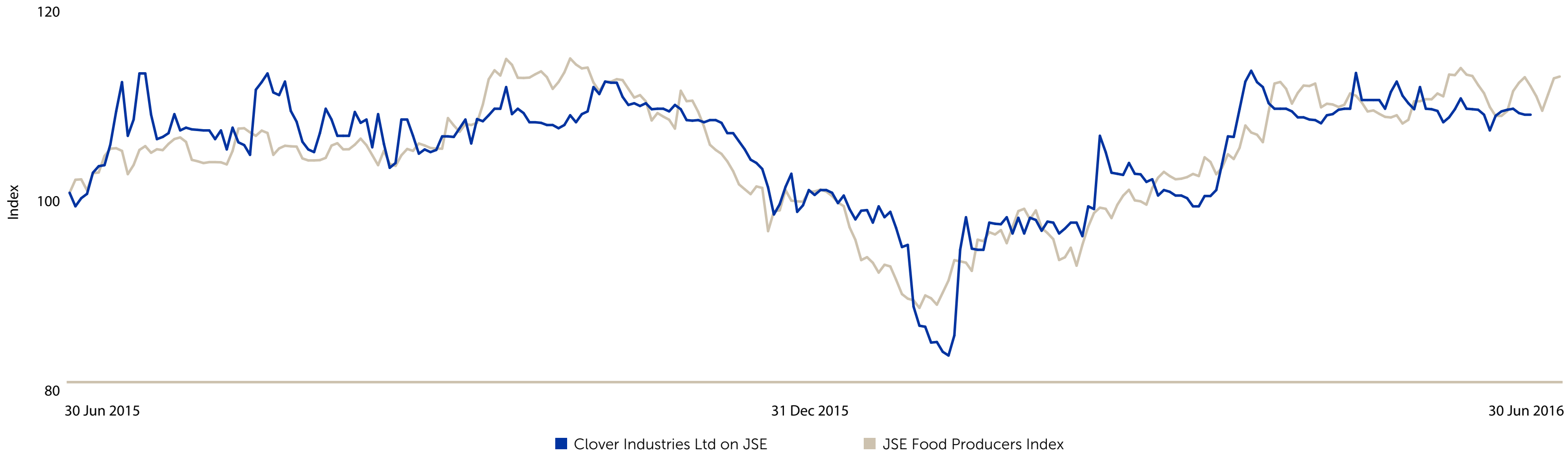


Distribution of shareholders
Number of shareholders (percentage)

Clover Industries Ltd vs All Share Index



Clover Industries Ltd vs Food Producers Index



DIRECTORATE AND MANAGEMENT

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

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

Executive Committee

DR JAMES HENRY FERREIRA BOTES (53)
Executive
Commercial
Appointed
2009
Qualification
DPhil

HENDRIKUS LUBBE (46)
Executive
Supply Chain Distribution and Milk Procurement
Appointed
2006
Qualification
MCom (Transport Economics) MBA

MARCELO MARQUES PALMEIRO (51)
Executive
Brands & Corporate Development
Appointed
2012
Qualification
BA, IME

JACQUES VAN HEERDEN (31)
Executive
Legal, Secretarial and Human Resources
Appointed
2014
Qualification
LLB (Cum Laude), ACIS

LOUIS JACQUES BOTHA (54)
Chief Financial Officer and Executive*
Information Services
Appointed
2006
Qualification
BCom (Hons), CA(SA), ACIS

* *Resigned as from 2 January 2016*

LENGTH OF SERVICE OF DIRECTORS

- 45,4% – 5 to 11 years
- 54,5% – 6 to 11 years
- 0% – 11 to 15 years
- 0% – 15 years or more

EXECUTIVE DIRECTORS
AS AT 30 JUNE 2016

27,3%

BOARD COMPOSITION

NON-EXECUTIVE DIRECTORS
AS AT 30 JUNE 2016

72,7%

BOARD COMPOSITION

Read the full biographies at
www.clover.co.za

Board of Directors

EXECUTIVE DIRECTORS

JOHANN VORSTER (52)

Chief Executive

Appointed
Appointed to Exco in 2000 and as CE in 2006

Qualification
BCompt (Hons), CA(SA), MBA

Role at Clover
Member of Executive Committee

ELTON RONALD BOSCH (39)

Chief Financial Officer and Executive
Business Development, Risk & Africa

Appointed
to Exco in 2012 and as CFO in 2016

Qualification
BCompt (Hons), CA(SA)

Role at Clover
Member of Executive Committee

DR CHRISTIAAN PHILIPPUS LERM (59)*

Executive
Brands & Marketing

Appointed
Appointed to exco in 2002 and the Board in 2007

Qualification
DCom

Role at Clover
Member of Executive Committee

* *Retired as from 30 June 2016* ** *To retire at the 2016 AGM.*

NON-EXECUTIVE DIRECTORS

WERNER IGNATIUS BÜCHNER (50)

Chairman

Appointed
2006

Qualification
BEng

Role at Clover
Member of Remuneration Committee, Nomination Committee and Investment Committee

THOMAS ALEXANDER WIXLEY (76)**

Lead Independent Director

Appointed
2007

Qualification
BCom, CA(SA)

Role at Clover
Member of Audit & Risk Committee, Remuneration Committee, Social & Ethics Committee, Nomination Committee and Investment Committee

BABALWA NGONYAMA (42)

Independent Non-Executive

Appointed
2013

Qualification
CA(SA), MBA, Higher Diploma in Banking Law

Role at Clover
Member of Audit & Risk Committee

NIGEL ATHOL SMITH (60)

Non-Executive

Appointed
2011

Qualification
Agric Dip

Role at Clover
Member of Investment Committee

NEO VIOLET MOKHESI (55)

Independent Non-Executive

Appointed
2013

Qualification
BCom, AMP

Role at Clover
Member of Social & Ethics Committee

JOHANNES NICOLAAS STEPHANUS DU PLESSIS (66)

Independent Non-Executive

Appointed
2010

Qualification
BCom, LLB

Role at Clover
Member of Audit & Risk Committee and Remuneration Committee

PETER RONALD GRIFFIN (57)**

Non-Executive

Appointed
2014

Qualification
BSc Agric

DR STEFANES FRANCOIS BOOYSEN (54)

Independent Non-Executive

Appointed
2010

Qualification
BCompt (Acc) (Hons), MCompt (Unisa), DCom (Acc), CA(SA)

Role at Clover
Member of Audit & Risk Committee, Remuneration Committee, Social & Ethics Committee, Nomination Committee and Investment Committee

Board Committees

AUDIT AND RISK COMMITTEE

Dr SF Booysen	4/4
JNS du Plessis	4/4
B Ngonyama – Chairman as from 1 May 2016	4/4
TA Wixley	4/4

REMUNERATION COMMITTEE

Dr SF Booysen – Chairman	3/3
WI Buchner	3/3
JNS du Plessis	3/3
TA Wixley	3/3

SOCIAL AND ETHICS COMMITTEE

Dr SF Booysen	4/4
ER Bosch	4/4
N Mokhesi – Chairman as from 1 May 2016	4/4
TA Wixley	4/4

NOMINATION COMMITTEE

Dr SF Booysen	2/2
WI Buchner	2/2
TA Wixley – Chairman as from 1 March 2016	2/2

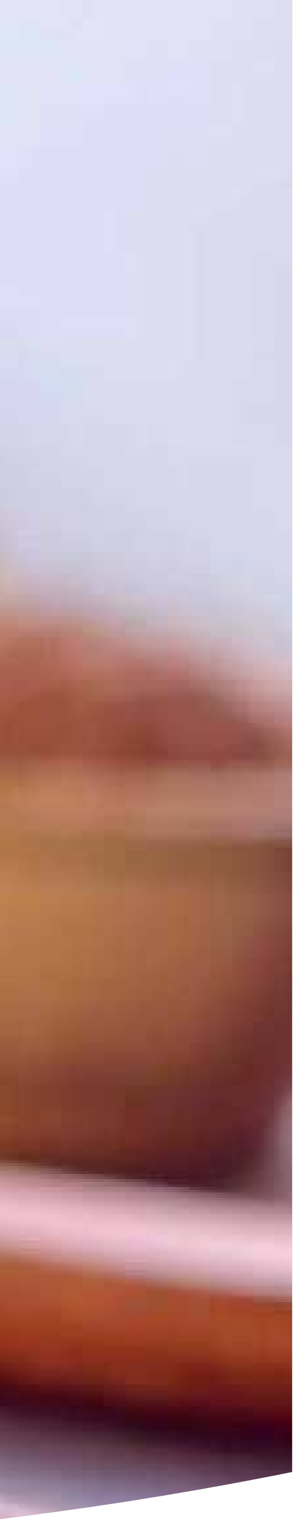
INVESTMENT COMMITTEE

Dr SF Booysen – Chairman	3/3
WI Buchner	3/3
NA Smith	3/3
TA Wixley	3/3

CONCENTRATED PRODUCTS

BUTTER

- Volume for butter decreased by 5,1%, given limited availability.
- MOM for the concentrated product category decreased by 1,0% and the MOM margin decreased by 2,4% to end the year on R400,7 million.



HOW CLOVER CREATES VALUE

Overview of Clover's value creation process

Clover's value creation process begins with our vision and mission, as the business model is designed to put these into effect. Our business model is the engine of Clover's value creation and is driven by the resources fed through it in accordance with Clover's strategy. Its outputs and outcomes are the short, medium and long-term value created in terms of Clover's vision and mission. Clover's leadership, support services and our people at all levels must ensure that Clover's vision flows seamlessly and accurately through the entire value chain and the business model to be transformed into outputs and outcomes that actualise this vision.

Yesterday

Since its founding 118 years ago, Clover was always about milk and its related products. As the decades have rolled by, Clover has spread across southern Africa, added new products and amended its legal identity and business model on several occasions to fit visions and strategies of the time.

Clover underwent a major shift in 2010, which required a rethink of its core vision and mission, followed by a comprehensive reorganisation of the corporate structure and business model to align with the revised mission.

In the following years Clover began leveraging the King III code and Integrated Reporting principles to guide the development of our value creation processes for the long term sustainability of the Company and the environments that we impact.

Today

Since the 2008 global crisis, the risk of company failure or financial losses due to inaccurate or incomplete corporate reporting is a growing priority in investor decision-making. Investors are demanding to see clear and accurate reporting on how companies' business models work and how they make their money, or create value.

Clover has long taken the view that the Integrated Annual Report is not simply a compliance document that takes up management time. On the contrary, we utilise it as a worthy management tool for conducting a regular "reality check" of our performance and strategies.

We also devote considerable time to transparently and concisely laying out the Clover value creation story for all stakeholders to see. This enables stakeholders, shareholders and potential investors to evaluate our actions from an informed basis, as well as gaining their confidence and trust.

Tomorrow

How a company creates value is its "reason for existence". Clover has taken the view that company value creation chains, incorporating their business models, will soon become the single most important measure against which companies will be judged.

Investors that go beyond purely financial results to examine company value creation processes will understand why businesses at times need to invest now for longer-term outcomes in future. These are the calibre of investors that every company wants.

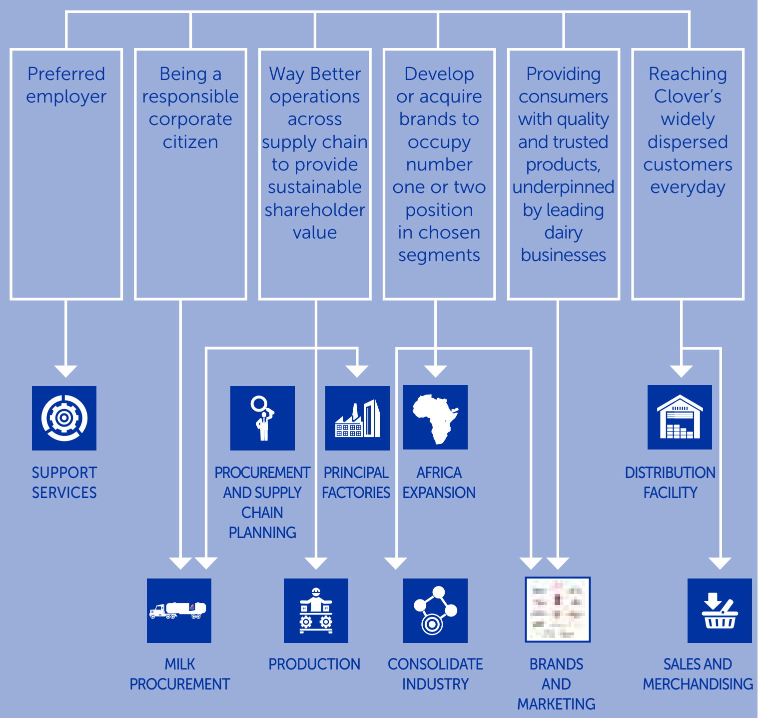
In this report, Clover has endeavoured to use King III and Integrated Reporting <IR> principles to clearly show how our value creation chain and business model works for you.

CLOVER'S BUSINESS MODEL

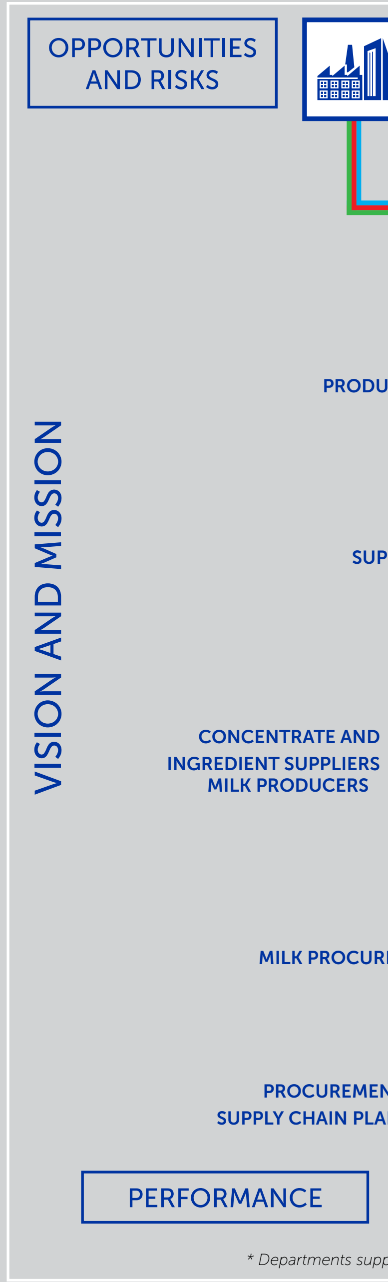
Our vision

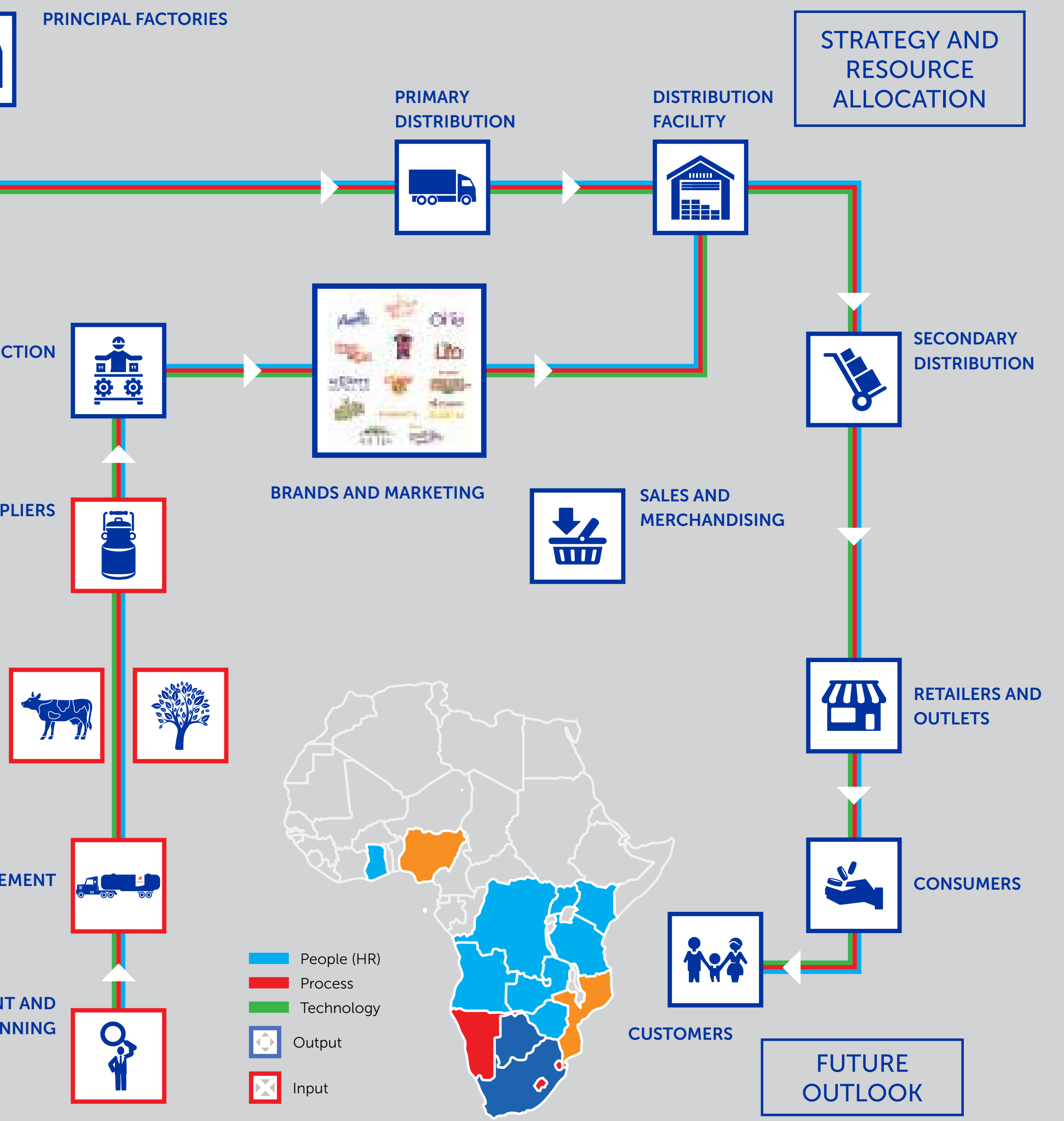
To be a leading branded foods and beverages group in South Africa and selected other African countries, providing accessible nutrition to all consumers

Our mission



CAPITAL		INPUTS
Human	• Employees competencies, capabilities and motivations to innovate • Training • Leadership	Total number of employees: 8 456
Natural	Air, water, land minerals, forests, bio-diversity and ecosystem health	• Raw milk and other ingredients • Packaging materials • Electricity • Fuel
Manufactured	• Infrastructure, buildings and equipment • Machinery • Transportation	• Production facilities • Secondary distribution network • Customer delivery points • Plant and Equipment
Intellectual	Patents, copyrights, software, licences, systems, procedures and protocols	• 11 patents registered in South Africa and Namibia • Brands including Tropika, Butro and Krush, just to name a few • Licenced software and systems • 2 385 permanent merchandisers deployed
Social and relationship	Shared norms, common values, behaviours, stakeholder relationships and dependencies	• 42 Clover Mama Afrika's collectively care for over 15 500 children and more than 2 500 elderly people across South Africa. • Sponsorships from third parties as well as from Clover
Financial	Equity, debts and grants	• Revenue • Cash • Funding





lying support services in the Group are Quality, Procurement, Legal, Risk, Supply Chain, HR, IT, Planning Finance and Marketing

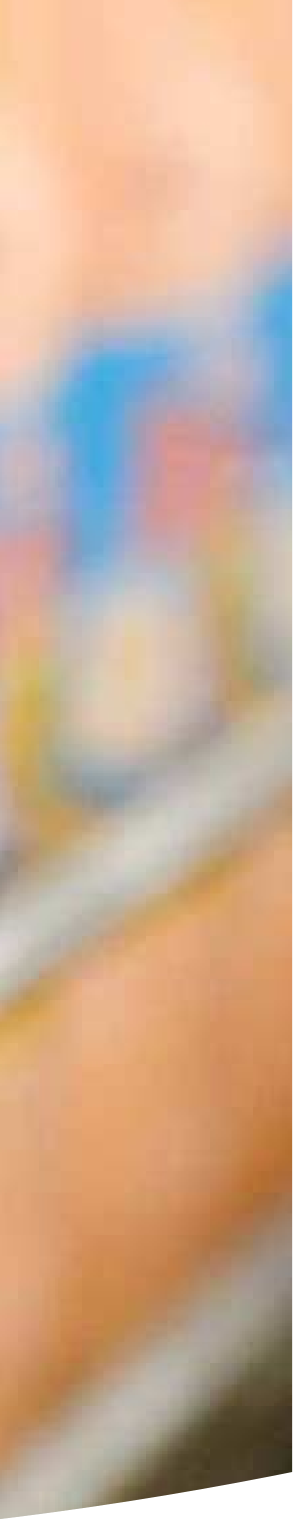
OUTPUTS	OUTCOMES
• 2 786 employees trained • 659 bursaries/learnerships • 92,02% staff retention • Level 4 B-BBEE status	• Rising expertise at all staff levels in preparation for new technologies, more efficient systems and internal transformation • Reskilling and realignment of HR function
• Water usage • Carbon emissions • Waste • Environmental Management System • "Green" technologies and infrastructure	• More efficient processes to reduce costs and quantities of inputs • Less impact on environment and reduced production costs per unit • Reduced emissions and non-recyclable waste
• Integrated Business Planning project • Best farming practices • Phased consolidation of production • Automated palletising • Network optimisation • Quality testing	• Reduced financial capital due to capital investments in infrastructure and systems • Heightened customer service due to improved logistics and production • Clover better prepared for long term sustainability
• Marketing and merchandising • Expanding portfolio of brands • The Customer Collaboration Project • Increased sales and delivery of innovative solutions • Improved packaging, working towards 'greener' alternatives	• Feedback from stakeholders used to make better decisions. • Vertical growth will be achieved by utilising better customer insights, analytics, and research • Horizontal growth through improved existing structures and new or better route-to-market methods
• Sustainable CSI Projects through effective skills transfer • Clover's excellent reputation, attested by numerous awards	• Targeted, effective CSI (Mama Afrika) that sets a benchmark • Gains the trust of stakeholders and support for forward planning and longer term capital investments
• Statement of comprehensive income • Statement of financial position • Statement of cash flows	• Revenue • Headline earnings • Operating profit • Total dividends per share

Refer to page 7 for highlights of the year.

NON-ALCOHOLIC BEVERAGES

TROPIKA AND KRUSH

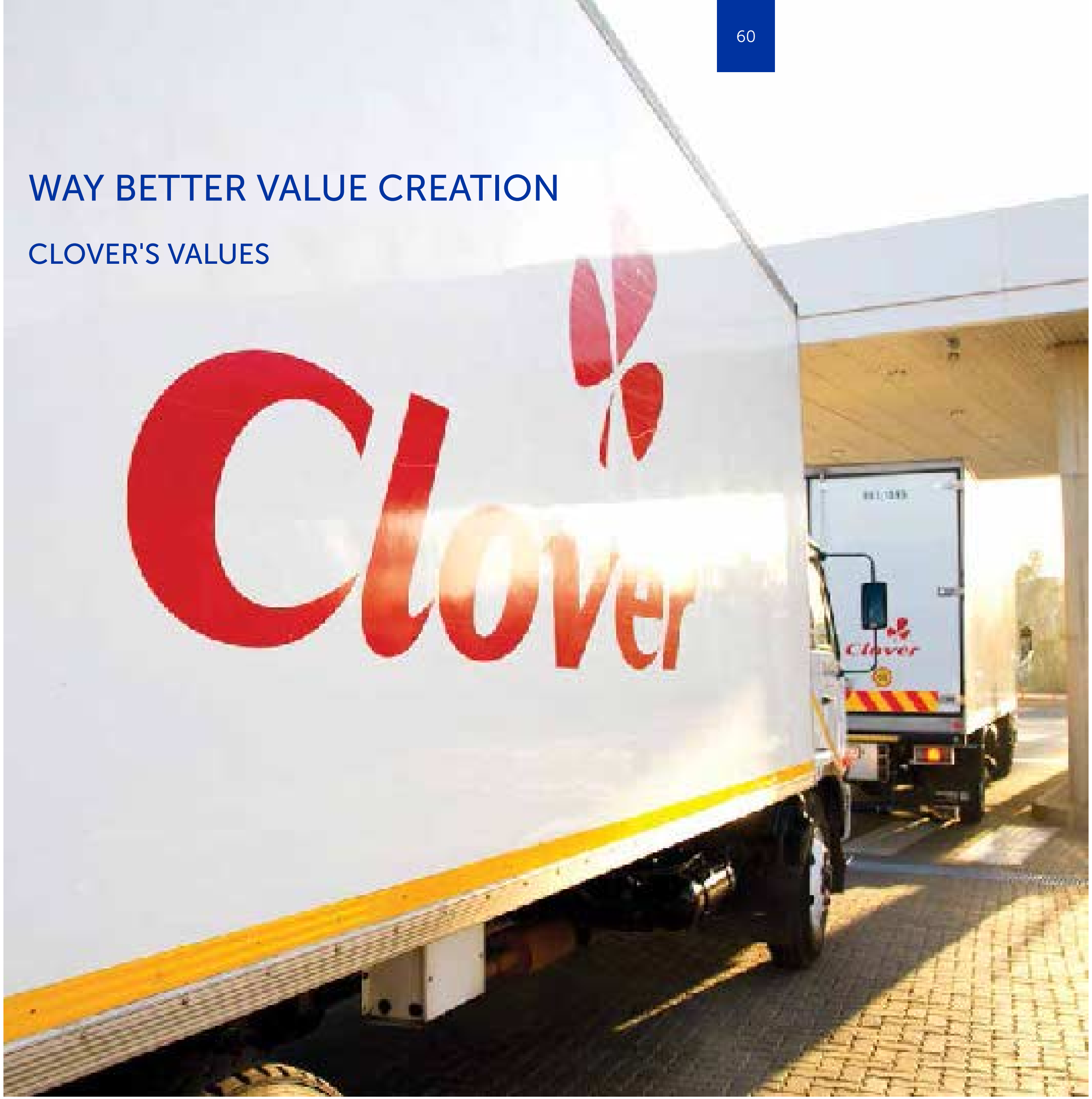
- Dairy fruit mix volumes increased by 5,9% for the period.
- Fruit juice volumes increased by 4,1% for the period.
- The non-alcoholic beverages segment contributed 26,0% to Clover's total sale of products for the year.



CLOVER'S WAY FORWARD

WAY BETTER VALUE CREATION

CLOVER'S VALUES



RESPECT

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

Our organisational culture is based on **INTEGRITY**

We build trust by forming strong relationships with all stakeholders, enabling us to make better, more effective internal decisions.

FAIRNESS

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

We take ownership and are **RESPONSIBLE AND ACCOUNTABLE**

Our commitment to all our stakeholders is to always exercise our obligations with due care, diligence and skill, while aligning Clover's business strategy with economically, socially and environmentally sustainable practices.

CLOVER'S 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 marketing 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 daily and Natal Creamery Ltd decides to investigate the Johannesburg milk industry.

1906

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

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 SA (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 SA (Pty) Ltd.

2005

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

2006

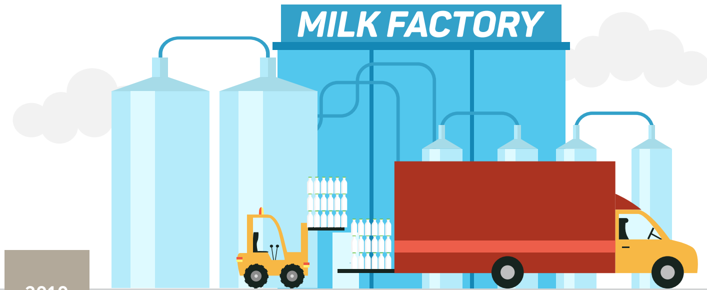
Clover SA (Pty) Ltd and Fonterra Ltd of New Zealand form Clover Fonterra Ingredients (Pty) Ltd.

2007

Hosken Consolidated Investments Ltd, the B-BBEE partner, exercises its option to increase its ordinary shareholding to 34,9% and Clover SA (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 SA (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.

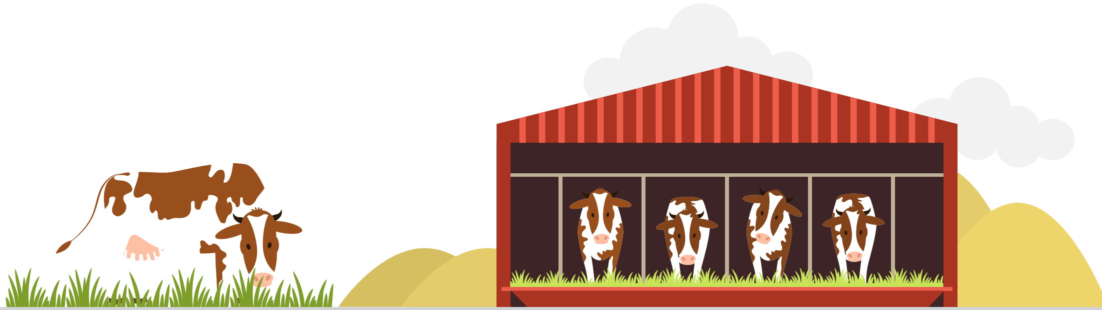
2011

Buy-out of the non-controlling interest in Clover Beverages Limited and the subsequent transfer of the non-alcoholic beverages business to Clover SA (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.



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 SA (Pty) Ltd is established.

1995

Clover SA (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 SA (Pty) Ltd.

1998

Danone and Clover SA (Pty) Ltd form the Danone Clover (Pty) Ltd joint venture.

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 SA (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 SA (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.

2016

With effect from 1 November 2015, Clover and Frankies Olde Soft Drink Company formed a new company called Clover Frankies (Pty) Ltd, which acquired the entire soft drink business from Frankies Olde Soft Drink Company (Pty) Ltd. Clover SA (Pty) Ltd owns 51% of Clover Frankies (Pty) Ltd.

With effect from 1 May 2016, Clover and Good Hope International Beverages SA (Pty) Ltd formed a new company called Clover Good Hope (Pty) Ltd, which acquired the entire soya milk business from Good Hope International Beverages SA (Pty) Ltd. Clover SA (Pty) Ltd owns 51% of Clover Good Hope (Pty) Ltd.

CLOVER'S FUTURE VALUE CREATION PHILOSOPHY

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.

TODAY

HUMAN CAPITAL VALUE CREATION

- to be a sought after employer by providing employees with flexible work conditions and purpose-driven challenges
- enable employees to pursue excellence and establish themselves as major assets of Clover
- offer employees the opportunity to explore multi-chapter career paths that progress through our various businesses.

NATURAL CAPITAL VALUE CREATION

South Africa faces significant water, sanitation and electricity constraints at present, which require heavy investment in natural infrastructure from government and the private sector to rectify. Tariffs will inevitably increase and we anticipate that increases will exceed the average rate of inflation for an extended period of time. Clover has therefore embarked on a journey of continuous efficiency improvements to reduce resource consumption. These efficiency improvements will be self-financing through reduced usage and will contribute to Clover's financial sustainability in the medium to long term.

Clover intends partnering with specialist service providers to ensure economies of scale through new technologies that will make Clover the efficiency leader in our market segments. Projected efficiencies include eliminating waste to landfill and effluent initiatives, among other environmental impacts.

Clover makes use of available grants and tax allowances to implement "**Green technologies**".

Clover's our end goal is to create long term value through good corporate citizenship.

MANUFACTURED CAPITAL VALUE CREATION

Clover's recent investments in upgrading our manufactured capital is building long term value for our stakeholders. We foresee future value creation in manufactured capital as follows:

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
- 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

- Optimise the distribution network through real time monitoring of execution
- Distribution mobility by delivering 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 VALUE CREATION

Adding brands to the Clover stable

- Bolt on new brands such as Sip Up, Clover Soy Milk products and Frankies Olde Soft Drink and extract the synergistic value from their addition to the portfolio
- Bolt on additional brands to Clover's basket of products
- New brands
- New products
- Improved recipes in the light of the new sugar tax to be implemented in South Africa in the near future.

STRATEGY

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 benefits.

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. Constantly redesign service offerings to customers and principals 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.

CLOVER'S MOST MATERIAL ISSUES

Materiality

Clover's Board and executive management consider the information presented in this Integrated Annual Report as relevant or 'material' to our shareholders and key stakeholders. It supports a balanced understanding of Clover's performance over the past year, as well as insights into our planning for the future. The Board and executive management evaluated the source information with two primary questions in mind: "Who is our reporting aimed at" and "can they make well informed decisions regarding Clover from our reporting?"

When deciding on the information to be included in this report, the leadership considered the relative importance of each matter in terms of the known or potential effects of these on Clover's ability to continue creating value. These were prioritised for relevance to the report users, so that non-pertinent information could be set aside, or shared through other channels.

An accurate and complete Integrated Annual Report should not be weighed down with peripheral data that tends to confuse rather than enlighten.

Clover's stakeholder engagement activities are aimed at identifying and responding to all legitimate expectations of shareholders, investors and stakeholders.

Clover's potential material matters emerge through our risk management process and shareholder feedback. The Board and Audit and Risk Committee meets at least once a quarter to review all risk management processes, procedures and outcomes.

Potential material issues are subjected to a materiality process that considers a topic's qualitative and quantitative aspect; the influence, legitimacy and urgency of the stakeholder raising the topic; the boundary of the topic; and Clover's ability to affect change with regard to our impact on the topic. Materiality levels are based on Clover's risk bearing capacity and risk appetite. All material risks are reported to the Board's Committees. The materiality process further involves getting the Board and executive management to workshop and prioritise identified issues for consideration and inclusion in the Integrated Annual Report.

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.

STRATEGY AND RESOURCE ALLOCATION

Resources flow through Clover's business model as one or more of the six capitals. Based on Clover's vision, objectives, risks and opportunities, the Board decides on short, medium and long term strategy. Depending on these strategic decisions, Clover's management will decide on the blend of resources (capitals) to be drawn into the business model and will allocate these to various operations.

Resources, as capitals, flow out of Clover's business model as outputs and outcomes, ideally enhanced through the processes operating in the business model.

NON-ALCOHOLIC BEVERAGES

WATER AND ICED TEA

- Severe heat and drought conditions resulted in exceptional performance of the beverage portfolio with volumes increasing by 7,3%.
- Revenue increased by 14,6% for the non-alcoholic beverage portfolio and the MOM margin increased by 2,3% to 55,5%.

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

As the most trusted brand in South Africa, Clover vigilantly protects and builds on its reputation.*

* *2016 South Africa Reptrak® Study*

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

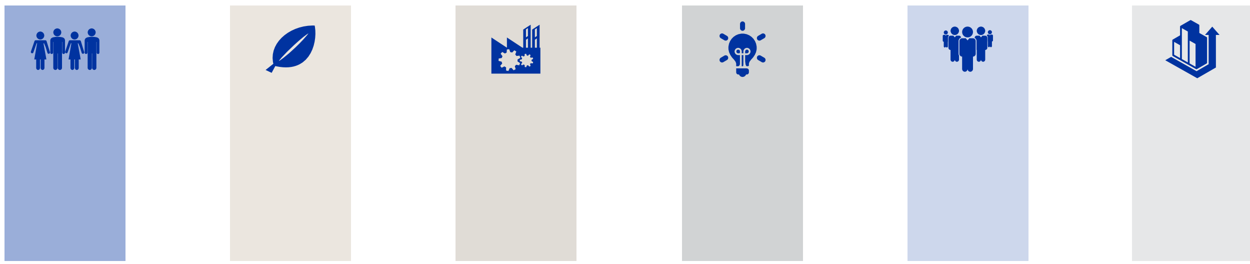
- Ethical leadership and corporate citizenship
- Board and Directors
- Audit Committees
- The governance of risk
- IT Governance
- Compliance with laws, codes, rules and standards
- Internal Audit
- Integrated reporting

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

SIX CAPITALS

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



Reputation as a value driver

In June 2016, Clover was awarded the first prize in the Reputation Institute's study of the most reputable companies in South Africa. This is the first time that Clover participated, following the addition of the leading branded food and beverage company industry category this year.

Reputation House's study measures reputation in terms of four key themes, namely esteem, admire, trust and feeling. It also includes seven reputation dimensions: product/services, innovation, workplace, governance, citizenship, leadership and performance.

To be included in the study, companies had to score at least a 50% familiarity level with the general public. Fifty well recognised companies in South Africa, across various industries from retail to financial and telecommunications, were measured.

Clover scored 78 out of a possible 100. In terms of the seven reputation dimensions, Clover placed first in governance and citizenship, second in products and services, workplace, leadership and performance and third in innovation.

More information is available at:
https://www.reputationinstitute.com/CMSPages/GetAzureFile.aspx?path=~\media\media\documents\southafrica-reptrak-2016.

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.

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 conformed throughout the reporting period to King III and the JSE's listings requirements with certain limited exceptions. Where Clover has partially complied or not complied with these provisions, we have provided motivations and reasons as listed in the King III index on page 81 of this report.

Deloitte Touche Tohmatsu Limited (Deloitte) performed the function of Internal Auditor and 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. Deloitte also found Clover's 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 and Risks 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. The Code of Ethics contains examples of unethical conduct and disclosure requirements for gifts and outside interests that would require pre-approval.

Employees are kept aware of the importance of ethical behaviour through regular branch level ethics awareness sessions. These position Clover's Ethics Hotline as a key feedback channel and educate on when and how it should be used. This code is used as a benchmark against which Clover is managed, taking into consideration the social, political and operational environments in which the business conducts itself.

As an iconic brand in the branded consumer goods industry, Clover is aware of and vigilantly protects its outstanding reputation. During the reporting period, no material ethical leadership or corporate citizenship deficiencies were identified or reported.

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 subcommittees of the Board. These Committees monitor and measure compliance through various reporting channels, such as:

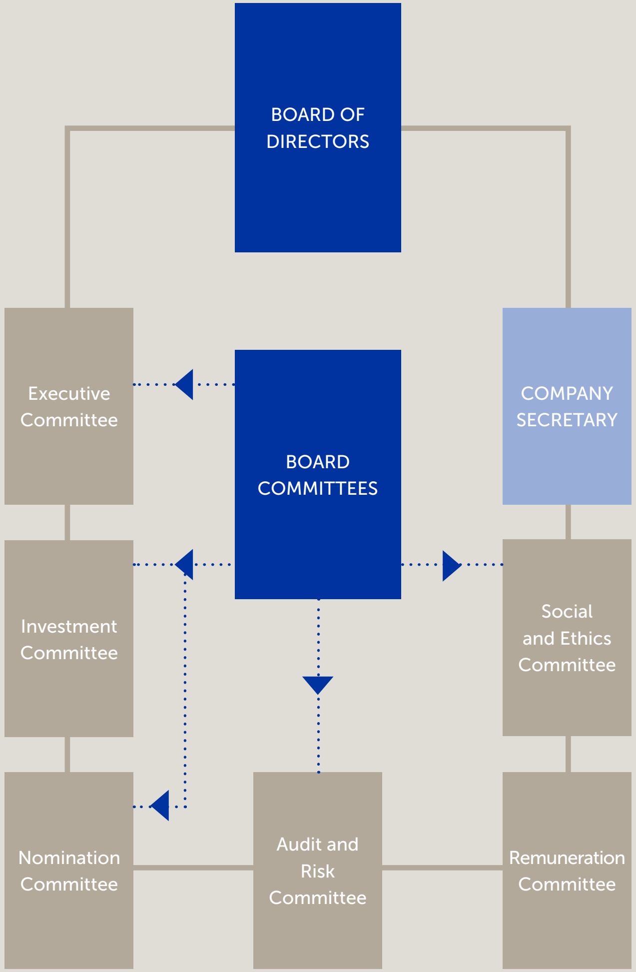
- its Internal Audit department, outsourced to Deloitte
- the Ethics Hotline
- Clover's competition law centre of excellence.

No requests for information in terms of the Promotion of Access to Information Act (PAIA) 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.

The Board is ultimately responsible for effective corporate governance.

REPORT ON GOVERNANCE RISK AND COMPLIANCE
(continued)

Governance structure



The Board's responsibilities are formalised in a charter, which is reviewed on an annual basis. All Board subcommittees 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 the Board members are appointed by Clover'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 offer. The Nomination Committee, as a subcommittee of the Board, is tasked with identifying and recommending suitable candidates for the Board's formal consideration. Clover's empowerment and transformation objectives are considered as part of this exercise.

New appointees are formally inducted and familiarised with Clover's business.

Clover's day-to-day business activities are overseen by its 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 director and prescribed officer 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.

During the review period, Dr Chris Lerm and Mr Jacques Botha retired as Executive: Brands and Marketing and Chief Financial Officer respectively. Mr Elton Bosch was appointed as Chief Financial Officer, following Mr Botha's retirement. It is not anticipated that a third Executive Director will be appointed.

Mr Tom Wixley, who served as Clover's lead independent director since listing, announced his retirement subsequent to the year end, effective from 28 November 2016 (date of the Annual General Meeting). Following Mr Wixley's retirement, Dr Steve Booysen will fulfil the role of lead independent director. No new Non-Executive Director will be appointed in Mr Wixley's stead.

Mr Peter Griffin, a Non-Executive Director has also indicated that he will retire from the Board and did not offer himself for re-election at the upcoming Annual General Meeting scheduled to take place on 28 November 2016. The Board does not anticipate appointing a new Non-Executive Director.

Following the above retirements, the Board will consist of two Executive Directors and six Non-Executive Directors, four of whom are independent.

Ms Babalwa Ngonyama has been appointed as chairperson of the Audit and Risk Committee with effect from 1 May 2016, while Ms Neo Mokhesi was appointed as the chairperson of the Social and Ethics Committee with effect from 1 May 2016.

Details of the directors are available on pages 52 and 53 of this report. Clover's Board comprises a majority of Independent Non-Executive Directors, to entrench the desirable balance of power and authority at Board level. No individual director has unfettered powers of decision-making.

Director	Board		Audit & Risk Committee		Remuneration Committee		Social & Ethics Committee		Investment Committee		Nomination Committee	
Independent Non-Executive	A	B	A	B	A	B	A	B	A	B	A	B
TA Wixley	5	5	4	4	3	3	4	4	3	3	2	2
Dr SF Booysen	5	5	4	4	3	3	4	4	3	3	2	2
JNS du Plessis	5	5	4	4	3	3	-	-	-	-	-	-
NV Mokhesi	5	5	–	–	–	–	4	4	–	–	–	–
B Ngonyama	5	5	4	4	–	–	–	–	–	–	–	–
Non-Executive												
WI Büchner	5	5	–	–	3	3	–	–	3	3	2	2
NA Smith	5	5	–	–	–	–	–	–	3	3	–	–
PR Griffen	5	5	–	–	–	–	–	–	–	–	–	–
Executive												
JH Vorster	5	5	–	–	–	–	–	–	–	–	–	–
LJ Botha (resigned 2 January 2016)	2	2	–	–	–	–	–	–	–	–	–	–
Dr CP Lerm (retired 30 June 2016)	5	5	–	–	–	–	–	–	–	–	–	–
ER Bosch	3	3	–	–	–	–	4	4	–	–	–	–

A – Number of meetings held during the period the director was a member of the Board/Committee.
B – Number of meetings attended during the period the director was a member of the Board/Committee.

Company Secretary

Mr J van Heerden is the Company Secretary of Clover and was appointed as such with effect from 1 September 2012. He is not a director of Clover, although he serves as a director on the Boards of various Clover subsidiaries. This relationship does not affect his arm's length relationship with the Board. The Company Secretary is appointed and removed by the Board and is responsible to the Board for ensuring that procedures and regulations are complied with and that directors are conversant with their duties and responsibilities. Clover's directors have unfettered access to the advice and services of the Company Secretary and may seek independent professional advice on Clover's affairs if they believe that such actions will best serve the interests of Clover.

The Company Secretary is further responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the listings requirements of the JSE Limited. The Company Secretary also provides a communication link with investors and liaises with the Group's transfer secretaries and sponsors on relevant matters. As required by King III, the Company Secretary also acts as secretary to the various subcommittees of the Board and attends all meetings of the Board and the Committees. The Company Secretary is also the compliance officer and ensures that the Group complies with all the required legislation and regulations applicable to its various business activities.

In compliance with the JSE Listings Requirements, a detailed assessment was conducted by the Board to satisfy itself of the competence, qualifications and experience of the Company Secretary. This was performed through:

- A review of qualifications and experience: Mr van Heerden holds a LLB (with distinction) degree from the University of Pretoria and is an associate of Chartered Secretaries of Southern Africa.

REPORT ON GOVERNANCE RISK AND COMPLIANCE (continued)

- Assessments by the directors of the competency of the Company Secretary: A formal assessment is done by the Board annually requesting the views of each director on his/her view on the competence, qualifications and experience of the Company Secretary. No exceptions were noted during any of the assessments conducted since Mr van Heerden's appointment.

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 and is satisfied with the competence, qualifications and experience of Mr van Heerden to act as the Company Secretary.

The certificate of Jacques van Heerden, the Company Secretary, appears on page 150 of this Integrated Annual Report.

Board Committees

The Board has mandated a number of subcommittees to assist it in discharging its responsibilities. Each subcommittee'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 (resigned 2 January 2016)

Dr CP Lerm (retired 30 June 2016)

H Lubbe

MM Palmeiro

J van Heerden

JH Vorster – Chairperson

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 (appointed as chairperson – 1 May 2016)

TA Wixley – Chairman (retired as chairperson – 1 May 2016)

The Audit and Risk Committee comprises only of 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 148 to 149 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 – Chairperson

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 85 to 97 and sets out its responsibilities as well as its delivery against these.

SOCIAL AND ETHICS COMMITTEE

Dr SF Booysen

ER Bosch

N Mokhesi (appointed as chairperson – 1 May 2016)

TA Wixley – Chairman (retired as chairperson – 1 May 2016)

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 that are regularly reviewed and approved by the Board. As a subcommittee 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 has 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 the six capitals approach to Clover's sustainability is available on www.clover.co.za as well as on pages 99 to 145 of this report.

NOMINATION COMMITTEE

Dr SF Booysen – Chairperson (retired as chairperson – 1 March 2016)

WI Büchner

TA Wixley (appointed as chairperson – 1 March 2016)

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. The Committee will nominate applicant directors to the full Board, which will formally and transparently consider these nominations. The Committee is furthermore responsible for ensuring that an appropriate balance exists between Executive, Non-Executive and Independent Non-Executive Directors, as well as for classifying directors as being independent in line with King III principles. 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 Chairperson of the Board with the annual performance reviews of Board and subcommittee members. It supports 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 – Chairperson

WI Büchner

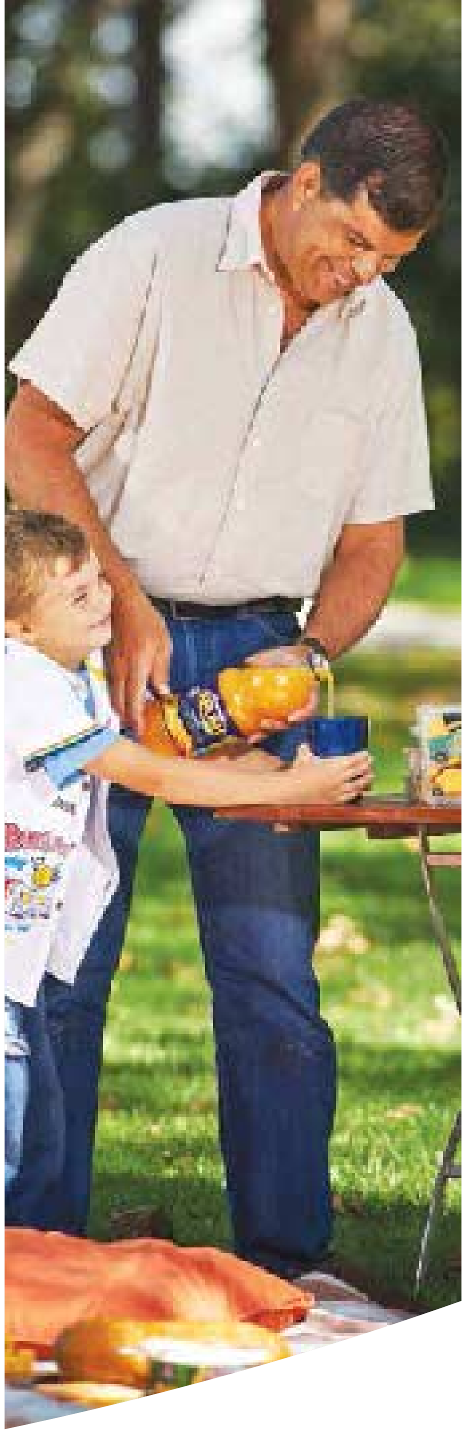
NA Smith

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.

Good corporate governance underpins transparency, fairness, integrity and accountability in Clover's daily interactions with all stakeholders and the environment.

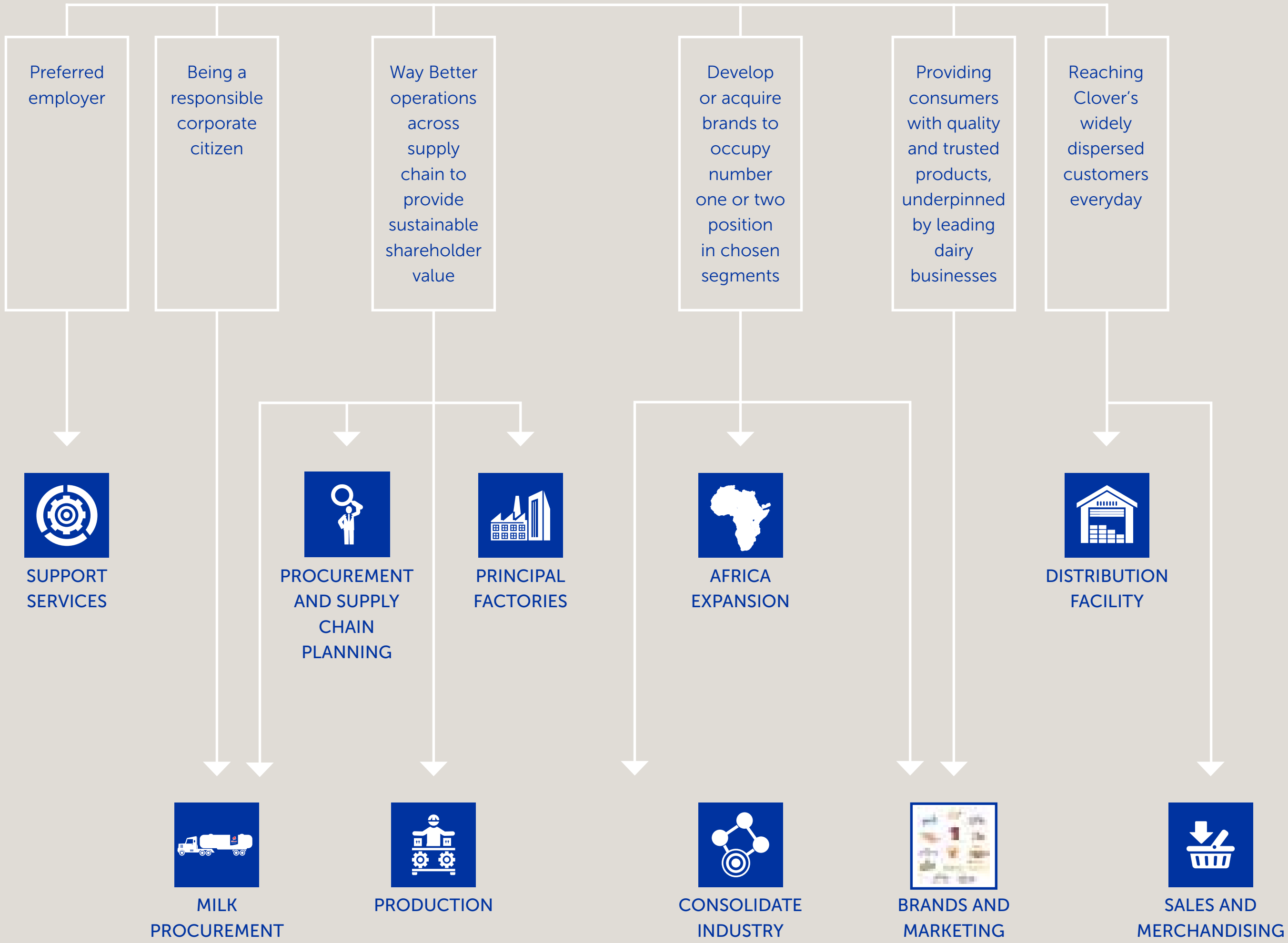
The underlying objective of governance is to balance the interests of investors, consumers, producers, the environment, employees, communities, government and any other groups impacted by Clover's business.



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



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 72)

CLOVER'S RISK UNIVERSE

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 continuously considers potential actions to drive further cost 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.
• 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 and facing the drought • Few growth opportunities for producers	Clover continuously monitors the milk price to feed cost ratio to protect its milk sources. New growth markets are being pursued through Clover Fonterra Ingredients (CFI) and our African expansion initiatives.
• Increased pressure on labour costs • Unstable labour environment	Communication channels with labour are being enhanced to address the business risks.
• 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. Commodity pressure is cyclical.
• Distribution centralisation (retailers) • Increased competition for distribution	A retailer has embarked on a process that requires Clover to only deliver to its distribution centre, while all distribution to its stores will henceforth 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, while considering new distribution opportunities.
• Compliance with legislation	Continuous compliance monitoring and training of personnel. 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. This centre will draft Clover's policies and train personnel in compliance.
• Cyber Security	Clover IT has implemented a variety of security tools to monitor its infrastructure and activity on the network. These include scans that identify and rate the infrastructure's external and internal vulnerabilities, enabling Clover to take immediate action should security threats be identified. Clover has a Security Information and Event Management (SIEM) tool used for real-time analysis of security alerts, supported by a comprehensive antivirus system and a firewall that protects against advanced digital threats.

REPORT ON GOVERNANCE RISK AND COMPLIANCE (continued)

GOVERNANCE OF RISK

Effective risk management aligns risk and opportunities to Clover's vision and mission. Furthermore, it informs a strategy of taking calculated risks in a manner that does not jeopardise the direct interest of stakeholders. Clover's risk profile stipulates a prudent approach to corporate risk, as shown in decisions on risk tolerance and mitigation.

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.

To ensure a consistent approach to risk management throughout Clover, the Board approved an Enterprise Wide Risk Management Framework that defines Clover's risk-bearing capacity, risk appetite and risk tolerance. This policy and framework incorporates generally accepted and annually reviewed risk management practices and the integrated framework on Enterprise Risk Management disseminated by the Committee of Sponsoring Organisations (COSO). All service organisations, support functions, processes, projects and entities controlled by Clover are required to conform to this policy and framework. Management is continuing to integrate risk limits into business processes. This exercise includes setting authorisation thresholds for pursuing strategies within the predetermined levels of risk appetite, as well as establishing risk tolerances for operational functions.

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

Management has been charged with the design, implementation and monitoring of Clover's risk management structures. Each business unit conducts quarterly risk assessments to monitor the efficiency of these structures. Clover records and manages its risk universe on the BarnOwl risk management system, which prioritises material, inherent and residual risks.

The Management Risk Committee meets each quarter to table Clover's key risks as well as the status of mitigating action plans. Key risks and mitigating actions are reported to the Audit and Risk Committee each quarter.

In the last financial year, Deloitte was appointed by Clover as part of the internal audit coverage plan to review the maturity and effectiveness of risk management function against Clover's Enterprise Wide Risk Management Framework and the principles of the King III Code. Deloitte was tasked with providing appropriate recommendations for improving Clover's risk management policy and processes. Deloitte concluded that management had solidly embedded risk management processes across the organisation to establish a well-defined risk function. Based on its review of risk management in other organisations, Deloitte concluded that Clover is generally more advanced in its risk management processes than comparable organisations. Deloitte has, however, made several recommendations to further embed risk management practices for deeper insights into risks and incidents.

Clover runs ongoing fraud awareness campaigns at branch level across all levels of staff to raise awareness of Clover'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, are satisfied with the effectiveness of Clover's risk management function.

GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

Information technology is an integral part of the business and fundamental to ongoing operations. In view of the strategic importance of IT, Clover aligned its business requirements to available IT resources and technology to ensure appropriate IT strategy is formulated to improve Clover's competitiveness for its future sustainability. Clover's IT department (Clover IT) developed an IT Governance Framework that considers relevant structures and processes for meeting Clover's business requirements. Relevant IT best practises, such as those 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, while achieving business goals. This requires 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, which is included in the Board's work plan. The Board delegated the responsibility to implement the IT Governance Framework to management under the oversight of the Audit and Risk Committee, which considers the major IT risks and opportunities quarterly. In this financial period, Deloitte performed advisory reviews on Clover's IT Governance against the COBIT framework, including the protection of personal information and the adequacy of Clover's IT disaster recovery procedures.

- **IT Governance Review**
  - Deloitte conducted an IT Governance Review with the intention to measure certain key governance objectives within the Clover IT environment against the COBIT 5 IT Governance Framework.
  - The results indicated that Clover's IT strategy is effectively linked to business goals and objectives and that IT is viewed as a strategic enabler that is essential to the business in achieving its goals.
  - Clover performs regular IT risk assessments, in which IT risks are tracked and monitored.

- Clover's IT Governance is conducted through formal structures, underpinned by supporting documentation such as IT Governance Charter, Clover Board Charter, IT Governance Framework, IT Risk Management and IT Strategy. Management monitors Clover's risk exposure and the effectiveness of risk controls though a formalised IT Steering Committee and Management Risk Committee.

- **PoPI IT Readiness and Data Classification Review**
  - In anticipation of the Protection of Personal Information Act (PoPI), Deloitte performed an advisory review on Clover's IT readiness for PoPI.
  - From this review Clover IT has formalised a data classification policy for personal and confidential information
  - This is supported by a formal privacy policy which governs the collection, processing, use and transfer of personal information.

- **Disaster Recovery**
  - During the past financial year Deloitte, as Clover's Internal Auditors, performed an advisory review on disaster recovery procedures for Clover's material IT infrastructures, including:
    - Server Infrastructure:
    - Network Infrastructure
    - iSeries Environment (ERP Platform)
    - Customer Service Centre (CSC).
  - The outcome of these reviews indicated that Clover's disaster recovery processes and procedures were adequate. Clover's procedures are to be continuously improved for effective execution in line with best practice.

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

The Company Secretary is responsible for facilitating compliance throughout Clover.

Clover ensures that all employees are inducted and have a consistent understanding of compliance policies and procedures. Clover is in the process of finalising its compliance policy, which documents the Board's stance on compliance within Clover for:

- assessing applicable laws, regulations and supervisory requirements
- rating and prioritising risks
- training employees to comply with applicable supervisory requirements.

Non-adherence with the documented standards will lead to disciplinary action, which could result in dismissal.

During the year under review, Clover consulted with business bodies to enhance its regulatory universe and documented processes for ensuring adequate and effective controls. Clover's regulatory universe consists of more than 80 legislated and non-legislated supervisory requirements that are applicable to Clover's business.

After consultation with business bodies and by adopting its risk rating methodology, the following acts and other regulations, in no particular order, have been identified as priority areas:

- Competition Act 89 of 1998
- National Building Regulations and Building Standards Act 49 of 1995
- Consumer Protection Act 68 of 2008.
- Foodstuffs, Cosmetics and Disinfectants Act No.54 of 1972.
- Income Tax Act 58 of 1962 (as amended).
- JSE Listings Requirements (not an Act but considered relevant).
- Occupational Health and Safety Act 85 of 1993.
- Value-Added Tax Act 89 of 1991 (as amended)
- Tax Administration Act 28 of 2011 (as amended)
- Employment Equity Amendment Act 47 of 2013
- Labour Relations Amendment Act 2014
- Companies Act 71 of 2008
- Agricultural Product Standards Act No. 119 of 1990.

Compliance with provisions of the Consumer Protection Act and Competition Act

Clover trains its staff and promotes a culture of compliance through online educational campaigns on the requirements of the Competition Act and the Consumer Protection Act.

During the review period, more than 840 employees from various departments completed the online training and refresher valuations (2015: 690 employees) for the Competition Act. Over 400 employees completed online training and assessments for the Consumer Protection Act.

It is compulsory for all management employees and those who may be exposed to anti-competitive or collusive behaviour to complete the training.

Clover has established a Competition Law Centre of Excellence (CLCE), in conjunction with Bowman Gilfillan as its Competition Law advisors. The CLCE has the function of ensuring proper standards of competition law compliance within Clover.

During the year under review, Bowman Gilfillan commenced 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. Bowman Gilfillan advised the Board that it did not identify any contravention of the Competition Act.

On 13 March 2014, the Acting Commissioner of the Competition Commission initiated a complaint against Clover Industries Ltd

REPORT ON GOVERNANCE RISK AND COMPLIANCE (continued)

(Clover), Parmalat (Pty) Ltd (Parmalat) and Midlands Milk (Pty) Ltd (Midlands Milk), alleging that these three parties 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. This alleged transgression was in possible contravention of section 4(1) (b)(i) of the Competition Act 89 of 1998, as amended. The complaint only came to Clover's attention during March 2015 and Clover immediately conducted an internal investigation in conjunction with Bowman Gilfillan. Bowman Gilfillan's investigation did not reveal 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.

At the time of writing, Clover has received no further communication from the Commission with regard to the above complaint.

During the review period, Clover complied in all material aspects with all relevant legislation. Apart from several legal proceedings arising from the routine course of business, the Board is satisfied that Clover does not face any material pending or threatening legal actions.

Insider trading

The Board has approved a Price-Sensitive Information Policy and an Insider Trading Policy for Clover. Directors, officers, relevant employees and service suppliers have been informed that they are compelled to comply with these policies.

Salient features of these policies are:

- no Clover employee may deal directly or indirectly in Clover shares on the basis of unpublished price-sensitive information regarding the business
- no director or officer of Clover may disclose trade information of the business
- directors and officers are precluded from trading in Clover shares during closed periods or prohibited periods as determined by the Board.

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)
- 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

Deloitte has been given responsibility 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 controls 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 preparing financial statements and safeguarding 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, as implemented by trained personnel with segregated duties and responsibilities. Internal control systems are managed by way of a documented organisational structure with segregated responsibilities and established policies and procedures which are communicated throughout the business. Internal audit personnel 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, which will take corrective actions to address identified deficiencies in internal control.

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 internal control effectiveness.

Clover's external auditors, Ernst & Young Incorporated (EY), performed a limited assurance review of management's assessment of internal controls for financial reporting. This was a separate exercise done 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 attention of the directors or the auditors that indicates any material breakdown in the effectiveness of the internal controls during the reporting period.

DISCLOSURE OF COMPLIANCE WITH CODE

As required by the JSE Listings Requirements, the Board endorses the King III code and is satisfied that Clover 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

12 September 2016

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 report
✓	The Board should report on the effectiveness of the company's system of internal controls
✓	The Board and its directors should act in the best interests of the company
✓	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act
✗	The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the Board
✓	The Board should appoint the chief executive officer and establish a framework for the delegation of authority
✓	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent
✓	Directors should be appointed through a formal process
✓	The induction of and ongoing training and development of directors should be conducted through formal processes
✓	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary
✓	The evaluation of the Board, its Committees and the individual directors should be performed every year
✓	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities
✓	A governance framework should be agreed between the group and its subsidiary Boards
✓	Companies should remunerate directors and executives fairly and responsibly
✓	Companies should disclose the remuneration of each individual director and prescribed officer
✓	Shareholders should approve the company's remuneration policy

Exceptions

① *The Chairman of the Board, WI Büchner, is a Non-Executive Director who is not independent insofar as he is a milk producer and supplier of raw milk to the Group. In the opinion of the Board, it is in the interests of the Group to maintain a close relationship with its raw milk suppliers and his appointment serves the long-term interests of the Group. As recommended by the Code, Mr TA Wixley acted as the Lead Independent Director to fulfil the functions of the Chairman whenever a conflict arises and in the other circumstances envisaged in the Code. Upon retirement of Mr TA Wixley, Dr S Booysen will take up the role as Lead Independent Director as from 28 November 2016. 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 145.*

✓ Apply

✗ Under review/Do not apply

KING III INDEX (continued)

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

FERMENTED PRODUCTS

YOGHURT, CUSTARD AND DESSERTS

- MOM increased from 25,3% to 28,8%, given better pricing for the period.
- Fermented products and desserts contributed 7,5% to Clover's total sale of products for the period.
- Volumes grew by 87,2% on the previous year, given that Clover only traded in this category for six months in the year.

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 dynamic remuneration policy is designed to ensure Clover's ongoing sustainability by balancing the attraction and retention of key or specialist skills with optimised investor returns.

This Report on Remuneration covers the period 1 July 2015 to 30 June 2016 and complies with the recommendations on remuneration contained in the King Report on Governance for South Africa 2009 (King III). This report should be read in conjunction with note 32 to the Annual Financial Statements included in this Integrated Annual Report, which contains various statutory disclosures regarding Clover's remuneration.

Additional information is available in Clover's letter of appointment, disciplinary code, ethics policy, employment legislation such as the Labour Relations Act and the Basic Conditions of Employment Act, as well as Clover's amended short- and long-term incentive scheme rules.

LETTER TO SHAREHOLDERS

Introduction

Finding an optimal balance between retaining and appropriately remunerating key strategic management skills, remains a challenge for corporates.

In the case of Clover, this challenge was further compounded by a number of prevailing issues since listing:

- Perceptions created by legacy share appreciation rights (SARs) that vested following Clover's capital restructuring as approved by shareholders on 31 May 2010
- Clover's natural evolution as a publicly listed company and alignment of its traditional performance measures with those applied by the market to value constituents of the sector
- The lack of listed competitors against which to benchmark like-for-like performance
- A short-term approach to value creation by opportunistic market participants.

Despite regulations, industry benchmarking and engaging with our stakeholders, finding the balance between attracting the right calibre leadership to evolve the business and appropriately incentivising them is a stiff challenge.

As discussed in my previous letter to shareholders, Clover's remuneration policy is ultimately aimed at supporting a strong alignment of management and shareholder interests to generate sustainable and healthy returns on investment, yet without deviating from our focus on maintaining long-term growth objectives.

Managing for long-term growth

Following extensive shareholder engagement on remuneration in 2012, Clover appointed PricewaterhouseCoopers (PWC) to review and benchmark executive emoluments over a 24-month period.

In 2014, subsequent to further shareholder engagement and following the outcome of a PWC benchmarking exercise, Clover introduced new financial performance measures for the long-term incentive plan. These were applicable to executives for the 2015 reporting year.

The substandard outcome of the non-binding approval of Clover's remuneration policy at the Annual General Meeting (AGM) of shareholders held on 27 November 2015 prompted the Remuneration Committee to re-engage with our shareholders. At this AGM, 58,31% of shareholders approved the remuneration policy, while 41,69% voted it down.

We had robust and candid conversations with Allan Gray, Kagiso, PIC and Clover Milk Producers Trust in an attempt to address their concerns. It should be noted that these shareholders had irreconcilable views.

Bearing these concerns in mind, the Remuneration Committee recommended to the Board that specific targets and measurements should be amended. The salient features of these proposed amendments follows as Annexure A to this letter.

Shareholders should take note that ongoing engagement with key investors will continue subsequent to the publication of this Integrated Annual Report.

The key targets and measurements applied in the year under review are contained on pages 92 to 94 of the remuneration report.

Salary review

In light of the ongoing economic headwinds, increased consumer indebtedness and forecasts of little to no economic growth, Clover has no choice but to pass certain price increases on to consumers. As part of mitigating the resulting impact on volumes, Clover implemented an interim measure with regards to salary increases to support other cost saving initiatives.

Clover's executive management volunteered for a pay-freeze, considering the weak economy.

As an interim measure, the following salary increases will be applicable for the current financial year:

- F band – voluntary 0% increase
- E band – 0% increase
- D4 and D5 – 3% increase
- D1 to D3 – 4% increase

- C band – 6% increase
- A to B band – 7,5% increase.

Short-term incentive bonuses

Short-term incentive (STI) bonuses were achieved in accordance with applicable individual performance targets and profit targets during the review period.

STI bonuses are self-funded, as all bonuses are budgeted for in full before the Remuneration Committee sets annual profit targets.

Legacy SARs issues and loans to executives

With regard to the challenges around remuneration mentioned above, we can report that all legacy SARs issued have vested and the majority thereof have been settled. Loans to executives, with the exception to one individual, have been repaid. These were linked to Clover's management participated capital restructuring exercise (MPCRE) as approved by shareholders on 31 May 2010. All aspects of this scheme have vested in full and the major portion thereof have also been settled.

Conclusion

Consumers and producers remain under pressure as a result of downward economic growth forecasts, currency weakness and over-indebtedness. This Remuneration Committee and the Board are of the opinion that Clover's remuneration policy should continue to incentivise innovative thinking and initiatives that benefit shareholders and provide for Clover's sustainability. We will continue engaging Clover's shareholders and management in this regard.

Dr Steve Booysen
Chairman Remuneration Committee

12 September 2016

REPORT ON REMUNERATION (continued)

Annexure A – salient highlights of proposed changes to executive remuneration and performance targets, applicable for the financial year ending 30 June 2017

The Remuneration Committee engaged with key shareholders on executive remuneration and performance targets in quarter two of this reporting period.

Following these discussions, the Remuneration Committee recommended to the Board that certain targets and measurements should be amended. The Board duly accepted these recommendations for implementation during the financial year ending 30 June 2017.

The amendments are as follows:

STI workings

Proposed amendments to the Short Term Incentive (STI) placed greater emphasis on group financial performance targets, with a reduced focus on personal performance targets.

STIs are designed to drive annual improvements to Clover's results. These proposed STI workings are to be implemented in the 2017 financial year as listed in the table at the top.

AMENDED STI WORKINGS

Paterson Band	Group profit %		Individual performance %		Group profit cap %		Individual performance cap %	Max annual entitlement (months base salary)	
	2016	2017	2016	2017	2016	2017	2016/17	2016	2017
Chief Executive	70	70	30	30	171	171	100	18	18
Other Executives	60	**70**	40	**30**	183	**171**	**100**	15	**15**
E	50	**70**	50	**30**	200	**171**	**100**	7,5	**7,5**
D3 – D5	50	**66,7**	50	**33,3**	200	**175**	**100**	4,5	**4,5**
D1 – D2	25	**50**	75	**50**	200	**150**	**100**	2,5	**2,5**
C5	33,3	**33,3**	66,7	**66,7**	200	**200**	**100**	2	**2**

Shaded area indicates areas which were reviewed.

For further detail regarding the STI please see page 92 of this report.

LTI workings

The Remuneration Committee proposed the following amendments to the financial component of the Long Term Incentive (LTI) performance conditions:

AMENDED LTI FINANCIAL PERFORMANCE CONDITIONS

2015 Measurement	Weight	Targets	2016 Measurement	Weight	Targets
HEPS	50%	Threshold (30%) = CPI	**HEPS**	**35%**	**Threshold (30%) = CPI +4%***
		Target (65%) = CPI + 2%			**Target (65%) = CPI + 6%***
		Stretch (100%) = CPI +4%			**Stretch (100%) = CPI +8%***
ROE	20%	Threshold (30%) = base year	**ROE**	**35%**	**Threshold (30%) = base year****
		Target (65%) = base year + 0,4%			**Target (65%) = base year** + 0,4%**
		Stretch (100%) = base year + 0,9%			**Stretch (100%) = base year** + 0,9%**

** Base year – the year in which allocations are made.*
*** Base year – will be calculated by taking the actual ROE, excluding exceptional items, as at 30 June 2015 (13,5%) and applying a 0,3% annual incremental increase.*

For further detail regarding the LTI please see page 92 of this report.

The personal performance conditions to remain the same.

SARs allocations

The Committee proposed that the number of SARs allocations per annum may not exceed 1,5% of the issued share capital (previously 2%).

Furthermore, the Committee proposed that allocations must be exercised within five years from the date of allocation (previously seven years). The Share Appreciation Rights Plan has been amended accordingly.

REPORT ON REMUNERATION (continued)

CLOVER'S AMENDED REMUNERATION POLICY

REMUNERATION PHILOSOPHY

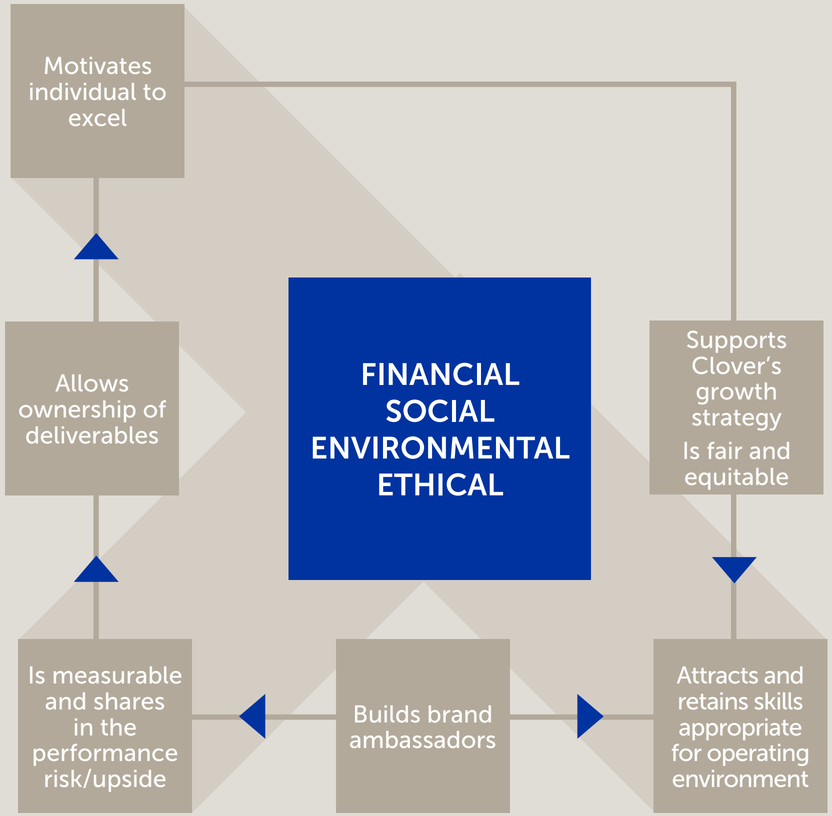
Clover's Remuneration Policy is aimed at attracting and retaining skills that will support the generation of returns on investment for shareholders in a manner that preserves Clover's ongoing sustainability. In line with international best practice, this remuneration policy establishes remuneration practices that are fair, reasonable and market related, by combining short-term remuneration with longer-term incentives. It is designed to align the long-term interests of the executive and senior management (who have the most significant influence on sustained growth) with the interests of shareholders.

Clover's Remuneration Policy is based on the following key principles:

- Remuneration should support Clover's strategies and be consistent with the organisation's culture of fairness and equity
- Remuneration should take into account Clover's size, the complexity of the business and the competitive environment
- By attracting and retaining appropriate talent, remuneration should support Clover's vision to be the most admired branded consumer goods company in South Africa and other emerging markets
- Remuneration should directly correlate with Clover's growth objectives, financial performance targets and actual achievements
- Remuneration should be reviewed and benchmarked regularly through independent service providers to ensure that Clover remains competitive in its diverse markets. Percentiles should not be rigidly applied, but must take into account industry type, skills scarcity, performance, and legislative structures and requirements
- Remuneration should motivate and allow for differentiation (i.e. reward high performers)
- Individual contributions, based on role and responsibilities, should have a direct bearing on levels of remuneration.

CLOVER'S REMUNERATION POLICY

Driving value



GOVERNANCE

Clover's Remuneration Committee is a subcommittee 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. These are ultimately approved by shareholders. Details on Remuneration Committee members, meetings and attendance are set out in the Corporate Governance section of this Annual Integrated Report, on page 73. The Remuneration Committee actively engages with independent advisors and stakeholders, to ensure that the remuneration policy and practices are aligned to best practice and achieve Clover's objectives. The Executive Committee determines and approves the remuneration structures for all non-executive employees in line with the existing remuneration mix set out below.

REMUNERATION MIX

The remuneration structure comprises three components and is aligned with achieving Clover's objectives:

LONG-TERM INCENTIVES (LTIs)

ANNUAL SHORT-TERM INCENTIVES (STIs)

GUARANTEED FIXED INCOME (SALARY)

Remuneration mix: Guaranteed Fixed Income component

GUARANTEED FIXED INCOME COMPRISES:

- monthly salary
- compulsory benefits (i.e. retirement)
- discretionary benefits (i.e. medical aid).

Employees on the Paterson Grade C3 and lower can choose to join the Discovery Health Medical Scheme or Umvuzo Medical Scheme. For these employees, 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
- 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 those of which market demand outstrips the available supply. Scarce skill sets are identified annually and the strategy is adjusted to reduce business risk. If scarcity results from a unique combination of skills and experience being required, Clover will attempt to reduce business risks by building talent pools around incumbents with these scarce skill profiles.

Scarce skills incumbents are graded as "S"-band employees in 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 presently qualified 18 for "S"-band status. The Executive Committee annually reviews the "S" band category and its incumbents.

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

REPORT ON REMUNERATION (continued)

Remuneration mix: Annual Short-Term Incentive component

ANNUAL SHORT-TERM INCENTIVE SCHEME (STI)

STIS ARE DESIGNED TO DRIVE ANNUAL IMPROVEMENT OF CLOVER'S RESULTS.

Paterson Band	Individual performance %	Group profit %	Individual performance cap %	Group profit cap %	Entitlement (months base salary**)	Max entitlement (months base salary**)	Profit target
C5	66,7	33,3	100	200	2	2	Operating profit
D1 – D2	50	50	100	150	2	2,5	Operating profit
D3 – D5	33,3	66,7	100	175	3	4,5	Operating profit
E*	30	70	100	171	5	7,5	Operating profit
Other Executives***(F)	30	70	100	171	10	15	Normalised attributable profit
Chief Financial Officer(F)	30	70	100	171	10	15	Normalised attributable profit
Chief Execuitve(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 171% 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.*

STI MEASURES AND TARGETS

For Paterson Grade C:

- Individuals who score an annual individual performance rating of 4 or 5 qualify for a merit bonus
- This 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 it is calculated on operating profit before restructuring costs
- The profit target is triggered once 100% of target is reached
- An additional 1% is added to the bonus 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 indicators approved annually by the Remuneration Committee and includes, inter alia
  - leadership and team building
  - optimising the brand portfolio
  - increase market shares through sales and distribution achievements
  - successful completion of capital projects
  - mergers, acquisitions and rest of Africa
  - employment equity
  - investor relations.
- calculated using normalised attributable profit
- the profit target is triggered once 100% of the profit target is reached. If the profit exceeds the target, an additional bonus of 3,55% for the CE and 3,55% 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 annually by the Remuneration Committee. The final profit figure is confirmed by the Remuneration Committee and approved by the Board following completion of the annual audit. It 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 found guilty of gross misconduct will not be entitled to STI participation. Quarterly performance management sessions are scheduled with each employee to guide them to achieving profit targets and bonuses.

Remuneration mix: Long-Term Incentive component

LONG-TERM INCENTIVE SCHEME (LTI)

Clover's LTI is a deferred bonus scheme that serves as a retention mechanism. It awards employees on Paterson Grade E and certain positions on grade D5 for adding tangible value to Clover's business.

LTI MEASURES AND TARGETS ARE:

- calculated using normalised attributable profit
- a percentage of annual base salary
- paid out in equal amounts over a three-year period (with the 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

SHARE APPRECIATION RIGHTS SCHEME (SAR SCHEME) OR (SARs)

The purpose of the SAR Scheme is to attract, retain, motivate and reward Clover's executives (Paterson Grade F) and other participants able to significantly influence Clover's performance by aligning their interests to those of the shareholders. The SAR Scheme is governed according to rules approved by Clover's shareholders in November 2010 (as amended from time to time).

SARs MEASURES AND TARGETS

The eligibility criteria, the quantum of allocations and the conditions governing each allocation are determined by the Remuneration Committee. This assessment takes into account seniority within Clover, work function and the participant's ability to add value to Clover.

FIRST TIME ALLOCATION OF SARs

The market-related formula that follows is used to determine the number of share appreciation rights a participant may gain when participating in SARs for the first time:

A = (B X C)/D

Where:

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

SUBSEQUENT SARs ALLOCATIONS (FOLLOWING A PARTICIPANT'S FIRST ALLOCATION)

Following a PWC conducted benchmarking exercise, the Remuneration Committee resolved with effect from 1 July 2012 (the fourth allocation) that the following smoothed average face value allocation formula will be used when allocating SARs to a participant who has already earned a first allocation:

A = (B X C)/D

Where:

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

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

CHANGE OF CONTROL PROVISIONS

Prior to 1 January 2014, 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 all SARs held by participants shall immediately vest. 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 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 Remuneration Committee to be fair and reasonable to the participants concerned. 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 AND PERFORMANCE CRITERIA

The SAR Scheme rules provide that all SARs allocated on or after 30 June 2016:

- will vest in full after the third anniversary of the allocation date, provided that the relevant performance criteria were met
- SARs that are vested already must be exercised by the participant on or before the fifth anniversary of the allocation of these SARs.

SARs PERFORMANCE CRITERIA

For information relating to the performance criteria that will apply to SARs allocated prior to 30 June 2016, please see pages 70 to 72 of Clover's 2015 Annual Integrated Report.

All SARs allocated on or after 30 June 2016 will be subject to the following performance criteria:

REPORT ON REMUNERATION (continued)

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 100% vests at 90% performance.

Financial performance conditions

70% of the SARs allocation will be subject to financial performance:

- headline earnings per share constituting 35%
- ROE constituting 35%.

The HEPS performance condition targets will be as follows:

Performance	Weighting	Targets
Financial performance condition HEPS	35%	Threshold: 30% will vest if HEPS growth (over the performance period of 3 years) of CPI +4% per annum is achieved Target: 65% will vest if HEPS growth (over the performance of 3 years) of CPI +6% per annum is achieved Stretch: 100% will vest if HEPS growth (over the performance period of 3 years) of CPI +8% per annum is achieved.

In line with other conditions of performance, three 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
- 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	35%	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% Stretch: 100% will vest if actual ROE achieved in the base year* + 0,9%.

Base year = year in which allocation is made.
** *Base year – will be calculated by taking the actual ROE, excluding exceptional items, as at 30 June 2015 (13,5%) and applying a 0,3% annual incremental increase.*

APPROACH TO EXECUTIVE REMUNERATION

In order to attract, retain, motivate and incentivise the industry's best and most suitable candidates, Clover is obliged to offer competitive remuneration packages. The Remuneration Committee utilises external market surveys and benchmarks to determine executive remuneration and benefits, as well as 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 delivering an acceptable return on shareholders' equity, while ensuring Clover's sustainability. Remuneration packages are therefore linked to achieving these objectives.

Executive remuneration structures (including those of Executive Directors) comprise both guaranteed and variable components as set out 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 (on page 92)
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 against similar positions in the market. This information, together with individual performance assessments, form the basis for annual salary reviews.

The Remuneration Committee has the discretion to determine executive guaranteed fixed income packages, being mindful of factors such as retention, contribution and skill levels. Executives may participate in a defined contribution retirement fund and other benefits. These 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 Clover's Remuneration Policy on page 88 and more specifically in the table set out on page 92.

LONG-TERM INCENTIVES (LTIS)

Clover's LTIs aligned to executives comprises equity based awards that serve as a retention mechanism. Refer to the Remuneration Policy on page 94 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 (SARs), which complies with the JSE Listings Requirements.

SARs stipulates that the aggregate number of ordinary shares which may be acquired by the executives may not exceed 16 million ordinary shares. At 30 June 2016, a total of 11 202 483 (30 June 2015: 8 619 271 ordinary shares) had been issued to executives, with the balance of 4 797 517 ordinary shares remaining available for issue. The salient features of the SAR Scheme, which complies with the JSE Listings Requirements, are set out in Clover's Remuneration Policy.

ALLOCATIONS MADE IN TERMS OF THE SAR SCHEME

The First and Second Allocations were Management Participated Capital Restructuring Exercise (MPCRE) legacy scheme issues. All SARs relating to the MPCRE have vested and exercised. For more detail on SARs allocated and exercised during the year under review, refer to note 32.2 in the financial statements section.

HEDGING OF SARs

Clover 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 14.2 of the Annual Financial Statements on page 200 for further details.

EMPLOYMENT CONTRACTS FOR EXECUTIVES

A six months' notice period is required for terminating the contract of employment for Executive Directors.

REPORT ON REMUNERATION (continued)

APPROACH TO NON-EXECUTIVE DIRECTORS' REMUNERATION

Clover identifies, attracts and retains Non-Executive Directors who can add specific skills and leadership to Clover. For this reason, non-executive fees are competitive and ranked 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 subcommittee of the Board, since they receive a fixed annual fee. The fees payable to Non-Executive Directors for the 2016 financial year will be increased by 6% from the fees paid during the year under review, subject to shareholder approval.

TOTAL REMUNERATION AND BENEFITS PAYABLE TO DIRECTORS AND PRESCRIBED OFFICERS

The Board considered the requirements of the Companies Act with regard to the disclosure of the remuneration of directors and prescribed officers. After careful consideration, the Board 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 234 of this Annual Integrated Report.

INTEREST OF DIRECTORS AND OTHER EXECUTIVES IN ORDINARY SHARE CAPITAL

A complete table setting out the interest of directors and prescribed officers in Clover's ordinary share capital can be found in note 32.3 to the Annual Financial Statements on page 238 of this Annual Integrated Report.

LEGACY SCHEME SARs ISSUES

Salient features of the Initial Allocation

Clover's MPCRE, as approved by shareholders on 31 May 2010, changed the nature of Clover'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.

All SARs allocated as part of the MPCRE have now vested and the major portion thereof have been exercised. For more detail refer to note 32.2 in the financial statements section.

Loans to executives

As part of the MPCRE Clover's shareholders approved the allotment and issue 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, for subscription by Clover's executives. A portion of the subscription price was 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 Clover and its executives are set out below:

- as security for the indebtedness, the executives ceded to Clover 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 Clover for any reason whatsoever, he/she shall be obliged to repay the loan amount and interest or the balance thereof, within two months after the employment terminated
- if an executive dies, the loan amount and interest or the balance thereof, shall be repaid to Clover within six months after the death.

It should be noted that the aforementioned loan agreements have been amended to provide for final loan repayment dates based on the normal retirement date for each executive.

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Other Executives						
JHF Botes	2 411 574	2 452 661	2 536 148	2 572 487	2 625 130	**2 612 441**
Total	2 411 574	2 452 661	2 536 148	2 572 487	2 625 130	**2 612 441**

The value of the ordinary shares forming the basis of the loan and cession agreements of Dr JHF Botes referred to previously, are approximately R20 million.

Vesting of 5th allocation

INDIVIDUAL PERFORMANCE

After due consideration of the recommendations from the Chief Executive, the Remuneration Committee confirmed the achievement of 95% of the individual performance targets for each participant. Subsequently, full vesting of the individual performance portion of the 5th allocation of SARs has been achieved.

FINANCIAL PERFORMANCE

Following confirmation by Ernst & Young Incorporated on the achievement of the financial performance conditions in respect of the 5th allocation of SARs, the Remuneration Committee is satisfied that the financial performance conditions were achieved and subsequently vests in full.

Dr Steve Booysen
Chairman: Remuneration Committee

12 September 2016

DISTRIBUTION

- 25 distribution centres across South Africa.
- 20 545 delivery points in South Africa.
- 548 delivery vehicles.
- 824 SKUs stored, picked, delivered and merchandised in Clover's distribution network.

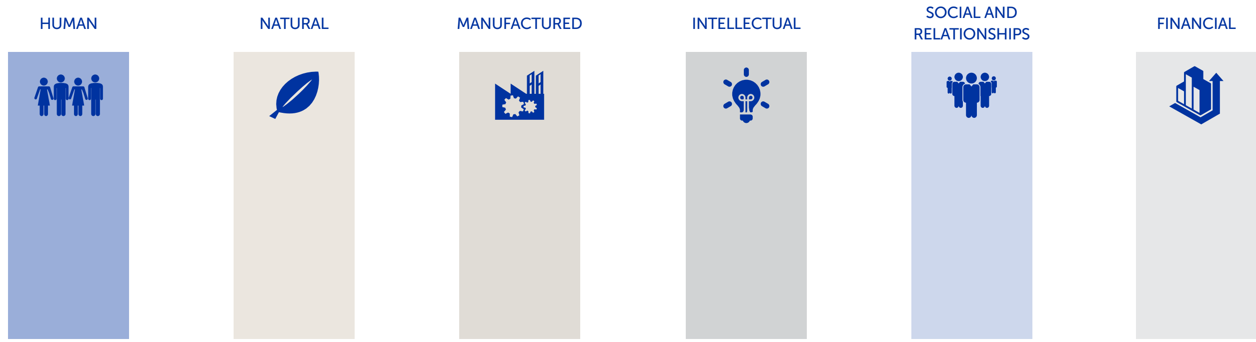
ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS

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

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

SIX CAPITALS



OVERVIEW

Clover's vision and mission has been aligned to the value chain as we consider strategy, risk, governance, performance and sustainability to be inseparable. This report is structured to incorporate the requirements of the Companies Act 71 of 2008 (Regulation 43) and King III. Clover also utilises the Integrated Reporting Framework (<IR> framework) as issued by the International Integrated Reporting Council (IIRC) in December 2013.

The IR framework provides a principle based approach through which Clover describes how the key components of the value chain (or business model) are applied to create and sustain value for our stakeholders. This Social and Ethics Committee report utilises the <IR> framework concept of "the six capitals". These are the material inputs, outputs and outcomes that flow through Clover's business model to create and sustain value in the long term.

Scope and boundary

The scope of this report covers Clover's South African operations and will in time be extended to our subsidiaries in other countries. This report focuses on the most relevant and material issues that could impact significantly on Clover's ability to create and sustain value for its stakeholders in the long term.

Clover is one of few South African businesses that has thrived for well over 100 years. We recognise that to survive and prosper, we need to ensure that Clover's operations and planning is geared towards long term sustainability.

Clover's Social and Ethics Committee (the Committee) is Chaired by an Independent Director and includes a further two Independent Directors and one Executive Director. Details of the Committee membership, meetings held and attendance in this financial year are set out on page 73 as part of 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 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 that utilises sustainable business practices. The Committee monitors, develops, reviews and enhances Clover's social, ethical, environmental and governance impact. To fulfil its responsibilities, the Social and Ethics Committee adopted a formal work plan that accords with its functions as set out in Regulation 43 of the Companies Act and King III. This work plan is designed to enable Clover to fully discharge its statutory functions. 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 fifth year of establishment. Over and above the requirements of the Act, this report's scope includes guidelines from the <IR> framework and the sustainability reporting guidelines (G4 version) of the Global Reporting Initiative (GRI). In short, the aspects of Clover's business most critical to its long-term value creation are summarised in terms of the six capitals principle.

Every year, Clover redefines its risk bearing capacity and risk appetite, and utilises these as the basis for setting materiality levels. Following that exercise, these materiality levels are used to adjust the thresholds of Clover's delegation of authority, so that appropriate levels 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. In line with the <IR> framework, Clover only reported on issues it believes to be sufficiently material for inclusion in this Integrated Annual Report. Less significant matters are reported on the website and elsewhere.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

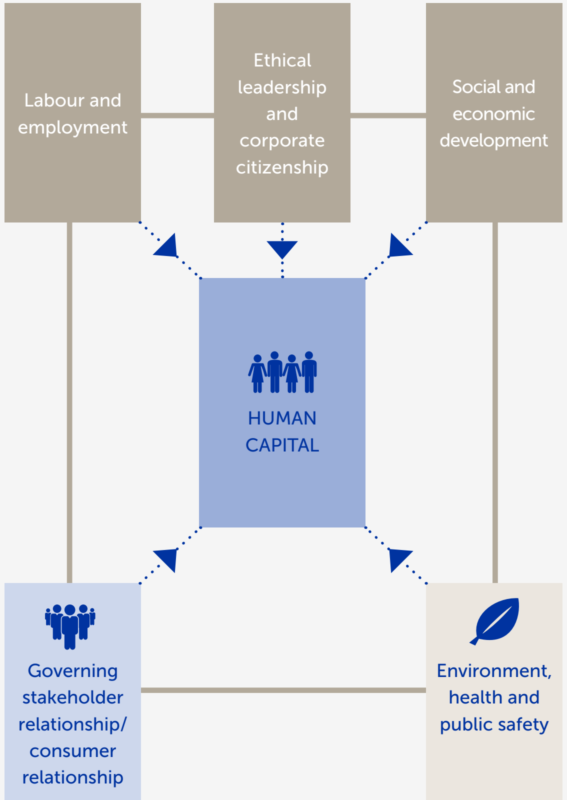
Ethical leadership

Clover has established a philosophy that respects the rights and dignity of others. We are aware that our decisions influence others, therefore our philosophy guides our thinking and decision making processes. The principle of ethical leadership is integrated into our vision and mission, as demonstrated by our people when executing their functions and projects. Ethical and effective leadership drives Clover's strategy to grow a sustainable business that considers its long and short-term impacts on the economy, society and the environment. We evaluate the impacts of our operations on both internal and external stakeholders, as well as on the environment. Clover is committed to promoting equality, and preventing unfair discrimination in all forms.

Clover endorses the following principles:

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

Regulation 43 of Companies Act of 2008



The OECD recommendations on corruption

Clover is committed to conducting its business activities in a manner that enhances our values, which are ethics, integrity and compliance with the law. Corruption can occur in many forms, including extortion, nepotism, embezzlement, bribery, cronyism and patronage among others. Corruption impacts directly or indirectly on Clover's sustainable development and that of our 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 combating of corruption can be found in the Report on Governance, Risk and Compliance. To ensure compliance with these principles, our HR function and Risk Department conduct annual evaluations of suspected or reported incidents of corruption. During this reporting year's review, no material deviations were reported.

Our ethical leadership principles regarding corruption are outlined in the Report on Governance, Risk and Compliance. Clover conducts ethics awareness campaigns at all our operations and has formalised an Ethics Policy, which is published on the company website.

Human Rights
(Principles 1 – 2)

Business should respect the protection of internationally proclaimed human rights and ensure that they are not complicit in human rights abuses.

Labour
(Principles 3 – 6)

Business should uphold the freedom of association, eliminate compulsory labour, promote the abolition of child labour and dismiss discrimination in respect of employment and occupation.

Environment
(Principles 7 – 9)

Businesses should undertake initiatives to promote greater environmental responsibility and encourage the development of environmentally friendly technologies.

Anti-Corruption
(Principles 10)

Businesses should not tolerate any form of corruption, including extortion and bribery.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

HUMAN CAPITAL

Clover is committed to:

- establishing a culture of exceptional performance
- maintaining a culture of legal compliance
- developing and growing all employees
- creating a competent and diverse workforce
- establishing a pleasant, healthy and motivating working climate.

The ever-changing business environment has necessitated ongoing re-assessment of our human capital strategy. During this past financial year, we made significant changes to certain pillars supporting the strategy. These included:

- a revised approach to the use of temporary employment services
- modifications to certain employee retention strategies
- a fresh approach to managing individual and team performance
- a revision of the impact of our Africa expansion strategy on our human capital.

Legislation

Clover is committed to lawful and ethical business. As regulators continue issuing new regulations and amending existing ones, Clover ensures that these updates are communicated and implemented throughout the business. Ongoing training is bolstered by periodic internal assessments of awareness of current legislation. Our Social and Ethics Committee monitors and takes cognisance of relevant legislation, other legal requirements and prevailing codes of best practice.

Clover has moved beyond compliance, as we realised that having a diverse workforce is not compliance or a box that needs to be ticked. To support value creation in the long term, we need to promote INCLUSION in all its variations. Clover must not only embrace physical diversity such as race, gender, age, physical ability, but also DIVERSITY OF THINKING. This requires all Clover people to embrace diversity in all its forms.

Attracting and retaining 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 expands its reach across Africa, 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 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.

Clover's brand reputation helps us to attract, source, recruit, and access talent. To drive passion and engagement, we are persuading the aging Baby Boomer generation to extend their working lives to train and mentor our newer Millennial generation employees.

HUMAN CAPITAL CHALLENGES OF TOMORROW

Legislative compliance

Attraction and retention

Strategic recourcing

Alignment of employees

Africa expansion

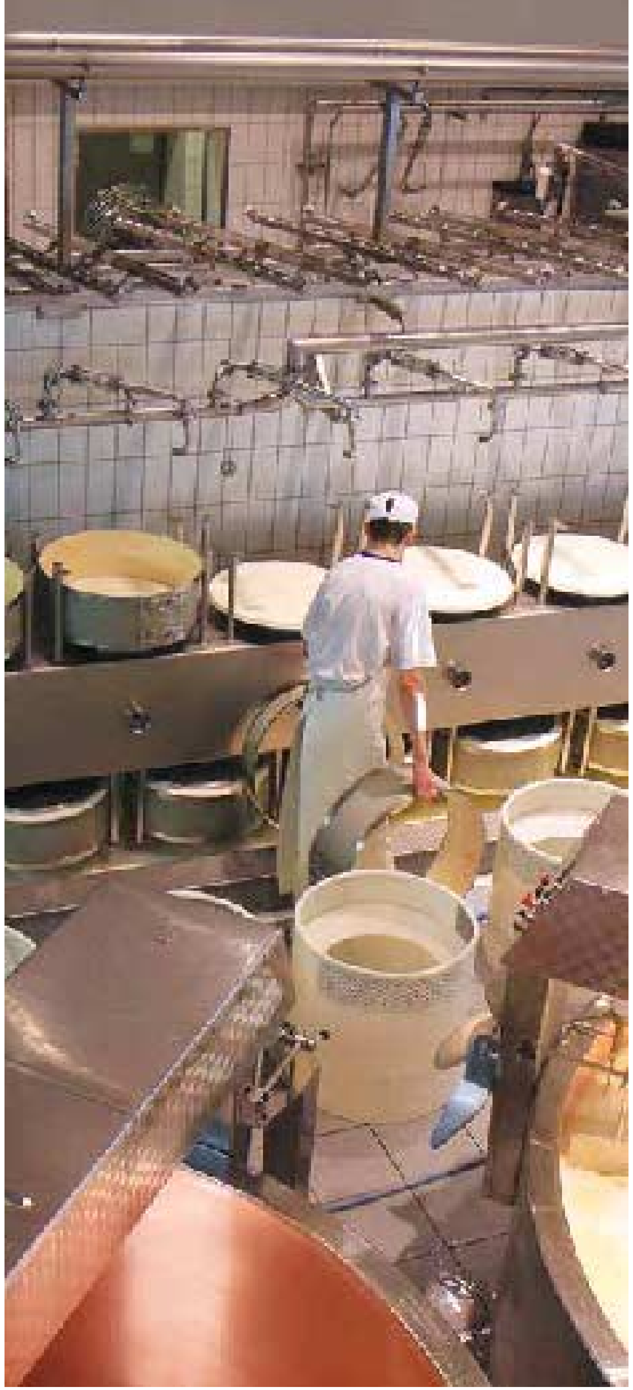
Learning and development

Innovation and technology

Employment equity

Change of labour landscape

Productivity improvement



TOTAL NUMBER OF EMPLOYEES JUNE 2015

Company	Permanent	Fixed Term/ Temp	Grand Total
Clover SA (Pty) Ltd	6 982	453	7 435
Clover Fonterra Ingredients (Pty) Ltd	13	0	13
The Real Beverage Company (Pty) Ltd	164	3	167
Clover Waters (Pty) Ltd	33	3	36
Clover Dairy Namibia (Pty) Ltd	47	40	87
Clover Swaziland (Pty) Ltd	33	13	46
Clover Botswana (Pty) Ltd	322	30	352
Clover MilkyWay (Pty) Ltd	91	2	93
Lactolab (Pty) Ltd	8	1	9
Grand Total	**7 693**	**545**	**8 238**

Percentage of employees who are permanent: 93,38.

TOTAL NUMBER OF EMPLOYEES JUNE 2016

Company	Permanent	Fixed Term/ Temp	Grand Total
Clover SA (Pty) Ltd	7 694	472	8 166
Clover Fonterra Ingredients (Pty) Ltd	13		13
The Real Beverage Company (Pty) Ltd	125	1	126
Clover Waters (Pty) Ltd	45	3	48
Clover Dairy Namibia (Pty) Ltd	100	1	101
Clover Swaziland (Pty) Ltd	34	7	41
Clover Botswana (Pty) Ltd	336	2	338
Clover MilkyWay (Pty) Ltd	102	6	108
Lactolab (Pty) Ltd	7	1	8
Grand Total	**8 456**	**493**	**8 949**

Percentage of employees who are permanent: 94,49.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

EMPLOYEE TURNOVER FOR PERMANENT EMPLOYEES

Company	2015 Total who left	2015 %	2016 Total who left	2016 %
Clover SA (Pty) Ltd	696	9,97	555	7,21
Clover Fonterra Ingredients (Pty) Ltd	0	0	2	15,38
The Real Beverage Company (Pty) Ltd	16	9,76	23	18,40
Clover Waters (Pty) Ltd	2	6,06	2	4,44
Clover Dairy Namibia (Pty) Ltd	21	40	34	34,00
Clover Swaziland (Pty) Ltd	6	18,18	10	29,41
Clover Botswana (Pty) Ltd	48	14,91	35	10,42
Clover MilkyWay (Pty) Ltd	0	0	13	12,75
Grand Total	**789**	**10,39**	**674**	**7,98**

Note: Data for Lactolab (Pty) Ltd is not available for the 2015 and 2016 financial years.

PERCENTAGE OF EMPLOYEES WHO ARE WOMEN

	Permanent				Fixed Term/Temporary				Total			
Company	**Male**	**Female**	**Total**	**% Women**	**Male**	**Female**	**Total**	**% Women**	**Male**	**Female**	**Total**	**% Women**
Clover Botswana (Pty) Ltd	233	103	336	30,65	0	2	2	100,00	233	105	338	31,07
Clover Dairy Namibia (Pty) Ltd	87	13	100	13,00	1	0	1	0,00	88	13	101	12,87
Clover Fonterra Ingredients (Pty) Ltd	6	7	13	53,85	0	0	0	0,00	6	7	13	53,85
Clover MilkyWay (Pty) Ltd	59	43	102	42,16	6	0	6	0,00	65	43	108	39,81
Clover SA (Pty) Ltd	5973	1721	7694	22,37	298	174	472	36,86	6271	1895	8166	23,21
Clover Swaziland (Pty) Ltd	26	8	34	23,53	6	1	7	14,29	32	9	41	21,95
Clover Waters (Pty) Ltd	36	9	45	20,00	1	2	3	66,67	37	11	48	22,92
The Real Beverage Company (Pty) Ltd	90	35	125	28,00	1	0	1	0,00	91	35	126	27,78
Lactolab (Pty) Ltd	2	5	7	71,4	1	0	1	0,00	3	5	8	62,5
Grand Total – 2016	**6 512**	**1 944**	**8 456**	**22,98**	**314**	**179**	**493**	**36,38**	**6 826**	**2 123**	**8 949**	**23,70**
Grand Total – 2015	**5 854**	**1 839**	**7 693**	**23,90**	**376**	**169**	**545**	**31,00**	**6 230**	**2 008**	**8 238**	**24,37**

Strategic resourcing

Clover's dynamic environment requires that we anticipate the future competencies needed to execute our strategy. To ensure that Clover's productivity remains optimised, we must regularly review the composition of our labour force and our utilisation of resources. Long term value creation requires a labour force that has:

- business acumen and understands the CORE (Clover's business model)
- the collaborative ability to build cross functional teams
- global cultural agility
- creativity
- customer centricity
- influence and Inspiration
- the ability to build creative and effective teams.

Alignment of employees

Business and individual objectives have been aligned to Clover's vision and mission by using the Balanced Scorecard and Key Performance Indicators (KPIs). We believe that employee alignment is critical for building the culture of exceptional performance that drives business success. We have transformed Clover's HR team into skilled business consultants and business partners. Clover is refining the performance management platform that was introduced last year. The HR team is tasked with managing service levels, designing service focused systems and measuring employee quality of service. This is done using advanced analytics. We arrange special events to share and clarify the company's objectives, vision and strategy.

Productivity and continuous improvement

A continuous improvement mind-set is needed to maintain Clover's competitive advantages. Our "Way Better" initiatives at individual and team levels focus on cost, speed, quality, safety and morale.

Acquisitions and mergers present the opportunity to take lessons from these entities across to existing Clover operations, while also using our industry knowledge and resources to tackle their inefficiencies.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Equipping our employees with the right skills remains a high priority. Clover's investment in human capital training and development during this year was as follows:

	Clover SA Annual Training Report				
Intervention	2016	2015	2014	2013	2012
Number of employees trained	**2 786**	2 601	2 127	1 953	2 224
Total training spend per year (R'000)	**R16 070**	R13 486	R8 337	R7 965	R4 879
Training spend per employee	**R1 902**	R1 657	R1 298	R1 215	R744
Number of days spent on training	**12 845**	15 306	6 705	4 627	2 965

	2016		2015		2014	
Intervention	Total employees	Black employees	Total employees	Black employees	Total employees	Black employees
Number of employees trained	**2 786**	**2 102**	2 601	2 167	2 127	1 715
Number of employees enrolled on Learnerships, Skills Programmes and Apprenticeships	**608**	**454**	455	380	344	308
Number of employees on Formal Workplace Experience and In-Service Training Programmes	**30**	**28**	24	21	38	29
Number of bursaries (employee/unemployed) granted for degree and diploma studies	**21**	**9**	26	12	36	17
Value of bursaries granted for Degree and Diploma Studies	**R120 000**	**R120 000**	R325 113	R191 864	R678 023	R461 135

* *Only one new bursary was awarded in the 2016 financial year. Skills development focus shifted to occupationally directed learning programmes such as learnerships, apprenticeships, workplace experience and internship programmes.*

SIGNIFICANT ACHIEVEMENTS INCLUDE:

- Clover was awarded the Diamond Award (2nd Place) in the Large Company Category by the Food and Beverage Seta for providing increased opportunities to employed and unemployed people to complete occupationally directed programmes (learnerships, skills programmes, internships, and apprenticeships). South African Breweries took the top spot, with the other three finalists being Oranjevis Joint Venture, Distell Ltd and Tiger Management Services.
- Consistent improvement over the last three years of Clover's score in the skills development element of the B-BBEE Scorecard.
- Clover received a special commendation from the University of Stellenbosch Business School for the excellent performance and achievements in the 2015 academic year of Clover employees that completed the Management and Senior Management Development Programmes with the business school.

New skill sets will be required as Clover and our industry sectors evolve. This will necessitate a renewed focus on fast tracking, coaching and mentoring of young talent, supported by competence building and people development throughout the business.

Learning and development

To retain Clover's position as one of Southern Africa's leading fast moving consumer goods companies, Clover proactively works to develop employees in all disciplines.

We have focused specifically on Wholesale and Retail Operations Learnerships, Job Technical Training Programmes at our production facilities and the upskilling of sales personnel and management. A large number of employees were exposed to a range of management and leadership programmes and a number of internships were introduced.

The formal programmes depicted in the diagram to the right are in place or being finalised for implementation in the 2016/17 financial year.

EMPLOYEE WELLNESS

Clover is committed to proving a safe and healthy work environment for our employees. Organisational and individual wellness initiatives enable employees to maintain healthy mindsets and work environments.

To support a healthy work environment, Clover provides:

- access to two medical aid schemes, namely Discovery and Umvuzo
- clinic facilities at certain major sites. These are manned by full time professionals
- annual medicals for management
- trauma counselling through International Counselling and Advisory Services (ICAS)
- a generous leave policy that grants adequate rest periods to employees
- trauma cover for life threatening diseases.

LEARNING AND DEVELOPMENT INITIATIVES

Management and leadership development	Production	Sales	Warehouse and distribution	All business units
Essentials of Management and Leadership Programme (coaching programme)	**Good Manufacturing Practices** Dairy (skills programme)	**National certificate** wholesale and retail operations (learnership)	**National certificate** Professional driving (learnership) (NQF 3)	**Young professional development program** (YPDP)
Essentials of Management and Leadership programme (skills programme)	**Dairyman Development programme** (learnership) (NQF 4)	**Further Education and Training certificate** Customer management (learnership) (NQF 4)		**Bursary program** (employees)
Further Education and Training certificate (Generic management) (learnership) (NQF 4)	**National certificate** (food and beverage packaging operations) (learnership)	**Further Education and Training certificate** Contact Centre Operations (learnership) (NQF 4)		**Bursary program** (unemployed/young talent)
National Certificate Manufacturing Management (learnership) (NQF 5)	**National Certificate** Food Laboratory Analysis (Learnership)			**Internship/work experience program**
Management Development programmes ("USB – ED") (NQF 6)	**Artisan Development Programme** (Apprenticeships)			
Snr Management Development programmes ("USB – ED") (NQF 7)				
Managers	Process leaders machine operators artisans	Merchandisers telesellers	Drivers	Young professionals/talent

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

TOTAL NUMBER OF PERSON HOURS WORKED (PHW)

Company	Permanent	Temporary	Gross man-hours July 15 to June 16	Absent days*	Nett total man-hours for 2016	Nett total man-hours for 2015
Clover SA (Pty) Ltd	18 003 960	1 104 480	19 108 440	1 711 496	**17 396 944**	17 208 506
Clover Fonterra Ingredients (Pty) Ltd	30 420	–	30 420	3 016	**27 404**	26 329
The Real Beverage Company (Pty) Ltd	292 500	2 340	294 840	36 840	**258 000**	253 012
Clover Waters (Pty) Ltd	105 300	7 020	112 320	7 584	**104 736**	83 141
Clover Dairy Namibia (Pty) Ltd	234 000	2 340	236 340	9 312	**227 028**	177 250
Clover Swaziland (Pty) Ltd	79 560	16 380	95 940	4 280	**91 660**	84 588
Clover Botswana (Pty) Ltd	786 240	4 680	790 920	108 184	**682 736**	895 127
Clover MilkyWay (Pty) Ltd	238 680	14 040	252 720	**	**n/a**	–
Grand Total	**19 770 660**	**1 151 280**	**20 921 940**	**1 880 712**	**18 788 508**	**18 727 954**

** Absent days includes annual leave days.*
*** No data available*

Note: Data for Lactolab (Pty) Ltd is not available for the 2015 and 2016 financial years.

In addition to the above, the total man-hours lost due to strike activity amounted to 10 699 hours or 1 337 man-days from the period 1 July 2015 to 30 June 2016.

TOTAL NUMBER OF PERSON DAYS LOST DUE TO ABSENTEEISM

Company	Family responsibility	Sick	Special	Study	Grand total for 2016	Grand total for 2015
Clover SA (Pty) Ltd	5 109	29 361	13 902	838	**49 210**	41 684
Clover Fonterra Ingredients (Pty) Ltd	4	53	19	–	**76**	41
The Real Beverage Company (Pty) Ltd	103	7	1 434	9	**1 553**	1 172
Clover Waters (Pty) Ltd	25	99	35	7	**166**	138
Clover Dairy Namibia (Pty) Ltd	40	88	25	5	**158**	99
Clover Swaziland (Pty) Ltd	–	37	–	–	**37**	125
Clover Botswana (Pty) Ltd	94	1 436	326	66	**1 922**	1 490
Grand Total	**5 375**	**31 081**	**15 741**	**925**	**53 122**	**44 748**

** No data is available for Clover MilkyWay (Pty) Ltd and Lactolab (Pty) Ltd for the 2015 and 2016 financial years.*

Change of the labour landscape

We are pleased to report that Clover's work and labour environment remained cordial and stable throughout the past year. We train our managers to conduct ongoing and open communication with their employees. Management and labour representatives communicate regularly and constructively at a national and branch levels. The following table shows the percentage of employees belonging to trade unions:

PERCENTAGE OF PERMANENT EMPLOYEES WHO BELONG TO A TRADE UNION

Company Name	Percentage 2015	Percentage 2016
Clover SA (Pty) Ltd	49,61	**48,00**
Clover Fonterra Ingredients (Pty) Ltd	0,00	**0,00**
The Real Beverage Company (Pty) Ltd	41,10	**36,80**
Clover Waters (Pty) Ltd	60,61	**66,67**
Clover Dairy Namibia (Pty) Ltd	29,79	**33,00**
Clover Swaziland (Pty) Ltd	0,00	**0,00**
Clover Botswana (Pty) Ltd	41,93	**57,01**
Clover MilkyWay (Pty) Ltd	0,00	**37,20**
Grand Total	**45,00**	**48,73**

Note: Data for Lactolab (Pty) Ltd is not available for the 2015 and 2016 financial years.

Employment Equity

Clover fully supports employment equity in the workplace and various measures are in place to contribute towards our employment equity objectives. These include bursaries, internships and other employee development initiatives. Employment Equity (EE) remains a primary focus area, supported by measures that will enable Clover to achieve its employment equity objectives. These include:

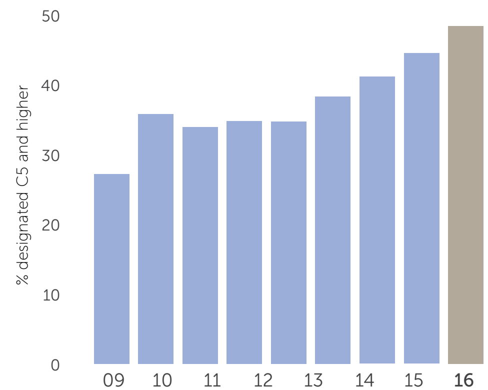
- taking steps to appoint suitably qualified candidates from the designated groups as vacancies arise
- training and development initiatives to prepare talented candidates to fulfil Clover's longer term employment equity objectives
- an employment equity report, submitted to the Department of Labour, that details our transformation progress.

Clover supports the relevant Codes of Good Practice. We do not accept unfair discrimination in respect of race, colour, language, religion, gender or political views or on the grounds of disability. Therefore, all employees receive the same opportunities to develop according to their merit and ability.

Clover's Executive Committee is responsible for implementing and monitoring our EE plan. In executing its duties, the Executive Committee assigns specific responsibilities to individuals and managers. Site managers are responsible for implementing EE plans at Clover's sites. Our HR department monitors appointments in terms of the EE plan and reports annually to the Social and Ethics Committee on progress towards achieving EE targets.

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

Percentage of staff from designated groups at June 2016



ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Employment Equity Plan – numerical targets

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 targets set out below:

Affirmative action measures and objectives**	2015/2016 Objectives %	Achieved 30 June 2016 %	2016/2017 Objectives %
Black people on F Band	14,29	14,29	16,66
Black people on E Band	21,05	12,50	16,66
Black women on E Band	15,79	6,25	5,55
Black people on C5 – D5 Band	26,32	25,78	27,00
Black women on C5 – D5 Band	9,09	7,88	8,27
Black people on C1 – C4 Band	59,66	60,98	62,30
Black women on C1 –C4 Band	14,83	16,07	16,27
Disabled people	0,58	0,57	0,57

* *2016 data includes MilkyWay employees for the first time.*
** *2016 objectives have been adjusted from the prior year following a Section 43 review by the department of labour in December 2015.*

Broad-Based Black Economic Empowerment (B-BBEE)

Clover supports the transformation of South Africa's economy and we regularly review our overall business strategy in the context of these principles.

Clover's most recent B-BBEE verification was performed by Net Value Services (Pty) Ltd, an IRBA approved verification agency. Based on our June 2015 year-end, Clover was assessed against the current Agri B-BBEE Sector Codes for the third time. Clover's overall score was 68.52, which retained our status as a Level 4 B-BBEE contributor.

The extent to which the Agri Sector Codes will be modified in accordance with the newly amended generic B-BBEE Codes, which became effective as from 1 May 2015, is uncertain. All sector codes were intended to be aligned to the amended generic B-BBEE Codes by 31 October 2015, but no feedback has yet been received from the Department of Agriculture, Forestry and Fisheries.

Once the Agri Sector Codes have been finalised, Clover will re-assess its B-BBEE strategy and make the necessary adjustments.

Innovation and technology

Clover is presently improving its capability to generate information that proactively adds value to the business. We not only need a system for records, but also require a system that engages and interrogates data.

Following the successful implementation of the new payroll system, Clover is presently implementing phase two of our integrated human capital platform, which will enhance performance management, talent management, recruitment and learning for Clover's people.

Africa expansion

Potential opportunities in Africa are constantly assessed. Our HR function assists with resourcing these operations, while at the same time ensuring compliance with local legislation.

Value creation

Current

- Ongoing upskilling of employees through training programmes, financial assistance for study purposes and offering of bursaries
- Upskilling employees through learnerships and management development programmes
- Employee assessments and feedback
- Coaching and mentoring for talented individuals
- Access to modern equipment and technology
- Productivity gains encouraged through incentive schemes
- Retaining employees through job satisfaction and competitive reward schemes.

Future

- To be a sought after employer by providing employees with flexible work conditions and purpose-driven challenges
- Enable employees to pursue excellence and establish themselves as major assets of Clover
- Offer employees the opportunity to explore multi-chapter career paths that progress through our various businesses.

NATURAL CAPITAL

Natural resources are under climate change pressure, which compels food and beverage companies to reduce the carbon emissions and water volumes used in manufacturing their products. This can be achieved by adopting operational best practises and new technologies, although these can be costly. Clover is evaluating how to consolidate our factories and install technologies that will enhance our cost competitiveness, while reducing our carbon generation and water usage. Clover requires high quality water and installs water purification systems to ensure consistent quality water for our operations in areas where water quality can vary.

Clover recognises our responsibility to reduce or even eliminate the impacts of our business on the environment. This responsibility relates not only to Clover's direct operations, but also to our supply chain partners and their environmental impacts.

Clover is therefore implementing an Environmental Management System (EMS) as a structured framework for continually improving our environmental performance.

CLOVER'S ENVIRONMENTAL POLICY

Objective	Action
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.
Educate staff on the EMS and equip them with the necessary skills to implement Clover's environmental 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 Clover's milk collection and production environments, with product quality being tested by accredited laboratories. Product quality is also monitored through feedback from Clover's Consumer Centre, which handles general enquiries, complaints and compliments.
Reduce carbon footprint.	Quantify carbon footprint from operations and key elements of the supply chain. Set annual targets for reducing it.
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.	Set targets for reducing waste to landfill and monitor results.
Minimise product returns 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 help develop 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 environments.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Environmental

Clover's environmental strategy commenced formally in the 2011 financial year, when we accepted our responsibility to reduce, and as far as possible, to eliminate the environmental impact of our business. Environmental excellence offers business efficiencies, as energy and services costs usually comprise approximately 19% of a food manufacturer's fixed costs.

We have extended this duty of environmental care to our supply chain partners, so that they begin controlling their environmental impacts if they don't already do so. Clover actively monitors environmental, health, safety and quality through the use of our dedicated Entropy SHEQ management system and other forms of assurance, such as internal and external audits.

Our Social and Ethics Committee requires each business unit to regularly report its impact on the environment, based on agreed measures. The Chief Engineer of Maintenance and Safety, Health and Environment reports on Clover's environmental strategies and compliance with SHE measures.

Clover has evaluated section 12L incentives for business cases where savings in the supply chain can be achieved. This incentive applies to not only electricity savings but includes diesel savings. This may result in compact milk transporters being replaced with larger tankers.

Section 12L of the Income Tax Act – Deduction in respect of energy efficiency savings – came into effect on the 1 November 2013. This tax incentive allows taxpayers to claim deductions of 95 cents per kilowatt hour (equals R10 per litre diesel saved), or kilowatt hour equivalent, of energy efficiency savings made against a baseline measured at the start of each year of assessment. This opportunity to claim tax deductions applies to all measured and verified savings achieved before 2020.

Clover has on average reduced its carbon emissions by 8,5% for the year to June 2016, which should enable Clover to qualify for section 12L claims for the June 2016 financial year end.

OPERATIONAL EFFICIENCY

	2013/2014	2014/2015	2015/2016
Total Direct Energy Consumption (Gigajoules, GJ) – i.e. from fuels burned	1 445 980	1 514 773	**1 353 188**
Total Indirect Energy Consumption (Gigajoules, GJ) – i.e. from electricity consumed	474 801	482 168	**447 262**
Total Electricity Consumption (MWh)	131 889	133 936	**124 236**
Total Energy Consumption in Gigajoules	[3]	1 966 941	**1 800 449**
Electricity consumed per kg product produced (kWh/ton)	142,4	137,3	**120,01**
Fuel consumed for steam generation (coal, diesel, HFO, per product produced (kWh eq/ton)	423	402	**379**
Waste to landfill in kg per ton produced	9,3	7,3	**8,3**
Total weight of non-hazardous waste disposed (ton)	[4]	5 940	**36 175**
Total weight of hazardous waste disposed (ton)	[4]	758	**2 538**
Total weight of waste sent for recycling (ton)	[4]	8 552	**9 065**
Percentage of waste disposed of that is sent for recycling[5]	58	71	**68**
Water consumed (Litres) per kg of product produced[1]	4,09	3,79	**3,84**
Total Water Consumption (Kilolitres, or Kl)[5,6]	2 503 146	2 604 358	**2 713 623**
Average Volume of Water (Litres) Consumed per Person Hour Worked (l/HW)[6]	[3]	139,06	**144,43**
Carbon Footprint[2]			
Total Carbon Emissions (Tons of carbon dioxide equivalents, CO_2e)	245 357	255 482	**229 887**
Total Scope 1 Emissions (Tons CO_2 eq)	116 659	125 887	**108 868**
Total Scope 2 Emissions (Tons CO_2 eq)	128 698	129 595	**121 018**
Average Volume of Carbon Emissions per Person Hour Worked (Tons CO_2e/HW)[6]	[3]	0,0136	**0,0109**
Trends per Source			
Stationery combustion (Tons CO_2 eq)	67 304	76 495	**67 511**
Mobile combustion (Tons CO_2 eq)	45 595	43 027	**36 678**
Fugitive (refrigerants) (Tons CO_2 eq)	3 759	6 365	**5 139**
Electricity (Tons CO_2 eq)	123 955	125 878	**116 182**
Purchased steam (Tons CO_2 eq)	4 744	3 717	**4 257**

1 *Please note that water consumption is only reported for production, however production constitutes 95% of all Clover's water usage.*
2 *Data in respect of carbon footprint include all entities acquired during the year.*
3 *Data for this period is unavailable. Data for the 2014/2015 period will be used as a base for future reporting periods.*
4 *Please note: the figures for 2014/15 and 2015/16 years, includes the entire supply chain. Figures for 2013/14 were not available at the time.*
5 *Please note this relates to production only.*
6 *Please note figures for previous years have been restated.*

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.

SCOPE 2

Indirect greenhouse gas emissions from the generation of purchased electricity consumed by the organisation

CO_2 CH_4

SCOPE 1

Direct greenhouse gas emissions from sources that are owned or controlled by the organisation

GREENHOUSE GASES

N_2O HFCs

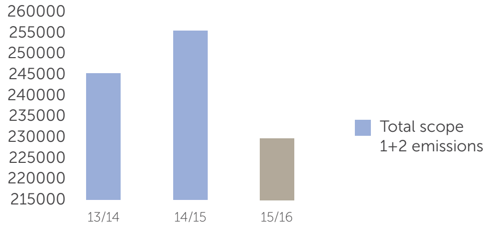
SCOPE 3

Other indirect greenhouse gas emissions that occur as a consequence of activities of the organisation, but occur from sources not owned or controlled by the organisation

PFCs

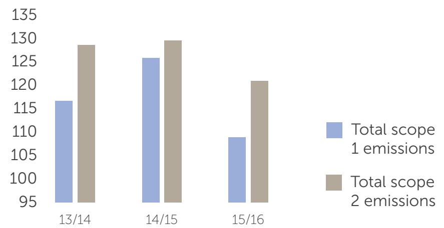
Carbon footprint

Total scope 1 + 2 emissions – Tons CO_2e



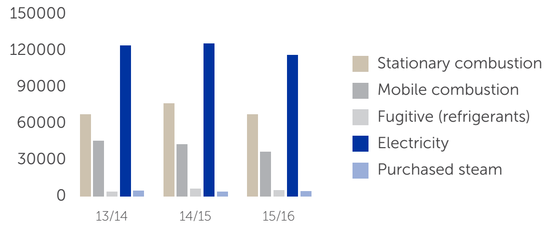
Carbon footprint – By scope

Tons CO_2e



Carbon footprint

Tons CO_2e



ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Value creation

IN THE PAST

In earlier years Clover was a cooperative driven by producer supply imperatives. We were firm on legislative compliance, emphasised accurate invoicing from service providers and closely monitored any potential under or over billing for critical inputs such as utilities. We focused primarily on water quality, fuel, electricity and other costs, but our primary focus was meeting our producers' value creation objectives. These aspects remain important to Clover's value creation, but given the change to a demand driven company, our new objectives need to be evaluated alongside shareholder value, a myriad of changes in legislation, and best practice compliance.

PRESENT

The significant ramp up of relative pricing for energy and other utilities has a major impact on Clover. Relative pricing has risen to such an extent that we need to sharply reduce our consumption of resources to remain competitive. This is especially true in the case of water, sanitation and electricity. Price increases are a powerful incentive to utilise natural resources more efficiently. We have set Clover's performance targets for usage of these resources, supported by regular appraisals. Clover's constant focus on electricity, fuel and water consumption and carbon emissions further delivered efficiency improvements and utility cost reductions in this year of review.

FUTURE

South Africa faces significant water, sanitation and electricity constraints at present, which require heavy investment in natural infrastructure from government and the private sector to rectify. Tariffs will inevitably increase and we anticipate that increases will exceed the average rate of inflation for an extended period of time. Clover has therefore embarked on a journey of continuous efficiency improvements to reduce resource consumption. These efficiency improvements will be self-financing through reduced usage and will contribute to Clover's financial sustainability in the medium to long term.

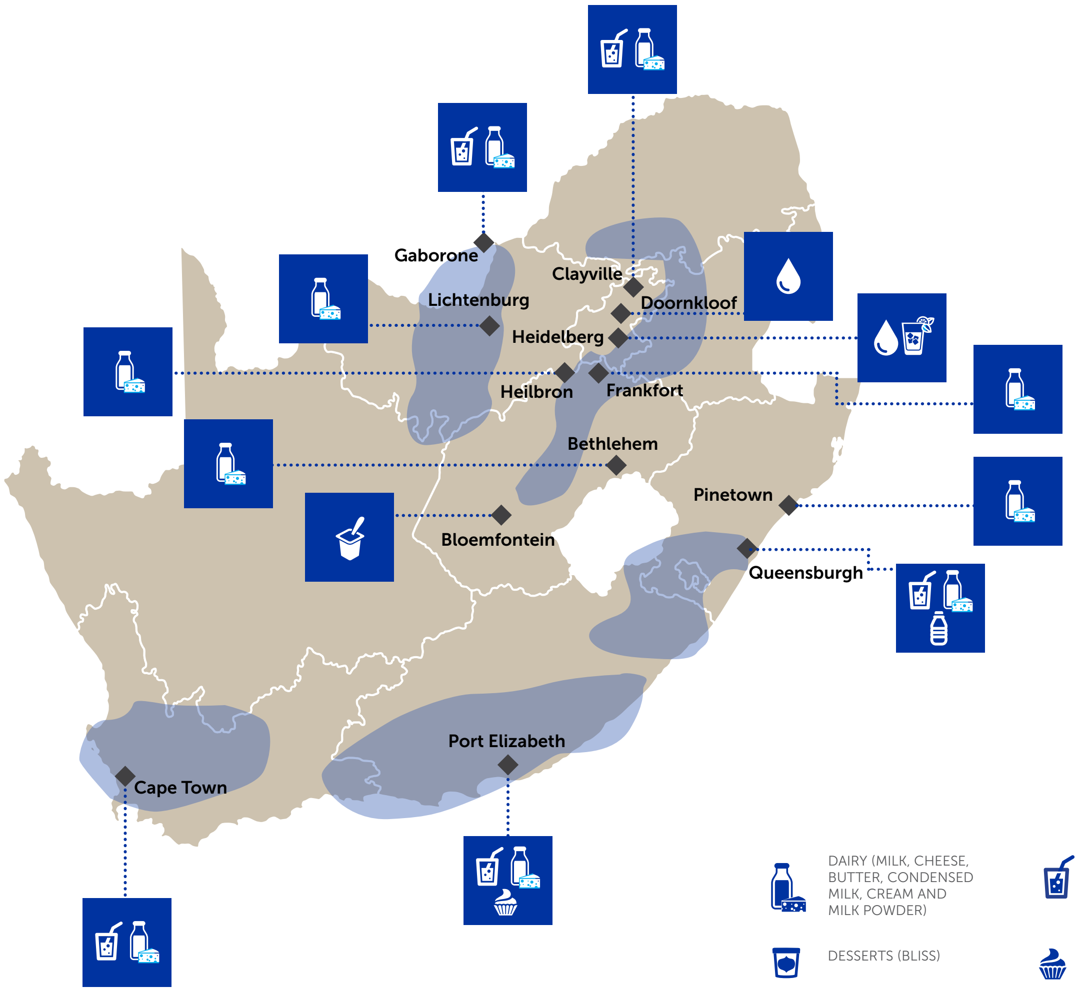
Clover intends partnering with specialist service providers to ensure economies of scale through new technologies that will make Clover the efficiency leader in our market segments. Projected efficiencies include eliminating waste to landfill and effluent initiatives, among other environmental impacts.

Clover makes use of available grants and tax allowances to implement "Green technologies".

Clover's end goal is to create long term and sustainable value through good corporate citizenship.

South Africa faces significant water, sanitation and electricity constraints at present, which require heavy investment in natural infrastructure from government and the private sector to rectify.

MANUFACTURED CAPITAL



* *The Cape Town area includes Milnerton, Parow and Epping*

DAIRY (MILK, CHEESE, BUTTER, CONDENSED MILK, CREAM AND MILK POWDER)

BEVERAGES (KRUSH, TROPIKA AND NECTOR, DANAO)

DAIRYBELLE YOGHURT (IN SHAPE, FRUITS OF THE FOREST, VITABELLE, RAINBOW)

WATER (NESTLE PURE LIFE, AQUARTZ)

DESSERTS (BLISS)

CLASSIC (YOGHURT AND CUSTARD)

FLAVOURED MILK (SUPER M, Mmmilk)

ICE TEA (MANHATTAN)

CLOVER'S MAIN MILK PRODUCING AREAS

CURRENT PRODUCTION FACILITIES

This table depicts salient features of Clover's manufactured capital:

Producer selection	As at 30 June 2016, Clover sources its milk from 155 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 20 545 points through 548 trucks to an average of 8 customers per day per truck.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

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 market demand for Clover's products. Consumer demand is predicted through a sales and operations planning process that utilises statistical forecasting models. These results are further checked in collaboration with Clover Commercial and Clover Marketing. The seasonal nature of raw milk supply requires careful production planning that takes into account raw milk intake, desired stock levels and capacity constraints in Clover's production and distribution network. Milk flow from procurement depots to factories is optimised daily to ensure the lowest possible landed cost of milk at factory gate. Clover's Executive Committee directs the Supply Chain Planning department to act well in time to prevent potential demand versus supply imbalances.

The Supply Chain Planning department is also responsible for managing all primary transportation between factories and distribution depots, as well as bulk deliveries to selected customers. Primary transportation is executed through a combination of Clover managed vehicles and external hauliers. Our primary objective is to optimise the mix between own managed fleet and external hauliers, while ensuring the sustainability of these activities at a competitive cost.

Clover is continuously improving processes to ensure customer demand is met at the most competitive cost. The following initiatives to create long term value are currently in progress:

Integrated Business Planning project

- State-of-the-art planning software is at present being introduced to replace the current legacy planning tools
- All systems are being aligned and integrated with Clover's Enterprise Resource Planning (ERP) system
- This system will enable faster and more efficient what-if modelling and optimisation strategies, supported by enhanced sales and operations (S&OP) planning
- Improved alignment between Operations, Commercial and Marketing will be achieved through enhanced communication and visibility planning.

Network optimisation

- Clover implemented a network optimisation model (Profit Point) that provides a simulation capability and optimisation engine to evaluate potential changes in the supply chain
- This tool is used regularly to initiate and/or evaluate potential future placements of production and distribution facilities in the network to ensure optimal use of supply chain infrastructure.

Clover's centralised procurement department is responsible for procuring ingredients and packaging materials from qualifying suppliers to provide consistently high quality materials for production. Clover's procurement philosophy is to build partnerships that shift the understanding beyond monetary considerations to also include socio-economic objectives and long-term value creation.

Milk procurement

As a market driven company, Clover sources its raw milk in volumes to match projected demand. Clover's unique milk procurement system (CUMPS) is instrumental to helping ensure that Clover sources and retains raw milk according to its needs. Raw milk quality is the key to the safety and wholesomeness of Clover's products. Clover regularly audits each and every farm where raw milk is produced and orders all its milk from farms with above 80% audit scores against Clover's Best Farming Practices.

SUSTAINABLE MILK SUPPLY

Clover has been purchasing raw milk from farmers and producers for the last 118 years. We understand the importance of milk producers in the supply chain and hold them in high esteem for providing excellent quality raw milk, often under challenging circumstances. Globally and in South Africa the number of milk producers is diminishing. Although this decline is not necessarily a threat to sustainable milk supply, it does harm job creation, rural development and the financial wellbeing of rural communities. We therefore believe it is imperative that the industry and government find a way of ensuring a viable agricultural sector and dairy industry. Agriculture is the cornerstone of healthy rural development and food security.

Clover is currently working with government and Deloitte on an agricultural revival programme that utilises high potential unused land to empower emergent dairy farmers and connect them to shared milking schemes. In our view, emergent developing dairy farmers should be linked to commercial dairy farmers with the expertise to help develop fallow land into sustainable dairy farms. These linkages will enable the transfer of knowledge to emergent dairy farmers, bolstered by ongoing support and mentorship.

KEY STATISTICS FOR CLOVER MILK PROCUREMENT

Description	2016	2015	2014	2013	2012
Milk intake from producers (Million litre)	**611**	606	632	668	648
Litres of milk transported per kilometre	**117**	111	99	70	69
Average number of collection points	**169**	189	218	240	258
Number of employees employed by milk producers*	**2 765**	3 103	3 277	3 637	3 738
Number of dependants reliant on above employees**	**9 700**	12 099	13 867	13 656	18 690

* *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.*

RAW MILK QUALITY AND CERTIFICATION

Clover's commitment to quality commences on the farms selected to supply our raw milk. Clover utilises a Best Farming Practices (BFP) programme, based on International Dairy Federation guidelines, which emphasises:

- animal health and herd management
- animal feed and water
- animal medication and agricultural chemicals
- milk hygiene and safety
- environmental management
- personnel and people.

As a market driven company, Clover pays careful attention to the needs of our consumers. It is clear that consumers want natural milk products that are untainted by artificial hormones and inhibitors. Our producers have been instructed not to supply Clover with milk originating from cows treated with recombinant bovine somatotropin (rBST). Each and every milk producer for Clover has signed such a declaration. Every tanker load of milk is tested for inhibitors such as antibiotics. Milk that tests as positive for inhibitors is marked with a food colourant and discarded under controlled circumstances. Clover will leave no stone unturned to ensure that our products remain safe and nutritious.

Clover has evaluated various sustainable dairy farming models in recent years and concluded that developing our own integrated dairy farming system is not core to our operations or financially viable. We therefore selected the Global Gap programme and will soon appoint an accredited and independent certifying body to conduct audits on our behalf. Certification will be completely independent, as Clover personnel will no longer perform the audits. Our Producer Services personnel will, however, continue assisting our milk producers to become compliant and to retain their certification. The implementation of the Global Gap programme at farm level commenced on 1 July 2016.

Production

Once the raw milk has passed all quality tests, it is processed at Clover's 15 production facilities across South Africa and in certain African countries. Our products include fresh milk, UHT milk, flavoured milk, yoghurt, cheese, butter and milk powder, desserts, fruit juices, dairy fruit mix, water and iced tea. The base ingredient for our beverages is generally produced as a concentrate and is procured from carefully selected suppliers who guarantee consistently high quality products. The concentrate is mixed with good quality water to manufacture final products such as Krush Juice and Tropika. Natural groundwater sources are regularly tested for safety and quality. During the period under review, Clover acquired the UHT plant of Good Hope Beverages, which is situated in Milnerton, Cape Town.

Infrastructure

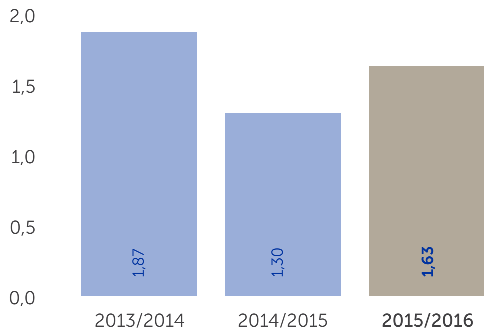
Clover owns the bulk of the properties from where we operate. Clover's buildings and equipment are comprehensively insured, including for potential loss of profit due to business interruptions. New and innovative technologies are enabling Clover to consolidate some of our facilities for cost efficiencies. Clover continuously seeks ways and means to reduce costs along the supply chain to ensure that we remain cost competitive, while also lessening our environmental impact. We have embedded the continuous improvement concept into the Clover culture, so that big and small improvements are properly identified, controlled and managed.

Given the speed of technological progress, businesses need to continually invest in improved efficiencies and cost reduction. Failure to do so could lead to an ineffective cost structure and an outdated and uncompetitive product offering. Clover therefore monitors the following key risk indicators:

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

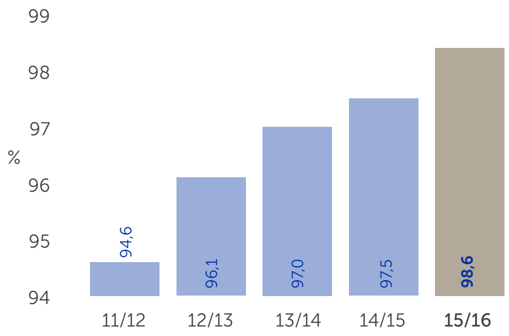
- **Depreciation vs capital expenditure**
The quality of Clover's manufactured capital will deteriorate if we do not continually invest in it. Clover invests to improve efficiency and effectiveness rather than merely maintaining assets. Over the past three years we allocated substantial capital resource into enhancing the quality of our manufacturing assets. The graph below represents the capital investment for Clover's production facilities.

Capital Expenditure and Depreciation



- **Factory machine availability**
Maintaining a high level of machine availability is vital for achieving higher throughput per hour, reducing product losses and reducing energy consumption. 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. Clover's machine availability averages have increased substantially over the past five years.

Machines available for usage



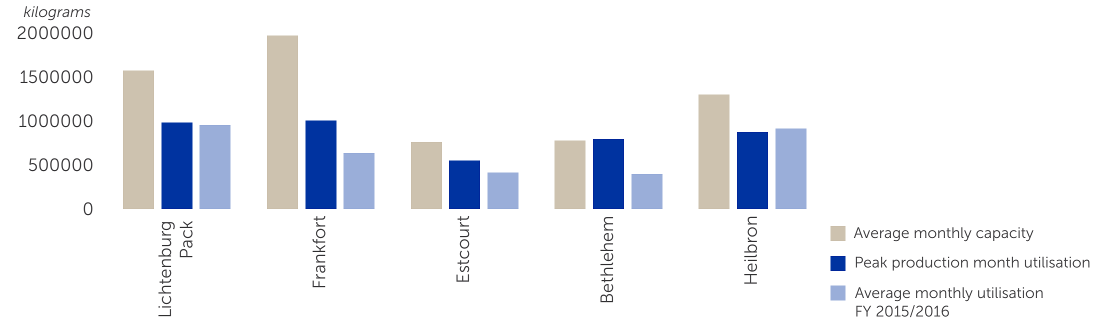
Best practice utilisation of production capacity

- **Capacity utilisation**
Sales growth is only possible if the manufacturing capacity exists to meet the higher volumes of production required. Clover's ability to manage manufacturing capacities is vital for ramping up to meet unexpected demand, or to reduce production when needed to keep unit production costs down. Clover's capacity utilisation per product group must remain within best practise parameters. Milk intake is seasonal, with an increased milk intake between August and January in any given year, so that certain factories work at full capacity in the seasonal peak cycle. Production reduces substantially in the off season. Clover's capacity during the seasonal peak determines limits for increased milk intake. As some products are highly seasonal, the average value and the peak (November) value have been utilised as being the most illustrative.

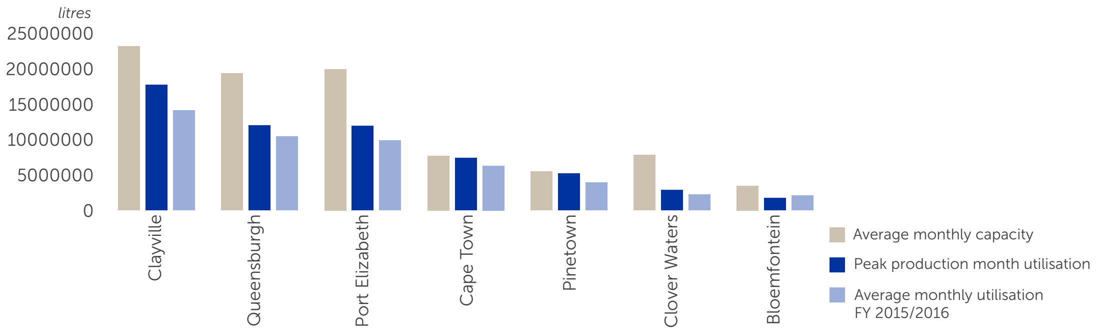
SA DIARY CHAMPIONSHIPS 2016

Clover won numerous 1st, 2nd and 3rd place awards in the butter, gouda, cheddar and feta cheese, flavoured milk and yoghurt categories

Concentrated factories capacity vs utilisation

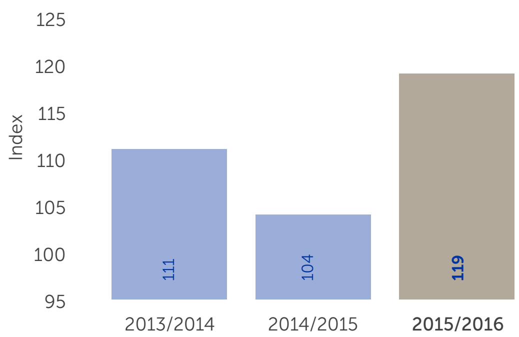


Liquid factories capacity vs utilisation



- **Material trade-offs and interdependencies between capitals**
  Continuous improvement and advancing technology directly impacts Clover's natural and human capitals. This requires continuous improvement in skill levels over time. The introduction of new working methods impacts on the amount of labour required per unit of production. As a result, Clover needs to measure production per man hour to help evaluate how Clover succeeds in improving output per labour hour worked, thereby reducing the total operational cost of the business. Productivity increased substantially in the 2015/16 financial year. Clover is investing in automation for repetitive tasks, improved software and working methods to keep on raising productivity.

Output per Man-hour



ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Occupational Health and Safety

Clover has a responsibility to provide safe and healthy working environments. Formal health and safety policies are in place, and are monitored. Standard health and safety procedures exist 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, for compliance with all applicable environmental legislation and the Occupational Health and Safety Act (OHS). Annual audits evaluate continuous health and safety improvement, supported by independent verification audits conducted every three years. Clover's Lost Time Injury Frequency (LTIF) rate, based on reportable injuries per million man-hours worked, improved on the previous year. The following table aggregates current Clover health and safety statistics. The number of people trained in health and safety reduced in the current year as this is not an annual requirement.

	Supply chain	
Description	**2015**	**2016**
Number of people receiving Health and Safety training (1 Person, 1 Course = 1)	1 090	**421**
Fatalities – People working under our control	1	**1**
Total Number of Recordable Injuries, including Medically Treated Cases, Lost Time Injuries and Fatalities	434	**610**
First Aid Cases – Persons working under our control	626	**566**
Reportable (Compensation Commissioner) lost time injuries for this financial year	147	**43**
Fatal Injury Frequency Rate (i.e. number of Fatalities per 200 000 person hours worked)[1]	0,0011	**0,011**
Lost Time Injury Frequency Rate (i.e. the number of LTIs per 200 000 person hours worked)	0,638	**0,562**

[1] *Please note figure for previous year has been restated.*

The following table lists Clover's Occupational Health and Safety appointees responsible for ensuring that all Clover premises comply with the highest safety requirements:

Executive summary	2015	2016
16.2 and Assistant[1]	37	**27**
Section 8.2[2]	39	**87**
GMR2[3]	28	**11**
SHE Reps[4]	234	**238**
Firefighters	277	**211**
First aiders	296	**255**
Stacking supervisors	24	**47**
Accident investigators	99	**114**
Emergency coordinators	30	**40**
Occupational Health Nurses[5]	19	**12**
SHE Officer/Manager	–	**15**

[1] *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.*
[2] *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.*
[3] *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 is used to supervise all machinery.*
[4] *Safety, health and environmental representative who represent all employees of the business.*
[5] *In 2015, Occupational Health Nurses and SHE Officers were reported in a combined figure of 19.*

Distribution

Clover's Primary Distribution Department moves all our products from factories to distribution facilities across South Africa. Every day, our Customer Call Centre receives electronic or telephonic customer orders and arranges deliveries from one of Clover's 25 distribution centres to approximately 20 545 delivery points in South Africa. Clover also has agreements with several major customers, for whom we provide distribution and in-store merchandising services.

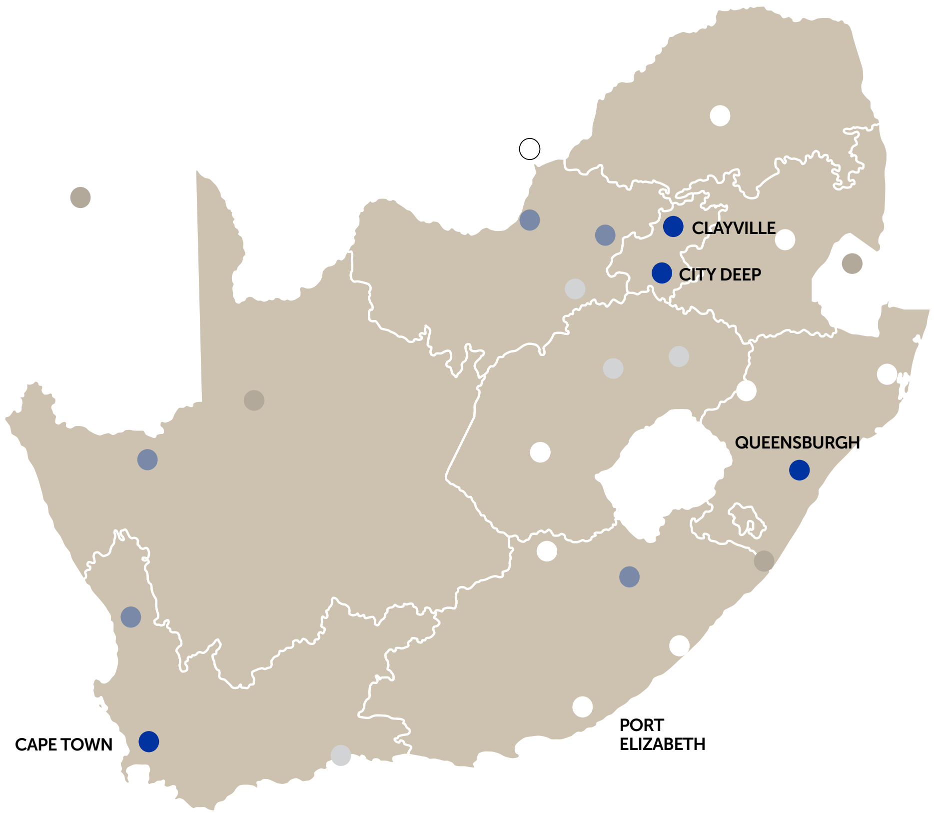
Stores receive direct deliveries of Clover products between two and five times per week, depending on sales volumes. Clover has over 548 delivery vehicles that deliver stock to approximately 20 545 delivery points. Over 800 SKU (stock keeping units) are stored, picked, delivered and merchandised in Clover's distribution network. More than 50% of all refrigerated dairy and processed meat products of all brands delivered to stores in South Africa are transported through the Clover Distribution Network.

Besides specialising in the distribution and sales of chilled products, Clover also handles significant quantities of non-perishable food products. Customers serviced by Clover include:

- Unilever
- Eskort
- RCL
- Orley Foods
- Epic Foods
- Enterprise
- Red Bull

The wide ranging distribution of products on behalf of third parties provides one of Clover's most valuable revenue streams.

Below is a depiction of Clover's distribution centres in South Africa:



Clover's distribution model for the informal settlements:

- has 9 801 informal stores serviced in this specialised distribution network
- recorded a sales growth increase of 64% from the previous year
- forecasts a sales growth of 55% for the next 12 months

Masakhane – "let's build together"

Masakhane (literally meaning "Let's build together") got off the ground in 2012 as Clover's first targeted approach to informal trading environments. The Masakhane objective is to grow sales in stores that do not form part of a Clover Key Account or Buying Group. Masakhane has enabled Clover to rapidly increase our reach into informal trading scenarios such as shacks, spaza shops, tuck shops, corner cafés, general traders and bottle stores.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Masakhane's initial 2012 customer base of 600 stores, has since expanded rapidly to 9801 informal stores. Sales growth for the Masakhane project over the last year was 64%, albeit off a small base. The Masakhane channel is poised for a forecasted 55% growth in sales over the next financial year.

CLOVER'S EMERGING MARKET SALES CHANNEL

Recent Nielsen research shows that spending at South Africa's informal stores account for 20% of all cash spent annually. These stores sold goods to the value of R64 billion last year and are growing their sales at 7% per annum, while formal stores are only registering 4% sales growth. This emerging market is not a single entity, but is a multitude of small informal stores, spazas, superettes and traders.

Clover's Masakhane emerging market sales channel is aimed directly at the informal store owners and customers, based on the backbone of Clover's national distribution network. By offering Clover and other branded products directly to these stores, Masakhane is a game changer in the industry. Informal stores now have access to quality products at affordable prices, which attracts new customers to the informal stores and creates a demand for nutritional products.

Clover Masakhane provides training directly to the informal store owners to provide the required commercial and supply chain expertise to further develop and sustain their stores. Masakhane is a definite catalyst for growth and job creation in the emerging market.

Clover Masakhane aims to create 1004 new and permanent jobs within the distribution and retail sector by 2020. Clover Masakhane recruits undergo sales and distribution training that equip Clover Masakhane entrepreneurs with the ability to carry out their daily responsibilities while preparing and developing them for formal trade.

Quality

QUALITY CONTROL OVER FINAL PRODUCT

All Clover products are produced in terms of international best practices for quality, hygiene and food safety. These are only formally released by the Quality department once assessed against these specifications. All South African Clover factories are HACCP certified and accredited by third party auditors. We comply with all international standards required for food safety and quality risk management systems. Clover Quality Assurance and Control deploys highly trained technicians in well-equipped laboratories to test our products at all production stages.

In this year of review, Clover implemented a programme to upgrade all our quality systems to comply with the latest and world-wide accepted FSSC 22000 Quality Management system. FSSC 22000 principles are being implemented throughout the 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

Clover's recent investments in upgrading our manufactured capital is building long term value for our stakeholders. We foresee future value creation in manufactured capital as follows:

SUPPLY CHAIN PLANNING 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
- 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.

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.

DISTRIBUTION

- Optimise the distribution network through real time monitoring of execution
- Distribution mobility by delivering 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.

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.

INTELLECTUAL CAPITAL

Trademarks and Patents

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

Jurisdiction	Number of trademarks	Number of designs
South Africa	442	9
Rest of Africa *	523	
Other countries*	1	

* *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 licence agreements. A second line of defence is the highly reputed patent and trademark attorneys we retain.

BRANDS AND REPUTATION

Over the years, Clover's Marketing Department has developed several deeply entrenched household brands. These include Clover, Tropika, Butro and Krush, just to name a few. These brands are kept fresh and relevant to their markets through continual marketing.

Clover has been a household name for more than a century and has played an integral role in the development of South Africa's dairy and fast moving consumer goods industry. Today, Clover is a high profile branded consumer goods and products group with core competencies in producing dairy and non-dairy beverage consumer products, distribution of chilled and ambient consumer products, and the sales and merchandising of consumer goods.

Clover regularly wins awards that confirms its status as a trusted household name. Some awards bestowed on Clover include:

- winner of South Africa RepTrak® 2016 most reputable company in South Africa award
- numerous 2016 SA Dairy Championships awards
- Product of the year 2016 winner: Tropika 200ml
- winner of Reader's Digest's Most Trusted Brands for 2015
- South Africa's leading Iconic Brand in the fresh milk, cream and cheese category for 2015 and milk, feta and condensed milk in 2016

Clover's market share in major dairy product categories was as follows:

	Clover's Percentage Market Share as at 30 June 2016
Fresh Milk	24,1
UHT Milk	14,4
Cream	28,8
Feta Cheese	28,0
Pre-packed cheese	23,8
Liquid custard	7,7
Processed Cheese slices	15,4
Pure Fruit Juice	42,9
Dairy Fruit Mix	79,3
Iced Tea	17,5
Bottled Water (Including Aquartz and Nestle)	10,9
Flavoured Milk	25,6
Maas	9,3
Yoghurt	8,3

Source: Nielsen Report 30 June 2016 (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.

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.

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.

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.

Aquartz Natural Mineral Water

Aquartz is a natural mineral water bottled directly at source, to ensure the highest quality, purity and safety. The Aquartz water source is a naturally sweet mineral water that is low in salts. Aquartz is available in natural mineral water or in sparkling flavoured water options and is also complemented by a flavoured water range.

Nestlé Purelife Mineral Water

Nestlé Purelife is a pure, still or sparkling mineral water that is bottled directly at its unique source. Its balance of minerals and crisp mouth sensation 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". A campaign is underway to broaden the appeal from being a breakfast drink to an all-day, any time refreshment with an extended consumer target market.

Clover Life Nectar

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

Tropika

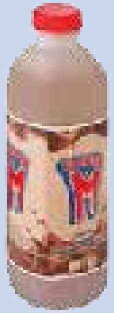
Tropika is made from a combination of fruit juice and dairy, which results in a unique smooth tasting beverage. After 31 years in the South African market, Tropika is still the market leader and the bestselling dairy fruit mix beverage in South Africa.

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 are then blended with a variety of fruit flavours or fruit blend combinations for a refreshing and tasty ready to go Iced Tea.

Clover Krush

Clover Krush is a premium, 100% fruit juice blend, available in 10 exciting flavours and catering 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.



Super M

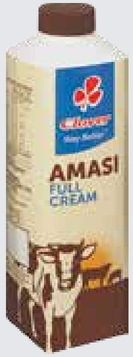
Super M is the coolest teenage flavoured milk. It is available in four great flavours: chocolate, strawberry, banana and cream soda. Where the competing market leading brand's strategy is based on flavour, offering a variety of flavours for each consumer, Super M decided to follow global trends and offer 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 comprises above 80% Clover Milk, with added Clover Cream, vitamins, protein and calcium.



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. Its improved recipe now offers a creamier taste, bigger and crunchier fruit pieces than before, and 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 its successful launch in January 2015, Clover Classic Yoghurt already achieved a market share of 9,2% in the Smooth Yoghurt category.

FUTURE VALUE CREATION BY EXPANDING CLOVER'S BRAND BASKET

Clover Nolac

Clover Nolac is an innovative, great tasting, quality milk product for lactose intolerant people and those avoiding lactose an easy to digest and nutritionally boosted product in an easy, convenient format. This product is also enriched with calcium and vitamin D, which are nutrients known to be lacking in the diet of a lactose intolerant person. Clover Nolac will be launched in September 2016 and will be available in Fresh and Long Life options.

Clover Care

Clover Care Enriched Full Cream Milk is a quality tasting milk that is now enriched with vitamins, amino acids and minerals to give the whole family the nutritional boost they need to stay healthy. This innovative product delivers all the nutrients consumers are looking for in an easy, convenient format, without the expense of multivitamins. Clover Care is the first of its kind in South Africa and will be launched in September 2016. It is available in Fresh and Long Life options.

Frankies Olde Soft Drink

Clover Frankies offers the current Frankies range of carbonated soft drinks, ice lollies and hot chocolate to the market. The Frankies product brings original, unique and innovative flavours to the already established Clover brand.

Clover Numel

Clover Numel is the first product of its kind in South Africa which is a long life dairy blend of full cream or low fat milk, cream, whey powder and buttermilk powder with added vitamins and minerals. Numel is a product that will help consumers get more value for their money without losing out on quality. This product is ideal to use in cooking, baking, on cereals and in tea and coffee. This product was launched in June 2016.

Clover “Sip Up” Drinking Yoghurt

Sip Up is a nutritious and trendy yoghurt that will help curb daytime hunger while providing all the nutrients for healthy bodies. The trendy bottle is convenient and practical, making it a great on-the-go snack. Sip Up is a great source of 10 vitamins, calcium and sustained energy all day long.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Licence and memberships

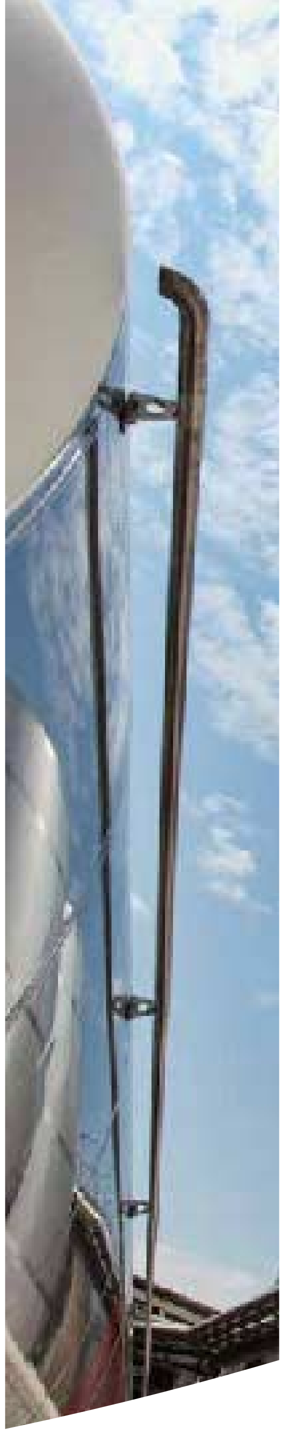
Clover is constantly looking for ways to improve its business, methods and record keeping. Introducing state of the art systems to automate and gain further insight into business functions, enables Clover to be "Way Better".

The following table lists some of Clover's significant IT and systems licences:

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 people are encouraged to join institutions that offer knowledge and networking. Clover, as an organisation, and our people belong and contribute to the following associations:

Capitals	Memberships or Professional Institutions
Human Capital	Institute of Directors
Natural Capital	Cape of Good Hope Agricultural Society Central Agricultural Society South African Juice Association Milk SA 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



ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Clover's association with the following institutions supports and informs our internal corporate governance:

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

Commercial sales

Clover stays ahead of changes in existing markets, while entering new markets and product categories. In summary, this is the ethos and strategy of Clover's Commercial Sales department.

In the Clover context, vertical growth is essential. We have made major improvements in assimilating customer insights, analytics and research. Our sales teams have introduced new concepts in selling, in which consumers are attracted to bigger basket buying and reward programmes that ensure sales right through until till point.

Clover's horizontal growth will be driven by improving structures and implementing new route-to-market methods, while building up support systems and processes. Our Masakhane project is a major driver of this process.

FUTURE VALUE CREATION: IBM, LEADERS OF CHANGE AND INNOVATION

Collaboration with our customers is critical to maintaining close working relationships with our retailer partners. Clover has therefore embarked on a project with IBM, called Kolabo, to enable "well-informed" business decisions at all levels of management. The Kolabo project will enable Clover to make use of "big data" analytics to provide insights into market dynamics, consumption trends and the needs of our retailers.

CLOVER MERCHANDISING IS "WAY BETTER!"

Clover presently utilises approximately 2 385 permanent merchandisers to service over 3 000 retail and wholesale outlets. These merchandisers generally work a maximum of 45 hours per week, which may include some weekend servicing of clients.

Clover's merchandisers liaise closely with store management and Clover sales staff to ensure that our products are correctly placed in retail stores and are available at all times in the correct quantities.

In 2016, Clover continued to roll out the CAMPRO Project to improve and standardise the "way we worked". The CAMPRO project continues to yield results, prompting one of our major retailer clients to request using it for their own company processes.

DISTRIBUTION FOR THIRD PARTIES

Clover leverages our standard setting distribution system to provide sales and/or distribution services to many leading companies, as listed on page 122.

INFORMATION SYSTEMS

Clover's in-house Information Technology (IT) Department provides the digital backbone for all our management systems. Clover's IT governance and its independent assurance is outlined in the Governance, Risk and Compliance Report, on page 70.

Clover's Commercial Sales division and our IT department are working with IBM to implement an analytical platform for customer collaboration and data analytics. Once operational, this platform will be expanded to other business areas to provide improved analytics and business insights. In manufacturing, for example, improved analytics around machine maintenance can result in a major reduction in scrap, downtime and related costs. We could also align the system to Clover's HR and access control systems to generate savings from overtime management.

Clover is examining mobile solutions to automate and/or improve many routine operations. Smartphone and tablet applications could speed up administrative processes such as credit notes, overtime, driver reconciliations and delivery turn-around times.

Clover is presently implementing an integrated Supply Chain Planning System to ensure that sales, production and logistics planning activities are synchronised and optimised for:

- improved order fulfilment
- reduced finished goods inventory levels and holding costs
- reduced raw material and packaging inventories
- less waste
- improved production throughput.

This system will enable improved tactical and forward scenario planning to make Clover more responsive to market dynamics, while also increasing our demand forecasting accuracy.

Clover continuously evaluates changing trends in technology to identify systems that can generate maximum value to our business, customers and shareholders. We are is examining the adoption of cloud services, big data, collaboration, mobility and analytics for improving process efficiencies and enhancing customer experience. Our business is all about partnerships, therefore technologies should be introduced that will enhance and deepen these relationships.

PRODUCT INNOVATION AND TECHNOLOGY

As the owner of numerous household brands, Clover needs to continuously refine its marketing strategy. We do this by acquiring or developing new value added products for integration into our brand portfolios. New products are developed by Clover's in-house Product Innovation and Technology Department (PIT), or through joint ventures. PIT constantly seeks to improve Clover's current product offerings by revising product formulations and packaging, with an emphasis on 'greener' alternatives. Ideally, these projects should also result in cost savings. PIT's project engineering section oversees the construction of new factories and production lines.

SOCIAL AND RELATIONSHIP CAPITAL

Clover Mama Afrika

GOOD CORPORATE CITIZENSHIP

Good business also means being accountable for our legal, ethical and economic responsibilities. Clover works to provide the profitability our shareholders expect, while aiming to improve the quality of life in the communities where we operate.

The Clover Mama Afrika Trust commenced 12 years ago, in 2004. Since then, Clover Mama Afrika has developed an enviable reputation as one of South Africa's most innovative, effective and sustainable corporate investment programmes, bringing tangible benefits to vulnerable people.

Clover Mama Afrika sets out to restore some of the finest African traditions into modern life, such as caring for one another, passing on skills and protecting the young, the weak and the aged, as well as HIV/Aids victims. Today, the Clover Mama Afrika project strongly emphasises assisting people in disadvantaged communities 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 are already pillars of strength in their communities. Hand-picked by Clover, the mamas are outstanding community icons who empower others to also become community pillars. Clover Mama Afrika passes on essential skills such as cooking, baking, sewing, quilting, mosaic, egg laying projects, welding, hairdressing and food gardening, among others. Based on their skills, the chosen mamas receive tools, equipment and infrastructure needed to create incomes for their communities. Over the last 12 years, Clover Mama Afrika has appointed 42 Mamas to collectively care for over 15 500 children and more than 2 500 elderly people.

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 skill-training, Clover Mama Afrika provides start-up equipment to allow for immediate income generation and the passing on of skills.
- **Site improvement:** Clover Mama Afrika assists communities with repairs and renovations to needed infrastructure, such as ablution facilities. Mama's require the facilities to create safe havens for their charges.
- **Monitoring and Evaluation:** Clover regularly evaluates each self-help project to identify where interventions may be required to keep them on track.
- **Partners:** Clover Mama Afrika should ideally partner with other organisations and individuals to most effectively embed sustainability into the fabric of South African society.

Hugely important to the success of Clover Mama Afrika is the open-hearted attitude of the programme's corporate partners and sponsors. Professor Elain Vlok, Clover's manager of Corporate Services, drives Clover Mama Afrika with passion, dedication and insight. She believes that the programme's continuing success is built on a generosity of spirit that is the very essence of Africa's Ubuntu concept, which means "I am what I am because of who we all are".

Blue chip partners that contribute to the success of Clover Mama Afrika and co-fund 40% of its expenses include the:

- HCI Foundation
- Eqstra Flexi Fleet
- MiX Telematics.

FLTR: Shirley Machaba, PWC's Southern Africa Board Chairman, The Honourable Susan Shabangu, Minister in the Presidency responsible for Women, Prof Elain Vlok and Colleen Larsen, CE Business Engage.

On 1 September 2016, Clover Mama Afrika won the prestigious Gender Mainstreaming Award under the JSE listed category for Empowerment of Women in the Community Award.

"This accolade means a lot to us as it acknowledges our good work and we are truly proud. We were up against Vodacom and Barclays but took our award with pride and we will continue with this work Way Better all the way." says Prof Elain.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

SUSTAINABLE IMPACT OF CLOVER MAMA AFRIKA

Skills training	Clover Mamas/ members trained 2015	Clover Mamas/ members trained 2016	Operating Clover Mama Afrika centres 2015	Operating Clover Mama Afrika centres 2016	Skills transferred to fellow community members 2015	Skills transferred to fellow community members 2016	Employed members earning wages/ salaries as reported 2015	Employed members earning wages/ salaries as reported 2016
Sewing	115	**121**	26	**22**	1 707	**1 757**	60	**61**
Bread Baking Project	577	**695**	24	**23**	1 880	**2 005**	98	**98**
Cooking & Baking	84	**97**	22	**21**	970	**1 072**	53	**53**
Food Gardens	557	**557**	21	**16**	744	**775**	40	**39**
Quilting	48	**50**	13	**13**	333	**345**	18	**18**
Crochet/Knitting	28	**28**	16	**14**	570	**569**	15	**15**
Hairdressing	27	**32**	4	**4**	118	**141**	17	**17**
Pottery/New Earth pottery	1	**1/6**	1	**1**	20	**24**	3	**3**
Egg farming	12	**14**	3	**4**	45	**42**	9	**6**
Flower Arrangement	41	**41**	13	**10**	576	**579**	15	**15**
Beadwork	21	**21**	15	**11**	338	**359**	22	**22**

ADDED VALUE SKILLS

Skills training	Clover Mamas/ members trained 2015	Clover Mamas/ members trained 2016	Operating Clover Mama Afrika centres 2015	Operating Clover Mama Afrika centres 2016	Skills transferred to fellow community members 2015	Skills transferred to fellow community members 2016	Employed members earning wages/ salaries as reported 2015	Employed members earning wages/ salaries as reported 2016
Art/Mosaic	40/0	**40/7**	23	**21/11**	574	**618**	17	**17**
Welding	8	**9**	7	**5**	0	**24**	0	**0**
Mobile phones/Save a Child	79/0	**79/175**	36/0	**13/26**	0	**0**	0	**0**
Basic Admin/Finance	45	**49**	27	**27**	0	**0**	0	**0**
Totals	1 683	**2 022**			7 875	**9 089**	367	**364**

* *Food gardens feed over 6000 members per day.*

Clover Mama Afrika is an award winning example of sustainable and effective corporate social investment (CSI) that is making a real difference to the lives of many needy South Africans.

In this period of review, Clover received the maximum score under the Socio-Economic Development element of the B-BBEE balanced scorecard.

Clover remains committed to supporting Clover Mama Afrika.

Record of sponsorship and charitable givings

Clover's sponsorship budget for the period under review was submitted and approved by executive management, which takes responsibility for tracking, accounting and reporting to our Social and Ethics Committee on all Clover's sponsorships, donations and charitable givings. Each business unit maintains the documentation to enable transparent reporting. Clover provides sponsorships to earn brand awareness, corporate identity or consumer loyalty that is aligned with Clover's vision and mission. The accompanying table lists Clover's contributions to the Clover Mama Afrika project:

RECORD OF SPONSORSHIPS AND CHARITABLE GIVINGS (CMA)

	2015	2016
Education/Training/Skills Development	2 867 070	**2 747 337**
Infrastructure Development	1 458 855	**849 101**
Other charitable givings	869 461	**995 467**
Donation of Clover Products (gifts in kind)	95 588	**606 889**

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

2016
Gender Mainstreaming Award

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

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

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

Trained 2 022
individuals in no less than **15 skills.**

364 jobs created
and skills transferred to over **9 000 fellow members.**

16 Food gardens
are able to feed well over **5 612 people daily.**

Clover Mama Afrika have received **20 prestigious awards**

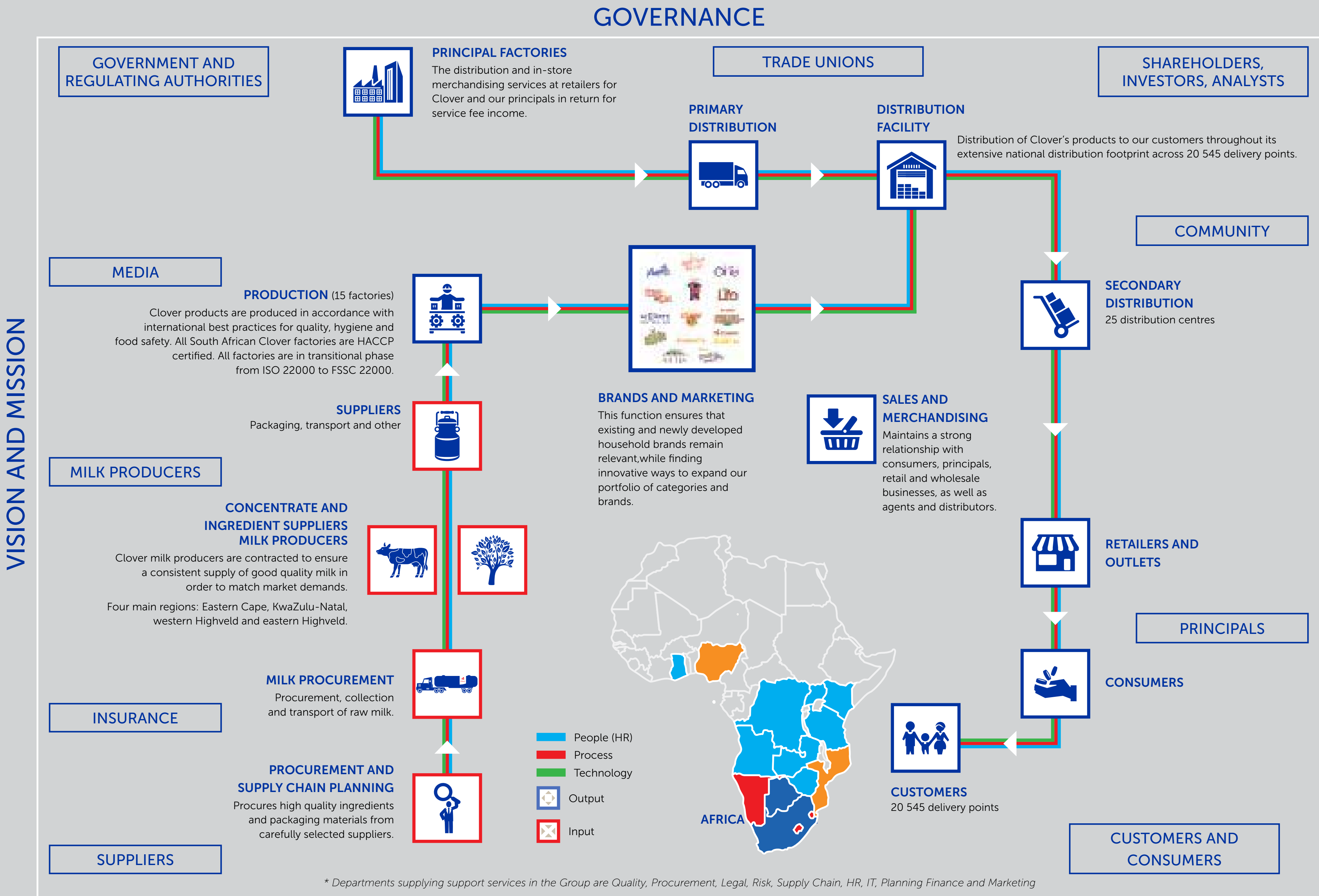
TOMORROW

To have more than 50
Clover Mama Afrikas **countrywide.**

More regular training
in selected skills 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.**


GOVERNANCE
VISION AND MISSION
GOVERNMENT AND REGULATING AUTHORITIES
PRINCIPAL FACTORIES
The distribution and in-store merchandising services at retailers for Clover and our principals in return for service fee income.
TRADE UNIONS
SHAREHOLDERS, INVESTORS, ANALYSTS
PRIMARY DISTRIBUTION
DISTRIBUTION FACILITY
Distribution of Clover's products to our customers throughout its extensive national distribution footprint across 20 545 delivery points.
COMMUNITY
MEDIA
PRODUCTION (15 factories)
Clover products are produced in accordance with international best practices for quality, hygiene and food safety. All South African Clover factories are HACCP certified. All factories are in transitional phase from ISO 22000 to FSSC 22000.
SECONDARY DISTRIBUTION
25 distribution centres
SUPPLIERS
Packaging, transport and other
BRANDS AND MARKETING
This function ensures that existing and newly developed household brands remain relevant,while finding innovative ways to expand our portfolio of categories and brands.
SALES AND MERCHANDISING
Maintains a strong relationship with consumers, principals, retail and wholesale businesses, as well as agents and distributors.
MILK PRODUCERS
CONCENTRATE AND INGREDIENT SUPPLIERS
MILK PRODUCERS
Clover milk producers are contracted to ensure a consistent supply of good quality milk in order to match market demands.
Four main regions: Eastern Cape, KwaZulu-Natal, western Highveld and eastern Highveld.
RETAILERS AND OUTLETS
PRINCIPALS
CONSUMERS
MILK PROCUREMENT
Procurement, collection and transport of raw milk.
INSURANCE
People (HR)
Process
Technology
Output
Input
AFRICA
CUSTOMERS
20 545 delivery points
PROCUREMENT AND SUPPLY CHAIN PLANNING
Procures high quality ingredients and packaging materials from carefully selected suppliers.
SUPPLIERS
CUSTOMERS AND CONSUMERS
* Departments supplying support services in the Group are Quality, Procurement, Legal, Risk, Supply Chain, HR, IT, Planning Finance and Marketing

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Governing stakeholder relationships/consumer relationships

Clover actively engaged with all our stakeholders throughout the year under review. We have identified and prioritised our material stakeholders and evaluated their interests.

As part of risk management, Clover considers how to engage with each recognised stakeholder group. Our most significant stakeholders are those that can materially influence the attainment of Clover's strategic objectives. These groups or individuals can be affected by Clover's actions and operations or their operations can materially impact on Clover's operations.

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 • 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 • 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 • 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 timely business information and strategic information, Clover can put its strategy into action	A stimulating and gratifying work environment, while offering prospects to meet career growth aspirations	• Health and safety • Ongoing training and development • Open communication between employees and managers • Transformation in line with EE Plan • Access to HIV counselling and employee wellness programmes.	SHE Policy, EE Plan Employment policy
Government and regulating authorities	Personal meetings, written and verbal communication, through business organisations, Parliamentary portfolio committees	Government gives us our licence to operate and provides the enabling regulatory framework	Continued contribution to the economic growth and social upliftment of the communities in which we operate. Exercise good corporate governance practices while ensuring compliance with all applicable legislation	• Increased contribution to the South African economy, including job creation and youth development • Good corporate citizenship • Timeous payment of taxes • Empowerment, transformation and adherence to the revised BEE Codes • Reduction of energy and water consumption • Disclosure and management of carbon emissions • Provide input on policy changes in the agricultural sector and food security.	Public participation
Insurers	Meetings and site surveys	Ensure Clover has insurance cover for potential loss events that would be material	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 • Non-compliance to legislation.	Protocol to respond to media set in social media policy
Milk producers	Circulars, regional individual and group meetings with producers, media and the Clover producer forums	Clover's milk producers provide good quality raw milk used in manufacturing of our dairy products	A stable market for milk produced for delivery to Clover	• Large fluctuations in milk prices • Increases in farm overhead costs • Land reform.	Producer agreements

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

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
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 Clover's AGM to vote on resolutions and to discuss relevant issues with the 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 • Effective risk management process • Stable IT systems.	Price sensitive information policy, Insider trading policy, ERM policy, Governance policy and Code of Ethics
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 • efficiency with imports.	Procurement policies
Trade unions	Regular meetings with trade unions and collective bargaining forums	To engage organised labour in a positive manner on matters affecting their members as well as other matters of mutual interest	Positive work relationships in dealing with matters sensibly during negotiation processes	• Provision of competitive remuneration packages and safe working conditions	Collective bargaining agreements

Compliance with consumer relationship legislation

Regulation 43(5)(a)(iv) of the Companies Act (Act No 71 of 2008) requires companies to monitor their consumer relationship activities. These activities include Clover's advertising, public relations and compliance with consumer protection laws.

We manage our consumer relations through the Clover Consumer Centre (CCC), which deals with complaints and enquiries. Clover deploys expert consultants to manage queries and protect our brands, while ensuring compliance with the Consumer Protection Act.

During the year under review, Clover received 8 792 complaints of which 1 390 were accepted and 7 402 were rejected due consumers being at fault in handling products or products being mishandled at distribution or store level. This is a 11,7% decrease from the previous reporting period.

Type of call	Description
Priority 1	**Critical calls** Complaint which can: • damage the image of Clover or the Clover brand name • threaten the health or safety of the consumer and/or Clover personnel • hold a contamination threat to the environment • result in a consumer suffering damages as a result of a Clover product • possibly result in negative publication in the media • possibly result in legal action against Clover • possibly result in the consumer referring the matter to the Consumer Council.
Priority 2	**Client requests feedback in writing** The complaint receives urgent attention and the consumer is kept informed by the head of the Consumer Centre until such time as the investigation is completed and complies with the requirements of the consumer.
Priority 3	**Client wants to speak with manager** Complaints, which are not satisfactorily dealt with by the consultant and where the consumer insists on communicating with the head of the Consumer Centre, the complaint must be escalated for 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.

Public and Investor relations

Clover's Corporate Services department is responsible for public relations. No Clover employee may comment or conduct any interviews with the media on behalf of Clover without the express permission of Marcelo Palmeiro, who is assisted by Company Secretary Jacques van Heerden and Prof Elain Vlok (Manager: Corporate Services) when required. With regards to Investor Relations, this function is delegated to Johann Vorster (Chief Executive), Elton Bosch (Chief Financial Officer) and Jacques van Heerden (Company Secretary), who are responsible for all investor communications. They are assisted by an independent and professional agency.

ETHICAL OPERATIONS: REPORTING ON THE SIX CAPITALS (continued)

Compliance with Consumer Protection Laws

Clover has taken proactive steps to be fully prepared for the application of the Consumer Protection Act (CPA). High-level induction programmes to key Clover individuals regarding the potential effect of the application of the CPA are ongoing. The process of establishing a CPA Centre of Excellence, which will enable Clover to maintain its commitment towards compliance with laws and regulations, is underway. The marketing department provides the Social and Ethics Committee with regular reports on its activities, enabling 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 of Product Innovation and Technology are responsible for the annual review of the company's compliance with regards to the following acts:

- the Consumer Protection Act
- Food stuff, Cosmetics and Disinfectants Act
- other labelling legislation
- 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 70 to 80.

Financial capital

For information on the financial capital, refer to the Chief Financial Officer's report on page 34 and the Annual Financial Statements that follow.

Combined assurance

Although King III requires that sustainability reporting be independently assured, Clover has obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework in the table on the right. Clover intends enhancing our 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 Regulation 43 of the Companies Act, as well as King III, are incorporated into Clover's risk universe. These are monitored under Clover's risk management process as described more comprehensively in the Governance section.

Furthermore, legal compliance with Regulation 43 of the Act is described fully under the Six Capitals 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 monitored and addressed all lines of defence as depicted on the table on page 77. In the opinion of the Social and Ethics Committee, based on the information provided to it, the statements made in our report, fairly reflect Clover's standing.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee ("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 70. As required by the Companies Act of 2008, the Committee has reviewed the information reported by management in the Report on the Six Capitals. In the opinion of the Committee the report fairly sets out Clover's standing in terms of the matters specified in regulation 43 to the Companies Act 2008 in respect of the year ended 30 June 2016 and will be presented to shareholders at the forthcoming Annual General Meeting.

Ms Neo Mokhesi
Chairperson: Social and Ethics Committee

12 September 2016

COMBINED ASSURANCE ON SIX CAPITALS

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

Capitals	Internal Audit and Other Independent Assurance Providers: Clover's 3rd line of defence
Human Capital	• Clover was assessed as a Level 4 contributor in the last B-BBEE assessment performed by Net Value Holdings in respect of Clover's June 2015 year-end.
Natural Capital	• External Safety, Health and Environmental legal compliance audits were performed at production and some distribution sites by SGS. These audits are performed every three years. • Internal audit conducted a readiness assessment on Clover's carbon emissions disclosure against sustainability framework guidelines, such as GRI.
Manufactured Capital	• Clover adopted FSSC 22000 which the latest international standard for Food Safety and Quality Management systems. All factories are in transitional phase from ISO 22000 to FSSC 22000. Annual certification is performed by SGS. • All South African Clover factories are annually certified by SGS on HACCP standards. • SGS performed SIIR certification on behalf of the Botswana Government on all factories exporting to Botswana. • Clover engaged in independent third party audits performed by customers such as Woolworths, Kraft, Nestle, Unilever and others. These audits are performed against international food safety standards. • Clover was subject to SEDEX audits from our clients on an ad hoc basis on selected factories. • Internal safety audits were performed by Clover personnel and Makrosafe, covering all Clover distribution sites. • Marsh performed fire risk surveys over a three-year cycle of all Clover material sites. • External audits were performed on assets. • Internal Audit performed independent reviews on Production Inventory Management and the Production Process. • Property valuations are performed every three years by The Property Partnership. Replacement values from these valuations are used to adequately insure sites.
Intellectual Capital	• Clover brands have won numerous accolades, confirming our status as a trusted household name. • Clover's portfolio of trademarks and patents are managed by Adams and Adams attorneys. • Internal audit provided independent assurance over the Risk Management Function.
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 2015. • Clover received a full allocation of points on our Social Economic Development as assessed in respect of Clover's June 2015 year-end by Net Value Holdings.
Financial Capital	• External auditors assessed management's representation over material internal financial controls. • Clover received an unqualified audit opinion by external auditors. • Internal Auditors performed various financial control audits and provided a statement on material financial controls and governance as required by King III.

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 72)

MERCHANDISING –

- Clover has 2 385 permanent merchandisers placed in retail stores.
- The number of retail and wholesale outlets serviced by Clover amounts to 3 000.

ANNUAL FINANCIAL STATEMENTS

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

AUDIT AND RISK COMMITTEE REPORT

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

Audit and Risk Committee membership and attendance at meetings

The Audit and Risk Committee comprises only Independent Non-executive Directors. The Chief Executive, Chief Financial Officer and other executives attend meetings of the Audit and Risk Committee by invitation and actively engage in these meetings. Other Non-executive Directors may attend if they so wish. The Audit and Risk Committee was duly appointed by the shareholders at the Annual General Meeting on 27 November 2015. Shareholders will again be asked to approve the appointment of the members of the Audit and Risk Committee for the 2016/17 financial year at the Annual General Meeting scheduled for 28 November 2016. 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 73 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 2016, 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 2016.

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;

AUDIT AND RISK COMMITTEE REPORT (continued)

- 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 company Annual Financial Statements of Clover Industries Limited for the year ended 30 June 2016 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 2016 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.

B Ngonyama

Chairperson of the Audit and Risk Committee

12 September 2016

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 2017. 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 consolidated and separate financial statements have been prepared under the supervision of the Chief Financial Officer, Mr. Elton Bosch (CA) SA and have been audited in terms of the Companies Act of South Africa.

The consolidated and separate Annual Financial Statements, set out on pages 154 to 240, which have been prepared on the going-concern basis, were approved by the Board of Directors on 12 September 2016 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

12 September 2016

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

To the shareholders of Clover Industries Limited

We have audited the consolidated and separate financial statements of Clover Industries Limited set out on pages 154 to 240, which comprise the consolidated and separate statements of financial position as at 30 June 2016, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate 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 directors are responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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 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 management, 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 financial statements present fairly, in all material respects, the financial position of Clover Industries Limited as at 30 June 2016, 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 financial statements for the year ended 30 June 2016, 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 consolidated and separate 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.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Ernst & Young Inc. has been the auditor of Clover Industries Limited for 22 years.

Ernst & Young Inc.

Ernst & Young Incorporated
Director – Sarel Jacobus Johannes Strydom
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Sandton
Johannesburg

12 September 2016

DIRECTORS' REPORT

The Directors present their report on the activities and the financial statements for Clover Industries Ltd ("CIL") and the Group in respect of the year ended 30 June 2016.

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:

	2016 R'm	2015 R'm
Revenue	**9 818,7**	9 266,3
Total comprehensive income attributable to equity holders of the parent Company	**379,8**	353,6

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, Clover S.A. Proprietary Limited ("CSA") (a wholly-owned subsidiary of the Company) has acquired 51% of the issued share capital of Clover Good Hope Proprietary Limited ("Clover Good Hope"). Good Hope International Beverages (SA) Proprietary ("GHIB") sold its business to Clover Good Hope for a consideration of R5 million, effective 1 May 2016 and in return holds an equity stake in Clover Good Hope of 49% of the issued share capital (see note 3.1). The business includes soy based fluid products and other beverages. The agreement provides for a Put Option against CSA exercisable after the third anniversary of the effective date and a Call Option in favour of CSA exercisable after the fifth anniversary of the effective date (see note 14.1).

In addition, Clover S.A. Proprietary Limited ("CSA") (a wholly-owned subsidiary of the Company) has acquired 51% of the issued share capital of Clover Frankies Proprietary Limited ("Clover Frankies"). Frankies Close Corporation ("Frankies") sold its business to Clover Frankies for a consideration of R12,96 million, effective 1 November 2015 and in return holds an equity stake in Clover Frankies of 49% of the issued share capital (see note 3.2). The business includes carbonated soft drinks (CSD) manufacturing, marketing and distribution business ("CSD Business"), inventory and intellectual property. The agreement provides for a Put Option against CSA and a Call Option in favour of CSA, both are exercisable after 30 June 2019 (see note 14.1).

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

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 27 November 2015 and is valid until 28 November 2016. 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.

During the period 1 December 2015 to 22 June 2016 the Company issued 2 583 212 (2015: 5 252 549) 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 2016.

Dividends

Dividends declared and paid by CIL during the year:

	2016 R'000	2015 R'000
Ordinary dividends		
Declared	**108 755**	71 624
Paid	**108 755**	71 624

The Board declared and paid an interim cash dividend of R46,1 million (2015: R42,4 million) or 24,21 cents (2015: 22,6 cents) per ordinary share during March 2016. It further declared a final dividend of R77,9 million or 40,94 cents per ordinary share, bringing the total dividend for the year to R124 million (2015: R105,1 million) or 65,15 cents (2015: 56,0 cents) per ordinary share.

Declaration of dividend number 13

Notice is hereby given that the directors have declared a final gross cash dividend of R77,9 million or 40,94000 cents (34,79900 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2016.

The dividend has been declared from income reserves.

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

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

The issued share capital at the declaration date is 190 314 350 ordinary shares. The salient dates will be as follows:

Last day to trade to receive a dividend	Tuesday, 11 October 2016
Shares commence trading "ex" dividend	Wednesday, 12 October 2016
Record date	Friday, 14 October 2016
Payment date	Monday, 17 October 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 October 2016 and Friday, 14 October 2016, both days inclusive.

Directors and Company Secretary

Particulars of the present Directors and Company Secretary are listed on pages 52 to 53 and page 150.

Share-based compensation

On 30 June 2016, 2 679 262 SARs were issued to executives at an issue price of R18,44. These SARs will vest three years after the issue date and are subject to vesting conditions. SARs not exercised will be cancelled five years after the allocation date.

DIRECTORS' REPORT (continued)

On exercise executives will be entitled to a payment equal to the increase in the CIL ordinary share price over the allocation 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 and note 32.

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 70 to 80.

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 R366,7 million (2015: R468,1 million) and R56,4 million (2015: R21,6 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 27 November 2015:

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 2015 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

12 September 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
9 102 469	8 272 084	Sales of products			
684 496	838 112	Rendering of services			
22 769	152 822	Sale of raw milk			
8 983	3 233	Rental income			
9 818 717	9 266 251	**Revenue**			
(7 025 497)	(6 482 147)	Cost of sales	6.1		
2 793 220	2 784 104	**Gross profit**			
73 688	58 039	Other operating income	6.2	**44 945**	49 369
–	–	Dividends received		**100 000**	50 000
(1 944 333)	(1 996 467)	Selling and distribution costs			
(300 461)	(309 041)	Administrative expenses		**(12 937)**	(13 415)
(8 493)	(8 472)	Restructuring expenses	6.7	**–**	(75)
(49 171)	(19 091)	Other operating expenses	6.3		
564 450	509 072	**Operating profit**	6.4	**132 008**	85 879
10 139	9 041	Finance income	6.5	**3 438**	2 784
(122 964)	(83 105)	Finance cost	6.6	**(14)**	(56)
14 268	10 939	Share of profit in joint ventures after tax	4		
465 893	445 947	**Profit before tax**		**135 432**	88 607
(113 992)	(100 286)	Taxation	7	**(9 925)**	(10 430)
351 901	345 661	**Profit for the year**		**125 507**	78 177

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

for the year ended 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
351 901	345 661	**Profit for the year (carried forward from previous page)**		**125 507**	78 177
		Other comprehensive income to be reclassified to profit or loss in subsequent periods			
26 461	3 268	Exchange differences on translations of foreign operations, net of tax	21.1		
(1 905)	3 268	Exchange differences on translations of foreign operations			
28 366	–	Reclassified to profit or loss			
–	–	Income tax effect			
2 412	–	Net gain on cash flow hedges, net of tax	21.2		
(22 500)	–	Cash flow hedge fair value adjustment			
25 850		Reclassified to profit or loss			
(938)	–	Income tax effect			
28 873	3 268	Net other comprehensive income to be reclassified to profit or loss in subsequent periods			
380 774	348 929	**Total comprehensive income for the year, net of tax**		**125 507**	78 177
		Profit attributable to:			
350 906	350 345	Equity holders of the parent		**125 507**	78 177
995	(4 684)	Non-controlling interests			
351 901	345 661			**125 507**	78 177
		Total comprehensive income attributed to:			
379 779	353 613	Equity holders of the parent		**125 507**	78 177
995	(4 684)	Non-controlling interests			
380 774	348 929			**125 507**	78 177
		Earnings per share (cents)			
185.9	190,4	Basic profit for the year attributable to ordinary equity holders of the parent	8		
181.8	182,0	Diluted profit for the year attributable to ordinary equity holders of the parent	8		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
		Assets			
		Non-current assets			
2 323 216	2 153 451	Property, plant and equipment	11	**233**	234
15	23	Investment properties	12		
612 191	567 557	Intangible assets	13		
		Investment in subsidiaries	30	**326 735**	334 819
31 651	31 625	Investment in joint ventures	30		
5 657	–	Other non-current financial assets	14.1		
37 019	32 696	Deferred tax assets	15	**77**	77
3 009 749	2 785 352			**327 045**	335 130
		Current assets			
916 909	940 181	Inventories	16		
1 308 223	1 215 579	Trade and other receivables	17	**603 605**	522 335
16 184	17 530	Prepayments			
–	40 330	Income tax receivable	25	**928**	2 157
604 071	475 436	Cash and short-term deposits	18	**21 871**	40 015
2 845 387	2 689 056			**626 404**	564 507
10 907	429	**Assets classified as held-for-sale**	10	**–**	429
5 866 043	5 474 837	**Total assets**		**953 449**	900 066
		Equity and liabilities			
		Equity			
9 516	9 387	Issued share capital	19	**9 516**	9 387
882 774	838 363	Share premium	19	**882 774**	838 363
74 873	72 880	Other capital reserves	20	**2 169**	10 252
24 147	(2 314)	Foreign currency translation reserve	21.1		
2 412	–	Cash flow hedge reserve	21.2		
1 871 690	1 653 022	Retained earnings		**48 898**	31 991
2 865 412	2 571 338	Equity attributable to equity holders of the parent		**943 357**	889 993
23 305	13 510	Non-controlling interests			
2 888 717	2 584 848	**Total equity**		**943 357**	889 993
		Liabilities			
		Non-current liabilities			
931 455	681 601	Interest–bearing loans and borrowings	22		
73 474	74 901	Employee-related obligations	23		
192 358	188 253	Deferred tax liability	15		
19 311	21 459	Trade and other payables	24		
2 199	2 716	Other non-current financial liabilities	14.2		
1 218 797	968 930				
		Current liabilities			
1 363 332	1 330 385	Trade and other payables	24	**10 092**	10 073
343 015	573 576	Interest-bearing loans and borrowings	22		
25 612	2 670	Other current financial liabilities	14.2		
9 893	–	Income tax payable	25		
16 677	14 428	Employee-related obligations	23		
1 758 529	1 921 059			**10 092**	10 073
2 977 326	2 889 989	**Total liabilities**		**10 092**	10 073
5 866 043	5 474 837	**Total equity and liabilities**		**953 449**	900 066

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

GROUP

	Notes	Ordinary share capital R'000	Ordinary share premium R'000	Other capital reserves R'000	Cash flow hedge reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 July 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	21.1 - 21.2					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 expense recognised	31			18 080				18 080		18 080
Other capital reserves transferred to retained earnings				(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**
Profit for the year							350 906	350 906	995	351 901
Other comprehensive income	21.1 - 21.2				2 412	26 461		28 873		28 873
Total comprehensive income					2 412	26 461	350 906	379 779	995	380 774
Share appreciation rights exercised	19	129	44 411	(11 709)			(23 638)	9 193		9 193
Share-based payment expense recognised	31			12 697				12 697		12 697
Initial recognition of call options	20			1 005				1 005		1 005
Non-controlling interest arising from business combinations	3.1 - 3.2								8 800	8 800
Dividends forfeited							155	155		155
Dividends declared and paid	9						(108 755)	(108 755)		(108 755)
Balance at 30 June 2016		**9 516**	**882 774**	**74 873**	**2 412**	**24 147**	**1 871 690**	**2 865 412**	**23 305**	**2 888 717**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		COMPANY				
	Notes	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 1 July 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				(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
Profit for the year					**125 507**	**125 507**
Other comprehensive income					**–**	**–**
Total comprehensive income					**125 507**	**125 507**
Share appreciation rights exercised	19	**129**	**44 411**	**(8 083)**		**36 457**
Dividends forfeited					**155**	**155**
Dividends declared and paid					**(108 755)**	**(108 755)**
Balance at 30 June 2016		**9 516**	**882 774**	**2 169**	**48 898**	**943 357**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
		Operating activities			
465 893	445 947	Profit before tax		**135 432**	88 607
465 893	445 947	**Profit before tax**		**135 432**	88 607
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
166 941	160 490	Depreciation and impairment of property, plant and equipment		**1**	1
21 680	17 048	Amortisation and impairment of intangible assets			
8	132	Depreciation of investment properties			
(20 869)	(38 950)	Profit on disposal and scrapping of assets		**(521)**	–
21 036	3 063	Unrealised loss on financial instruments			
(9 075)	2 999	Unrealised foreign exchange - (gain)/loss	6.2		
(27 833)	(9 966)	Realised foreign exchange gain	6.2		
(1 721)	–	Bargain purchase on the investment in Clover Good Hope	3.1		
28 366	–	Release of foreign currency translation reserve in abandonment of foreign operation	6.3		
38	3 282	Share of profit of joint venture – net of dividend paid	4		
1 120	1 701	Movement in provisions			
12 697	18 080	Share appreciation rights expense recognised over vesting period	31		
		Other adjustments:			
122 964	83 105	Finance cost	6.6	**14**	56
(10 139)	(9 041)	Finance income	6.5	**(3 438)**	(2 784)
–	–	Dividends received		**(100 000)**	(50 000)
–	(3 330)	Share appreciation rights expense settled in cash			
(4 490)	(1 582)	Government grants			
(56 938)	(106 254)	Taxes paid	25	**(8 696)**	(11 263)
		Working capital adjustments			
24 269	(372 289)	Decrease/(increase) in inventories			
(91 298)	(193 922)	(Increase)/Decrease in trade and other receivables		**13 426**	(3 116)
30 799	159 672	Increase in trade and other payables		**19**	2 173
673 448	160 185	**Net cash flows from operating activities**		**36 237**	23 674

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
		Investing activities			
45 533	61 684	Proceeds from sale of property, plant and equipment and other assets		**950**	–
27 833	9 966	Realised foreign exchange gain	6.2		
10 139	9 041	Interest received	6.5	**3 438**	2 784
(2 550)	–	Acquisition of controlling interest in Clover Good Hope Proprietary Limited	3.1		
(6 610)	–	Acquisition of controlling interest in Clover Frankies Proprietary Limited	3.2		
–	(30 000)	Acquisition of Dairy belle UHT Milk business	3.3		
–	(107 131)	Acquisition of Dairybelle Yoghurt business	3.4		
–	(48 684)	Acquisition of Nkunzi MilkyWay business	3.5		
		Dividends received		**50 000**	50 000
16 097	38 055	Government grants received recognised against property, plant and equipment and expenses			
(366 665)	(468 106)	Capital expenditure: tangible assets			
(56 406)	(21 647)	Capital expenditure: intangible assets			
(332 629)	(556 822)	**Net cash flows (used in)/from investing activities**		**54 388**	52 784
		Financing activities			
(122 964)	(83 105)	Interest paid	6.6	**(14)**	(56)
(108 755)	(71 624)	Dividends paid		**(108 755)**	(71 624)
–	(5 500)	Non-controlling interest acquired in Lactolab Proprietary Ltd	3.6		
(254 646)	(9 646)	Repayment of borrowings			
273 939	387 972	Proceeds from borrowings			
(212 426)	218 097	**Net cash flows (used in)/from financing activities**		**(108 769)**	(71 680)
128 393	(178 540)	**Net increase/(decrease) in cash and cash equivalents**		**(18 144)**	4 778
242	87	**Net foreign exchange difference**			
475 436	653 889	**Cash and cash equivalents at the beginning of the year**		**40 015**	35 237
604 071	475 436	**Cash and cash equivalents at the end of the year**	18	**21 871**	40 015

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2016 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 2016 were authorised for issue in accordance with a resolution of the Directors on 12 September 2016. 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 separate 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 Company'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 (ie 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;
- 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. No new and amended IFRS and IFRIC interpretations were adopted by the Group during the year.

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 2016, 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
- IFRS 16 Leases
- IAS 7 Disclosure Initiative – Amendments to IAS 7
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- 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 1 January 2016.

The amendments to this standard are expected to have an impact on the presentation and disclosures of joint ventures of the Group in future periods. Currently there are no items in OCI for joint ventures that will need to be classified separately.

- **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 on items like the provision for bad debts.

- **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. Performance obligations and transaction price allocations that are being considered include but are not limited to co-operative advertising, distribution and distribution centre allowances, settlement discounts, growth incentives, rebates, store deliveries, merchandising and quality assurance. 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.

- **IFRS 16** Leases

  The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

  IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

  Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  The Group is still in the process of assessing the full impact of the standard.

  The new standard is effective for annual periods beginning on or after 1 January 2019.

- **IAS 7** Disclosure Initiative – Amendments to IAS 7

  The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

  The amendments to this standard are expected to have an impact on the presentation and disclosures of the Group in future periods. The amendments are intended to provide information to help investors better understand changes in a company's debt.

  The amendment is effective for annual periods beginning on or after 1 January 2017.

- **IFRS 2** Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

  The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

  - The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction

- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.

The amendments to this standard are expected to have an impact on the presentation and disclosures of the Group in future periods when new share-based payments are entered into.

The amendment is effective for annual periods beginning on or after 1 January 2018 and requires no retrospective application.

- **IAS 12** Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

  The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses.

  The amendment is effective for annual periods beginning on or after 1 January 2017

- 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 2017 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 the financial statements 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.

Cash flow hedge

The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. The Group's diesel usage amounts are based on highly probable factors. The long-futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges of offset the effect of the prices changes in diesel. Refer to note 14.

Joint ventures

Clover Industries indirectly holds a 51% interest in Clover Fonterra through Clover SA. 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. Refer to note 4.1.

Cell captive

The cell captive is considered to be a financial asset at fair value through profit or loss and not consolidated as there is no control due to the fact that the assets and liabilities in the cell captive cannot be ring-fenced as required for consolidation.

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.

Operating lease commitments – Group as lessee

The Group entered into an outsourcing agreement whereby the Group is provided with distribution and milk collection vehicles. Judgement was exercised in classifying these lease agreements 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.

Cash flow hedge

The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. Due to the recent fluctuations in the commodities market specifically relating to the international price of oil and the effect it had on the price of diesel locally the Group entered into a diesel hedge with RMB in the form of a long-futures contract. as a result this is the first financial year the Group apply hedge accounting. The futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges of offset the effect of the prices changes in diesel. Refer to note 14.

Cell captive

The cell captive was entered into to provide insurance to the farmers (the legal structure of a cell is simply required due to FSB regulation) the investment in the cell is managed on a fair value basis by Clover – the value of the cell is determined every year end by Guardrisk taking into account the fair value of the instruments invested in at year end and the liability for future claims as determined by way of the actuarial assessment. Refer to note 14.

Put and Call options

The value of the call option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. Estimates and assumptions were made relating to the future cash flows and the discount rate being used. Refer to note 14.

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 assets. In particular, this includes interest-bearing loans and borrowings, trade payables, liabilities to banks, finance lease payables and derivative financial liabilities.

Initial recognition and off-setting

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 re-organisation 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.

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, cell captives, call option 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.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes derivatives not designated as hedging instruments, put option and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Interest-bearing loans and borrowings

All loans, borrowings and financial liabilities are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. Finance cost are expensed through profit or loss as incurred.

b. Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Rand at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Rand at rates approximating the foreign exchange rates ruling at the date of the transaction.

c. Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on translation of foreign subsidiaries during consolidation are recognised in OCI.

d. Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. The fair value of forward-exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price for contracts with similar maturity profiles. The change in the fair value of the hedging derivative is recognised in profit or loss.

e. Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.
When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

f. 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

g. 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.

h. 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.

i. 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.

j. 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 15 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 expenses

Research expenses are recognised in profit or loss as incurred.

k. 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.

l. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

m. 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 operated 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.

n. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received 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, rebates 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.

o. Cost of sales

Cost of sales consists of the following:

- Cost of raw milk, ingredients and packaging;
- Milk collection cost;
- Manufacturing direct and indirect costs;
- Primary distribution costs; and
- Charges against sales (i.e. Co-op advertising, agent commission, border levies, etc.).

p. 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.

q. Taxes

Current taxation

Current taxation assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The taxation rates and taxation laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred tax is provided using the 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.

r. Segment reporting

The operating segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's-length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

s. Share-based compensation

The Group operates an equity-settled, as well as a cash-settled share-based compensation plan.

Equity-settled share-based compensation plan

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period, and 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.

t. Borrowing cots

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.

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use it 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.

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.

v. 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.

w. 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 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 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.

x 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.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, are recognised in accordance with IFRS 3.58 where the acquirer shall account for changes in the fair value of contingent considerations that are not measurement period adjustments as follows:

(a) Contingent consideration classified as equity shall not be re-measured and its subsequent settlement shall be accounted for within equity

(b) Other contingent consideration that:

(i) Is within the scope of IAS 39 (IFRS 9) shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with that IFRS

(ii) Is not within the scope of IAS 39 (IFRS 9) shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

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.

Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not measurement period adjustments.

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 ACQUISITIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

3.1 Acquisition of interest in Clover Good Hope Proprietary Limited

Clover entered into an agreement with Good Hope International Beverages (SA) Proprietary Limited ("Seller") to form a new entity, Clover Good Hope Proprietary Limited ("Clover Good Hope") that acquired the Good Hope soy and non-alcoholic beverages business, effective 1 May 2016. According to the "Sale of Business Agreement" Clover Good Hope has bought all of the intellectual property of the Seller in relation to the Good Hope business on the effective date. Clover effectively holds 51% of the shares in Clover Good Hope and Good Hope International Beverages (SA) Proprietary Limited holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Good Hope Proprietary Limited at residual value on initial recognition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R4,3 million; free cash flow growth per annum of between 16% to 19% and a discount rate of 18%.

The fair values allocated to the assets and liabilities are based on a provisional assessment of their fair values. According to IFRS 3.45, the Company is allowed a measurement period, not exceeding one year, to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the effective date.

The fair values of the identifiable assets, liabilities, goodwill and non-controlling interest of the Good Hope business as at the date of acquisition were:

	2016 R'000	2015 R'000
Assets		
Intangible assets	7 391	
	7 391	
Liabilities		
Deferred tax liability	(670)	
Total identifiable net assets at fair value	6 721	
Bargain purchase arising on acquisition	(1 721)	
Total value of the Good Hope business	5 000	
Non-controlling interest measured at residual value	2 450	
Purchase consideration settled in cash	2 550	

The business contributed R16,2 million of revenue and R5,8 million of margin on material to the Group results since acquisition. These amounts would have been R97,2 million and R34,8 million respectively if annualised for the full period. The bargain purchase originated since there was an incentive for the seller to sell a portion of its shareholding at a competitive price (holding a non-controlling interest in the newly formed entity of 49%) to enable the business to benefit from the Clover distribution network for future growth and improved profitability.

3.2 Acquisition of interest in Clover Frankies Proprietary Limited

Clover entered into an agreement with Frankies Olde Soft Drinks cc ("Seller") to form a new entity, Clover Frankies Proprietary Limited ("Clover Frankies") that acquired the Frankies business, effective 1 November 2015. According to the "Sale of Business Agreement" Clover Frankies has bought all of the consumables, raw materials, finished goods, equipment and material contracts of the Seller in relation to the Frankies business on the effective date. Clover effectively holds 51% of the shares in Clover Frankies and Frankies Olde Soft Drinks cc holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Frankies Proprietary Limited at residual value on initial recognition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R1,2 million; free cash flow growth per annum of between 11% to 16% and a discount rate of 18,2%.

The fair values allocated to the assets and liabilities are based on a provisional assessment of their fair values. According to IFRS 3.45, the Company is allowed a measurement period, not exceeding one year, to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the effective date.

The fair values of the identifiable assets, liabilities, goodwill and non-controlling interest of the Frankies business as at the date of acquisition were:

	2016 R'000	2015 R'000
Assets		
Equipment	463	
Intangible assets	6 636	
Inventory	997	
	8 096	
Liabilities		
Deferred tax liability	(676)	
Total identifiable net assets at fair value	7 420	
Goodwill arising on acquisition	5 540	
Total value of the Frankies business	12 960	
Non-controlling interest measured at residual value	6 350	
Purchase consideration settled in cash	6 610	

Goodwill arising on acquisition represents the value paid for the Frankies business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations and Clover's extended distribution network.

The business contributed R20,6 million of revenue and R12,4 million of margin on material to the Group results since acquisition. These amounts would have been R30,9 million and R18,6 million respectively if annualised for the full period.

3.3 Acquisition of the Dairybelle UHT Milk Business (prior year)

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 effective 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 R0,9 million 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:

	2016 R'000	2015 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 Milk 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.

3.4 Acquisition of the Dairybelle Yoghurt Business (prior year)

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 effective 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% and 17,2%.

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

	2016 R'000	2015 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		(107 371)
Net cash flow		(107 371)

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.

3.5 Acquisition of Nkunzi MilkyWay Proprietary Limited's business and assets (prior year)

Clover MilkyWay Proprietary Limited ("MilkyWay") (a wholly-owned subsidiary of the Company) has purchased from Nkunzi MilkyWay Proprietary Limited ("Nkunzi") its business and assets effective 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% and 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:

	2016 R'000	2015 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.

3.6 Acquisition of non-controlling interests in Lactolab Proprietary Limited (prior year)

With effect 1 July 2014 Clover SA 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:

	2016 R'000	2015 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)

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
128 387	128 355	Current assets including cash and cash equivalents of R2,4 million (2015: R3,9 million) and inventory R94,4 million (2015: R89,8 million)		
1 554	1 305	Non-current assets including deferred tax of R1,6 million (2015: R1,3 million)		
(67 880)	(67 154)	Current liabilities including trade and other payables of R62,3 million (2015: R61,3 million)		
62 061	62 506	Equity (Net asset value)		
51%	51%	Portion of the Group's ownership		
31 651	31 878	Carrying amount of the investment		
		Joint venture's revenue and profit		
360 476	358 315	Revenue		
(293 082)	(303 046)	Cost of sales		
(29 154)	(24 898)	Sales, marketing, distribution and administrative expenses		
115	133	Other operating income		
(187)	(25)	Net finance cost		
38 168	30 479	Profit before taxation		
(10 687)	(8 534)	Income tax expense		
27 481	21 945	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
14 015	11 192	Group's share of profit for the year after tax		
(14 242)	(14 221)	Dividend received		
(227)	(3 029)	**Net movement**		

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

On 1 May 2014, Clover SA 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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Futurelife		
		Joint venture's statement of financial position		
–	1	Current assets		
–	(507)	Current liabilities		
–	(506)	Equity		
50%	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		
506		Other operating income		
		Finance income		
506	(506)	Loss before tax		
		Income tax expense		
506	(506)	**Loss for the period**		
50%	50%	Portion of the Group's ownership		
253	(253)	Group's share of loss for the year		
		Total interest in profits from joint ventures		
14 268	10 939	**Total Group share of profit after tax**		
31 651	31 625	**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").

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 fluid products is focused on providing the market with quality dairy fluid products and other dairy fluid replacement products;
- The dairy concentrated products consist of cheese, butter, condensed milk and retail milk powders;
- The ingredient products consist of bulk milk powders, bulk butter, bulk condensed milk, bulk creamers, calf feed substitutes, whey powder and buttermilk powder;
- The non-alcoholic beverage products focus on the development and marketing of non-alcoholic, value-added branded beverage products;
- The fermented products and desserts consist of yoghurt, maas and desserts.
- Other consists of Clover Industries Ltd holding company and Lactolab (Pty) Ltd that render laboratory services.

30 June 2016 SEGMENT REPORT BY PRODUCT GROUP	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	4 427 051	1 355 240	266 909	2 367 158	679 481	6 630	9 102 469
Sale of raw milk	22 769	–	–	–	–	–	22 769
Charges against sales	(93 880)	(34 034)	(10 588)	(58 875)	(10 741)	–	(208 118)
Cost of material and packaging	(2 322 963)	(863 979)	(204 121)	(985 153)	(463 575)	(1 876)	(4 841 667)
Milk collection cost	(237 231)	(56 575)	(12 054)	(8 878)	(9 288)	–	(324 026)
Margin on material	1 795 746	400 652	40 146	1 314 252	195 877	4 754	3 751 427
Reconciliation of margin on material to operating profit							
Margin on material							3 751 427
Revenue from rendering of services							684 496
Rental income							8 983
Direct and indirect manufacturing cost							(1 206 199)
Primary distribution cost							(445 487)
Gross profit							2 793 220
Net other costs							(2 220 277)
Restructuring cost							(8 493)
Operating profit							564 450
Net financing cost							(112 825)
Tax expense							(113 992)
Depreciation and amortisation							(188 629)
Assets and liabilities							
Assets							5 866 043
Liabilities							2 977 326

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015 SEGMENT REPORT BY PRODUCT GROUP	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

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group operations outside of South Africa are not material however one of the regions are close to becoming material and have been disclosed separately up to margin on material level as part of the segment report by geographical region on a voluntary basis.

30 June 2016 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	**8 395 704**	**541 691**	**165 074**	**9 102 469**
Sale of raw milk	**22 769**	**–**	**–**	**22 769**
Charges against sales	**(198 980)**	**(5 908)**	**(3 230)**	**(208 118)**
Cost of material and packaging	**(4 382 473)**	**(326 423)**	**(132 771)**	**(4 841 667)**
Milk collection cost	**(322 514)**	**(1 512)**	**–**	**(324 026)**
Margin on material	**3 514 506**	**207 848**	**29 073**	**3 751 427**

30 June 2015 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	7 669 413	475 313	127 358	8 272 084
Sale of raw milk	152 822	–	–	152 822
Charges against sales	(170 587)	(4 370)	(4 361)	(179 318)
Cost of material and packaging	(4 112 426)	(318 890)	(97 059)	(4 528 375)
Milk collection cost	(313 231)	(900)	–	(314 131)
Margin on material	3 225 991	151 153	25 938	3 403 082

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

6 INCOME AND EXPENSES

6.1 Cost of sales

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
(208 118)	(179 318)	Charges against sales		
(3 622 709)	(3 472 187)	Cost of raw materials		
(1 218 958)	(1 056 188)	Packaging costs		
(324 026)	(314 131)	Milk collection cost		
(1 206 199)	(1 063 341)	Manufacturing direct and indirect cost		
(445 487)	(396 982)	Primary distribution cost		
(7 025 497)	(6 482 147)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below: Depreciation, amortisation and impairment		
(95 967)	(94 380)	• Depreciation and impairment of property, plant and equipment		
(1 522)	(1 376)	• Amortisation and impairment of trademarks, patents and licences		
(97 489)	(95 756)	Total depreciation, impairment and amortisation included in cost of sales		
(13 247)	(20 744)	Total inventories, raw material and finished product written off or provided for included in cost of sales		

6.2 Other operating income

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
20 869	38 950	Profit on sale of property, plant and equipment and other assets	**521**	
27 833	9 966	Realised foreign exchange gains		
9 075	–	Unrealised foreign exchange gains		
1 055	5 967	Scrap sales and sales to staff		
1 721	–	Bargain purchase at acquisition (Clover Good Hope)		
2 852	–	Fair value adjustment for call option (Clover Frankies)		
2 000	–	Distribution received from cell captive		
–	549	Consulting income for IT services rendered		
–	–	Fees for the cession of milk rights	**44 424**	49 369
8 283	2 607	Sundry*	**–**	–
73 688	58 039	Total other operating income	**44 945**	49 369

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

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		6.3 Other operating expenses		
(2 252)	(5 465)	Write down to net realisable value of consumable stock (engineering spares)		
(1 299)	(1 355)	Loss on hedge for share appreciation rights forward purchases		
(5 021)	(209)	Movement in provision on impairment of trade receivables		
(28 366)	–	Release of foreign currency translation reserve in abandonment of foreign operation		
–	(2 999)	Unrealised foreign exchange loss		
(7 756)	(6 231)	Royalties		
(4 477)	(2 832)	Sundry*		
(49 171)	(19 091)	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		
(37 705)	(25 184)	Research expenses		
		Rentals		
(46 528)	(35 025)	• land and buildings		
(45 069)	(39 616)	• equipment		
(318 531)	(329 804)	• vehicles		
(2 259)	(970)	• machines		
(3 729)	(2 933)	• other		
		Direct operating expenses of investment properties earning rental income		
(16)	(22)	• maintenance		
(453 837)	(433 554)	Total other expenses		
		Personnel expenses		
(1 604 728)	(1 556 894)	Wages, salaries, bonuses and car allowances		
(25 728)	(22 615)	Company contributions		
(104 586)	(88 839)	Pension contributions		
(34 788)	(31 786)	Medical aid fund contributions		
(48 379)	(71 283)	Other personnel expenses		
(8 493)	(8 156)	Retrenchment cost		
(1 826 702)	(1 779 573)	Total personnel expenses		

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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Auditors' remuneration		
(11 258)	(10 087)	Audit fees current year	**(1 914)**	(1 810)
276	(216)	Prior year (under)/over provision		
(376)	(635)	Other fees		
(11 358)	(10 938)	**Total auditors' remuneration**	**(1 914)**	(1 810)
		Depreciation, amortisation and impairment		
(70 987)	(66 110)	Depreciation and impairment of property, plant and equipment	**(1)**	(1)
(8)	(132)	Depreciation of investment properties		
(20 158)	(15 672)	Amortisation and impairment of trademarks, patents and licences		
–	(186)	Scrapping and impairment of property, plant and equipment		
(91 153)	(82 100)	**Total depreciation and amortisation included in selling, distribution, restructuring and administrative expenses**	**(1)**	(1)
		6.5 Finance income		
7 901	329	Bank interest	**2 700**	1 414
495	5 148	Interest received on call deposits		
1 743	3 564	Other	**738**	1 370
10 139	9 041	**Total finance income**	**3 438**	2 784
		6.6 Finance cost		
(18 158)	(17 505)	Bank loans and overdrafts	**–**	(56)
(82 050)	(61 387)	Debtors' securitisation		
(16 153)	–	Debentures		
(6 603)	(4 213)	Other	**(14)**	–
(122 964)	(83 105)	**Total finance cost**	**(14)**	(56)
		6.7 Restructuring expenses		
		Restructuring expenses has been determined after taking into account the following expenses:		
(8 493)	(8 156)	Retrenchment expenses		
–	(55)	Relocation of existing assets as part of Cielo Blu		
–	(75)	Listing fees for new shares issue	**–**	(75)
–	(186)	Scrapping and impairment of property, plant and equipment		
(8 493)	(8 472)	**Total restructuring expenses**	**–**	(75)

7 TAXATION

7.1 The major components of the tax expenses are:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Local income tax		
		Current income tax		
(87 139)	(88 549)	• current year	**(9 957)**	(10 954)
1 531	–	• previous year	**32**	–
		Deferred income tax		
(4 098)	(4 453)	• current year	**32**	–
784	2 381	• previous year	**(32)**	524
(1 552)	(636)	Withholding tax on foreign income		
		Foreign taxation		
		Current income tax		
(20 185)	(10 457)	• current year		
(18)	–	• previous year		
		Deferred taxation		
(2 899)	1 451	• current year		
(416)	(23)	• previous year		
(113 992)	(100 286)	**Total income tax expense**	**(9 925)**	(10 430)
200 268	211 247	**Estimated taxation losses available for reduction of future taxable income**		

7.2 Reconciliation of income tax rate

GROUP 2016 %	GROUP 2015 %		COMPANY 2016 %	COMPANY 2015 %
28.00	28.00	Standard income tax rate	**28.00**	28.00
		Adjusted for:		
(2.97)	(1.62)	Non taxable income[*]	**(20.68)**	(15.80)
2.16	1.82	Non deductible expenses[#]	**0.01**	0.16
(0.73)	(0.44)	Special deductions[%]		
0.50	0.48	Special inclusions[&]		
(1.49)	0.55	Tax (profits)/losses of foreign subsidiaries not (taxable)/deductible		
(0.87)	(0.68)	Effect of foreign jurisdictions tax at lower rates		
(0.40)	(0.53)	Prior year adjustments: over provision	**–**	(0.59)
(0.84)	(0.69)	Share of joint venture profit equity accounted		
–	(2.97)	Additional deferred tax asset recognised on assessed loss		
–	(0.24)	Utilisation of assessed loss not previously recognised		
1.62	–	Release of foreign currency translation reserve in abandonment of foreign operation		
(0.70)	(1.16)	Tax deduction realised on share appreciation rights exercised		
0.19	(0.03)	Other[^]		
24.47	22.49	**Effective income tax rate**	**7.33**	11.77

[*] Accounting capital profits; fair value adjustments on call options; IFRS day one gain; employment tax incentive;
[#] Professional and legal fees; non-deductible depreciation; share-based payment expense.
[%] Learnership allowances;
[&] Capital gains realised on assets disposed
^ Foreign withholding taxes in foreign jurisdictions and utilisation of foreign tax credits

8 EARNINGS AND HEADLINE EARNINGS PER SHARE

GROUP 2016 Number of shares	GROUP 2015 Number of shares		COMPANY 2016 Number of shares	COMPANY 2015 Number of shares
		8.1 Diluted weighted average number of ordinary shares		
188 733 409	183 989 596	Weighted average number of issued ordinary shares		
4 288 569	8 477 179	Increase in number of shares as a result of unexercised share appreciation rights		
193 021 978	192 466 775	**Diluted weighted average number of ordinary shares**		

GROUP R'000	GROUP R'000		COMPANY R'000	COMPANY R'000
		8.2 Profit for the year		
350 906	350 345	Profit for the year attributable to equity holders of the parent company		

GROUP Cents per share	GROUP Cents per share		COMPANY Cents per share	COMPANY Cents per share
		8.3 Earnings per share		
		Basic		
185.9	190.4	Attributable to equity holders of the parent		
		Diluted		
181.8	182.0	Attributable to equity holders of the parent		

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		8.4 Headline earnings per share		
		Headline earnings attributable to equity holders of the parent company		
350 906	350 345	Profit for the year attributable to equity holders of the parent company		
		Gross remeasurements excluded from headline earnings		
(20 869)	(38 950)	Profit on sale of property, plant and equipment and gains on other assets		
(1 721)	–	Bargain purchase at acquisition (Clover Good Hope)		
28 366	–	Release of foreign currency translation reserve in abandonment of foreign operation		
		Taxation effects of remeasurements		
(87)	7 948	Profit on sale of property, plant and equipment and gains on other assets		
356 595	319 343	Headline earnings attributable to equity holders of the parent company		

GROUP Cents per share	GROUP Cents per share		COMPANY Cents per share	COMPANY Cents per share
		Headline earnings per share		
		Basic		
188.9	173.6	Attributable to equity holders of the parent		
		Diluted		
184.7	165.9	Attributable to equity holders of the parent		

9 DIVIDENDS DECLARED AND PAID

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		During the year equity dividends were declared as follows:		
108 755	71 624	To ordinary shareholders	**108 755**	71 624

GROUP 2016 Cents per share	GROUP 2015 Cents per share		COMPANY 2016 Cents per share	COMPANY 2015 Cents per share
57.61	38.60	To ordinary shareholders	**57.61**	38.60

10 ASSETS CLASSIFIED AS HELD-FOR-SALE

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Carrying value		
2 225	–	- Property plant and equipment		
8 682	429	- Freehold land and buildings	**–**	429
10 907	429		**–**	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.

The other net current assets of Lactolab (Pty) Ltd amounting to R0.4 million has not been reclassified as a disposal group to held for sale since it is not considered to be material.

Management is in the process of selling the property held by RBC situated in Stikland, Cape Town. The remainder of the assets amounting to R1.6 million relate to Lactolab (Pty) Ltd and the balance of R0.8 million represents movable items forming part of the Stikland sale.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Freehold land and buildings

Group 2016 R'000	Group 2015 R'000		Company 2016 R'000	Company 2015 R'000
		Cost		
853 344	774 526	Balance at the beginning of the year	**250**	679
154 426	73 801	Additions capitalised		
–	(18 237)	Government grant received		
–	23 983	Acquisition through business combinations		
(34 359)	(429)	Transfer to assets classified as held-for-sale	**–**	(429)
(497)	(14)	Disposals		
–	(286)	Reclassification between asset classes		
972 914	853 344	**Balance at the end of the year**	**250**	250
		Accumulated depreciation and impairment		
(217 156)	(194 993)	Balance at the beginning of the year	**(16)**	(15)
(25 264)	(22 103)	Depreciation for the year	**(1)**	(1)
412	8	Disposals		
–	(68)	Reclassification between asset classes		
13 195	–	Transfer to assets classified as held-for-sale		
(228 813)	(217 156)	**Balance at the end of the year**	**(17)**	(16)
		Carrying amounts		
636 188	579 533	Balance at the beginning of the year	**234**	664
744 101	636 188	Balance at the end of the year	**233**	234

11.2 Leasehold properties

Group 2016 R'000	Group 2015 R'000		Company 2016 R'000	Company 2015 R'000
		Cost		
31 030	29 765	Balance at the beginning of the year		
5 152	1 032	Additions capitalised		
2 833	233	Foreign exchange translations		
39 015	31 030	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(5 145)	(3 956)	Balance at the beginning of the year		
(3 076)	(1 160)	Depreciation for the year		
(418)	(29)	Foreign exchange translations		
(8 639)	(5 145)	**Balance at the end of the year**		
		Carrying amounts		
25 885	25 809	Balance at the beginning of the year		
30 376	25 885	Balance at the end of the year		

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		11.3 Plant, equipment and vehicles		
		Cost		
1 947 093	1 762 564	Balance at the beginning of the year		
204 441	195 280	Additions capitalised		
(2 003)	(17 089)	Government grant received		
463	56 314	Acquisition through business combinations		
–	298	Reclassification between asset classes		
(40 151)	(50 726)	Disposals		
(13 993)	–	Transfer to assets classified as held-for-sale		
5 979	452	Foreign exchange translations		
2 101 829	1 947 093	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(783 123)	(678 887)	Balance at the beginning of the year		
(138 601)	(137 227)	Depreciation for the year		
–	(8)	Reclassification between asset classes		
28 545	33 089	Disposals		
11 767	–	Transfer to assets classified as held-for-sale		
(1 596)	(90)	Foreign exchange translations		
(883 008)	(783 123)	**Balance at the end of the year**		
		Carrying amounts		
1 163 970	1 083 677	Balance at the beginning of the year		
1 218 821	1 163 970	Balance at the end of the year		

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

11.4 Total property, plant and equipment

Group 2016 R'000	Group 2015 R'000		Company 2016 R'000	Company 2015 R'000
		Cost		
2 831 467	2 566 855	Balance at the beginning of the year	**250**	679
364 019	270 113	Additions capitalised		
(2 003)	(35 326)	Government grants received		
(48 352)	(429)	Transfer to assets classified as held-for-sale	**–**	(429)
463	80 297	Acquisition through business combinations		
(40 648)	(50 740)	Disposals		
8 812	685	Foreign exchange translations		
–	12	Reclassification between asset classes		
3 113 758	2 831 467	**Balance at the end of the year**	**250**	250
		Accumulated depreciation and impairment		
(1 005 424)	(877 836)	Balance at the beginning of the year	**(16)**	(15)
(166 941)	(160 490)	Depreciation for the year	**(1)**	(1)
24 962	–	Transfer to assets classified as held-for-sale		
–	(76)	Reclassification between asset classes		
28 957	33 097	Disposals		
(2 014)	(119)	Foreign exchange translations		
(1 120 460)	(1005 424)	**Balance at the end of the year**	**(17)**	(16)
		Capital work-in-progress		
327 408	129 094	Balance at the beginning of the year		
(144)	121	Foreign exchange translations		
365 133	513 277	Additions: current year		
2 003	35 326	Government grants received		
(364 482)	(350 410)	Assets brought into use		
329 918	327 408	**Balance at the end of the year**		
		Total property, plant and equipment including work-in-progress		
		Carrying amounts		
2 153 451	1 818 113	Total property, plant and equipment at the beginning of the year	**234**	644
2 323 216	2 153 451	Total property, plant and equipment at the end of the year	**233**	234

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 2016 was R25,8 million (2015: R31,9 million). Additions during the year were R Nil million (2015: R 27,3 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 R51,4 million (2015: R32,1 million) are still in use, although it has been fully depreciated.

12 INVESTMENT PROPERTIES

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
270	6 096	Balance at the beginning of the year		
–	(5 826)	Transfer to assets held-for-sale		
270	270	**Balance at the end of the year**		
		Accumulated depreciation		
(247)	(4716)	Balance at the beginning of the year		
(8)	(132)	Depreciation for the year		
–	76	Reclassification between asset classes		
–	4 525	Transfer to assets held-for-sale		
(255)	(247)	**Balance at the end of the year**		
		Carrying amounts		
23	1 380	Balance at the beginning of the year		
15	23	**Balance at the end of the year**		
292	272	Rental income derived from investment properties		
–	–	Direct operating expenses generating rental income		
292	272	**Net profit arising from investment properties carried at net book value**		

The fair value of the property is R1,1 million (2015: R1,1 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 R149 000 (2015: R157 376) and a rental capitalisation into perpetuity factor of 13% (2015: 14%) and is considered to be a Level 3 fair value disclosure.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		13 INTANGIBLE ASSETS		
		13.1 Goodwill		
		Cost		
375 205	328 750	Balance at the beginning of the year		
5 540	46 455	Acquisition through business combinations		
380 745	375 205	**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		
373 894	327 439	Balance at the beginning of the year		
379 434	373 894	Balance at the end of the year		
		13.2 Trademarks, patents, right-of-use and customer lists		
		Cost		
138 057	69 003	Balance at the beginning of the year		
14 027	68 054	Acquisitions through business combinations		
152 084	138 057	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(16 777)	(9 452)	Balance at the beginning of the year		
(11 849)	(7 325)	Amortisation for the year		
(28 626)	(16 777)	**Balance at the end of the year**		
		Carrying amounts		
121 280	59 551	Balance at the beginning of the year		
123 458	121 280	Balance at the end of the year		

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

13.3 Software licences

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
130 215	86 483	Balance at the beginning of the year		
15 383	44 161	Additions		
(10 236)	(417)	Disposals		
(9 604)	–	Government grants received		
–	(12)	Reclassification between asset classes		
125 758	130 215	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(65 554)	(56 234)	Balance at the beginning of the year		
(9 831)	(9 723)	Amortisation for the year		
10 181	403	Disposals		
(65 204)	(65 554)	**Balance at the end of the year**		
		Carrying amounts		
64 661	30 249	Balance at the beginning of the year		
60 554	64 661	Balance at the end of the year		

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13.4 Total intangible assets

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
643 477	484 236	Balance at the beginning of the year		
15 383	44 161	Additions		
19 567	115 509	Additions through business combinations		
(10 236)	(417)	Disposals		
(9 604)	–	Government grants received		
–	(12)	Reclassification between asset classes		
658 587	643 477	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(83 642)	(66 997)	Balance at the beginning of the year		
(21 680)	(17 048)	Amortisation for the year		
10 181	403	Disposals		
(95 141)	(83 642)	**Balance at the end of the year**		
		Capital work-in-progress – software		
7 722	30 254	Balance at the beginning of the year		
66 367	137 138	Additions		
9 604	–	Government grants received		
(34 948)	(159 670)	Amounts capitalised		
48 745	7 722	**Balance at the end of the year**		
		Carrying amounts		
567 557	447 493	Total intangible assets at the beginning of the year		
612 191	567 557	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 between 5%-6% (2015: 6%) and adjusted for non-cash items; movements in working capital; and a before tax discount rate of 19,92% (2015: 17,19%).

Goodwill has been allocated to Clover Industries Group excluding Clover Frankies and then to Clover Frankies 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. In the comparative figures Clover Waters was as a separate CGU however, due to restructuring the business of Clover Waters by bringing the manufacturing in-house it will form part of the CIL Group CGU from this year onwards. 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.

Government grants have been received in terms of the DTI's Manufacturing Competitive Enhancement Programme for the purchase of specific software additions made during the current financial year. There are no unfulfilled conditions or contingencies attached to these grants.

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

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
373 894	349 928	Clover Industries		
5 540	–	Clover Frankies		
–	23 966	Clover Waters (Iced Tea business) *		
379 434	373 894	**Clover Industries Group**		

** Included in Clover Industries in current financial year as explained above.*

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

14.1 Other financial assets

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Financial assets at fair value through profit or loss		
1 800	–	Investment in Guardrisk Cell Captive		
		Derivatives not designated as hedges		
3 297	–	Call option to acquire remaining shares in Clover Frankies		
560	–	Call option to acquire remaining shares in Clover Good Hope		
5 657	–	**Total financial instruments at fair value**		
5 657	–	**Total other financial assets**		
–	–	Total current		
5 657	–	Total non-current		

Call option to acquire remaining shares in Clover Frankies

Frankies granted Clover the irrevocable right to purchase Frankies' 49% of the issued share capital in Clover Frankies ("Call shares"). The call option may be exercised by Clover any time after 30 June 2019. The purchase price of the call shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Frankies for the two financial years preceding the call option or R3 million increased with CPI for each 12 month period from the effective date, whichever is the highest.
B – EBITDA multiple of 5 (five)
C – Net financial debt of Clover Frankies (should the minimum EBITDA be used, C will be Nil)
The value of the call option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.2.

Put option to acquire remaining shares in Clover Frankies

Clover granted Frankies the irrevocable right to sell Frankies' 49% of the issued share capital in Clover Frankies ("put shares"). The put option may be exercised by Frankies any time after 30 June 2019. The purchase price of the put shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Frankies for the two financial years preceding the call option or R3 million increased with CPI for each 12 month period from the effective date, whichever is the highest.
B – EBITDA multiple of 4 (four)
C – Net financial debt of Clover Frankies (should the minimum EBITDA be used, C will be Nil)
The value of the put option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.2. The valuation resulted in a postion not favourable to the holder of the put option and accordingly no liability has been recognised by the Group.

Call option to acquire remaining shares in Clover Good Hope

Good Hope granted Clover the irrevocable right to purchase Good Hope's 49% of the issued share capital in Clover Good Hope ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the fifth anniversary of the effective date. The purchase price of the call shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Good Hope for the financial years preceding the call option
B – EBITDA multiple. If Clover's EBITDA multiple is 7 or lower the EBITDA multiple will be 6. If Clover's EBITDA multiple is above 7 then the EBITDA multiple will be 7
C – Actual average net financing cost of Clover Good Hope for the two financial years preceding the call option
The value of the call option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.1.

Put option to acquire remaining shares in Clover Good Hope

Clover granted Good Hope the irrevocable right to sell Good Hope's 49% of the issued share capital in Clover Good Hope ("Put shares"). The put option may be exercised by Good Hope within three months after each 12 month period from the third anniversary of the effective date. The purchase price of the put shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Good Hope for the financial years preceding the put option
B – EBITDA multiple. If Clover's EBITDA multiple is 7 or lower the EBITDA multiple will be 6. If Clover's EBITDA multiple is above 7 then the EBITDA multiple will be 7
C – Actual average net financing cost of Clover Good Hope for the two financial years preceding the put option
The value of the put option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.1. The valuation resulted in a position not favourable to the holder of the put option and accordingly no liability has been recognised by the Group.

14.2 Other financial liabilities

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedging instruments:		
86	–	Foreign exchange contracts		
–	1 761	Diesel forward purchase contract		
5 225	3 625	Clover Industries shares forward purchases		
		Financial liabilities at fair value through OCI		
		Derivatives designated as hedging instruments:		
22 500	–	Cash flow hedge - Diesel hedge		
27 811	5 386	**Total financial instruments at fair value**		
27 811	5 386	**Total other financial liabilities**		
25 612	2 670	Total current		
2 199	2 716	Total non-current		

Foreign exchange contracts

Foreign exchange contracts through profit or loss are those foreign exchange forward contracts that are not designated in hedge relationship as they are intended to reduce the level of foreign currency risk for expected sales and purchases.

Clover Industries shares forward purchase

The Group had entered into a forward contract to purchase 2 132 695 Clover Industries shares, this transaction was entered into to hedge a portion of the share appreciation rights issued to management.

The fair value of the shares forward purchases was determined by Investec Bank Limited. The fair value was determined by calculation the future settlement price after the following inputs were taken into consideration, a dividend of 3,11% (2015: 2,16%), a credit spread of 2,75% (2015: 2,75%), a spot rate of R 18,51 (2015: R17,60) and a swap interest rate reflecting the term of each tranche of the hedge.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

Expiry date	2016 Number of forwards	2016 Forward price per share (Rand)	2015 Number of forwards	2015 Forward price per share (Rand)
01 October 2015			308 500	19.80
01 June 2016			158 937	20.87
03 October 2016	**308 500**	**21.40**	308 500	21.40
01 June 2017	**158 936**	**22.40**	158 936	22.40
02 October 2017	**308 500**	**23.20**	308 500	23.20
03 June 2019	**476 810**	**26.48**	476 810	26.48
30 June 2017	**158 937**	**22.29**	158 937	22.29
30 June 2017	**253 575**	**22.46**	253 575	22.46
01 June 2017	**158 937**	**22.35**		
30 June 2017	**308 500**	**22.35**		
Total	**2 132 695**		2 132 695	

Diesel hedge

The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. Due to the recent fluctuations in the commodities market specifically relating to the international price of oil and the effect it had on the price of diesel locally the Group entered into a diesel hedge with RMB in the form of a long-futures contract. as a result this is the first financial year the Group apply hedge accounting. The futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges of offset the effect of the prices changes in diesel.

During the financial year the Group hedged 1 650 000 litres of ICE Gasoil per month at a average price of R 6,20 per litre. As at 30 June 2016 the Group has hedged its diesel usage until the end of February 2017 at 1 650 000 litres per month. The contracted ICE Gasoil prices are R 6.13 per litre for the first three months and R 5,10 for the last five months. Hedging the price volatility of forecast diesel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The fair values are based on the quoted price from RMB for an item with the same expiry date and a similar value, taking into account the ruling ICE Gasoil price at year end and the forecasted change in the ICE Gasoil prices until expiry of the instrument. The realised loss portion of the Ice Gasoil long-futures contract recognised in other operating expenses in the statement of profit or loss for the year was R 25,8 million (R 18,6 million net of tax), the unrealised profit portion of R 3,3 million (R 2,4 million net of tax) is reflected in other comprehensive income and will affect the profit or loss in the next financial year, depending on the move in the ICE Gasoil price.

14.3 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;
Level 1: quoted prices in active market for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2016, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	GROUP			
	30 June 2016 R'000	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
Assets measured at fair value				
Derivatives not designated as hedging instruments:				
Call option to acquire remaining shares in Clover Frankies (Pty) Ltd	**3 297**	**–**	**–**	**3 297**
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	**560**	**–**	**–**	**560**
Investment in cell captive	**1 800**	**–**	**1 800**	**–**
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	**86**	**–**	**86**	**–**
Clover Industries shares forward purchases	**5 225**	**–**	**5 225**	**–**
Derivatives designated as hedging instruments:				
Diesel hedge	**22 500**	**–**	**22 500**	**–**
During the reporting period ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements.				

	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 forward purchase contract	1 761	–	1 761	–
Clover Industries shares forward purchases	3 625	–	3 625	–
There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the year ended June 2016				

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

Fair value measurement and valuation techniques for level 2 financial instruments

Type of financial instrument Fair value 2016	Fair value R'000	Valuation technique	Significant inputs
Financial assets at fair value through profit or loss	**5 657**		
Call option to acquire remaining shares in Clover Frankies (Pty) Ltd	**3 297**	DCF	Free cash flow forecast Market interest rate
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	**560**	DCF	Free cash flow forecast Market interest rate
Investment in cell captive	**1 800**	NAV	Cash and cash equivalents Investment in unit trusts Insurance fund liabilities
Financial liabilities at fair value through profit or loss	**5 311**		
Foreign exchange contracts	**86**	DCF	Yield curves Market interest rate Market foreign exchange rate
Clover Industries shares forward purchase	**5 225**	DCF	Share price Yield curves
Financial liabilities at fair value through OCI	**22 500**		
Diesel hedges	**22 500**	DCF	Market forward ICE gasoil price Yield curves Market foreign exchange rate

Fair value 2015	Fair value R'000	Valuation technique	Significant inputs
Financial liabilities at fair value through profit or loss	5 386		
Diesel forward purchase contract	1 761	DCF	Market forward ICE gasoil price Yield curves Market foreign exchange rate
Clover Industries shares forward purchases	3 625	DCF	Share price Yield curves

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Reconciliation of fair value measurement of level 3 financial assets		
		Call option to acquire remaining shares in Clover Frankies (Pty) Ltd		
445	–	Initial recognition through OCI		
2 852	–	Remeasurement recognised through statement of profit or loss		
3 297	–	**Balance at the end of the year**		
		Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
560	–	Initial recognition through OCI		
		Remeasurement recognised through statement of profit or loss		
560	–	**Balance at the end of the year**		

15 DEFERRED TAXATION

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
(155 557)	(170 104)	Balance at the beginning of the year	**77**	77
218	14 547	Movements during the year:		
(6 997)	(3 002)	Charge to profit or loss		
368	1 833	Prior year over provision		
(62)	(47)	Foreign currency translation effect		
(938)	–	Charge to other comprehensive income		
9 193	24 940	Credit to the statement of changes in equity		
(1 346)	(9 177)	Acquisition of subsidiaries		
(155 339)	(155 557)	**Balance at the end of the year**	**77**	77

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		The balance is constituted as follows:		
		Deferred tax assets		
920	694	Doubtful debts provision	**77**	77
5 029	5 818	Credit note accrual		
1 420	1 382	Leases straight-lined		
60 314	61 570	Employee related expenses that are only deductible when paid		
6 582	9 194	Income received in advance		
272	–	Inventory provision		
18 018	7 416	Other accruals		
55 939	40 709	Assessed loss carried forward		
717	624	Foreign tax credits		
7 773	1 854	Cash flow hedges		
156 984	129 261	**Total deferred tax assets**	**77**	77
		Deferred tax liabilities		
(306 491)	(277 314)	Property, plant and equipment		
(1 524)	(3 873)	Prepayments		
(2 798)	(1 615)	Consumable stores		
(1 398)	(1 320)	Pension fund asset		
(112)	(696)	Other		
(312 323)	(284 818)	**Total deferred tax liabilities**		
(155 339)	(155 557)	**Net deferred tax (liability)/asset**	**77**	77
		Reflected in the Statement of Financial Position as follows:		
37 019	32 696	Deferred tax assets	**77**	77
(192 358)	(188 253)	Deferred tax liabilities		
(155 339)	(155 557)	**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 created on the tax loss of entities which are loss-making since inception of business-to-date to the value of R14 million (2015: R69 million). In addition no deferred tax asset has been created on tax losses amounting to R0,4 million (2015: Rnil million) which have no expiry date.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		16 INVENTORIES		
5 800	5 800	Delivery agreements		
156 746	127 986	Raw materials		
112 506	100 422	Work-in-progress		
107 697	91 517	Consumable stores		
534 160	614 456	Finished goods		
916 909	940 181	Total inventories		

The amount of the write-down of inventories recognised as an expense is R13,2 million (2015: R20,7 million). This expense is included in the cost of sales line item as a cost of inventories.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		17 TRADE AND OTHER RECEIVABLES		
1 227 372	1 137 640	Trade receivables	**4 129**	4 170
27 335	21 683	Trade receivables from principals		
73 284	64 723	Other receivables and advance payments	**50 286**	489
2 612	15 644	Loans to Executive Directors and other Executives	**2 612**	15 644
		Inter-company loan: Clover SA	**546 844**	502 298
		Loan: CIL Share Purchase Plan Trust	**9**	9
(3 847)	(2 525)	Allowance for impairment	**(275)**	(275)
(18 533)	(21 586)	Credit note accrual		
1 308 223	1 215 579	Total trade and other receivables	**603 605**	522 335

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

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 28.3 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 2016, trade receivables of an initial value of R3,9 million (2015: R2,5 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
2 525	3 849	Balance at the beginning of the year	**275**	275
1 671	–	Charge for the year		
(349)	(1 324)	Impairment loss written off		
3 847	2 525	**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 2016, the Group had available R256 million (2015: R30 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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cash at bank and on hand		
266	255	On hand		
113 918	82 154	Outstanding deposits		
12 621	979	Call deposits	**11 530**	590
477 266	392 048	Cash in banks	**10 341**	39 425
604 071	475 436	**Total cash and short-term deposits**	**21 871**	40 015

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000 Number of shares	GROUP 2015 R'000 Number of shares		COMPANY 2016 R'000 Number of shares	COMPANY 2015 R'000 Number of shares
		19 SHARE CAPITAL AND SHARE PREMIUM		
		Ordinary shares		
		Authorised		
		2 billion (2015: 2 billion) ordinary shares with a par value of 5 cents (2015: 5 cents) each		
		Shares issued		
187 731 138	182 478 589	Ordinary shares in issue at the beginning of the year	**187 731 138**	182 478 589
		Share appreciation rights exercised:		
–	5 252 549	Issued on 17 March 2015	**–**	5 252 549
717 326	–	Issued on 1 December 2015	**717 326**	–
1 775 256	–	Issued on 2 March 2016	**1 775 256**	–
90 630	–	Issued on 22 June 2016	**90 630**	–
190 314 350	187 731 138	**Ordinary shares in issue at the end of the year**	**190 314 350**	187 731 138

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Ordinary share capital		
9 516	9 387	190,3 million (2015: 187,7 million) ordinary shares of 5 cents (2015: 5 cents) each	**9 516**	9 387
		Ordinary share premium		
882 774	838 363	Ordinary share premium on 190,3 million (2015: 187,7 million) ordinary shares	**882 774**	838 363
892 290	847 750	**Total ordinary share capital and ordinary share premium**	**892 290**	847 750
		Shares were issued as follows during the year		
		Ordinary shares:		
129	263	Ordinary shares of 0,5 cents (2015: 0,5 cents) each	**129**	263
44 411	103 949	Ordinary share premium of R17,19 (2015: R19,79) per share	**44 411**	103 948
44 540	104 212	**Total ordinary share capital raised during the year**	**44 540**	104 211

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		20 OTHER CAPITAL RESERVES		
		Share-based payments reserve		
72 880	73 268	Balance at the beginning of the year	**10 252**	28 720
12 697	18 080	Share based expense	**–**	–
(11 709)	(18 468)	Share appreciation rights exercised	**(8 083)**	(18 468)
73 868	72 880	**Balance at the end of the year**	**2 169**	10 252
		Call options		
		Balance at the beginning of the year		
1 005	–	Initial recognition of call options		
1 005	–	**Balance at the end of the year**		
74 873	72 880	**Total other capital reserves at the end of the year**	**2 169**	10 252
		21 OTHER COMPONENTS OF EQUITY		
		21.1 Foreign currency translation reserve		
(2 314)	(5 582)	Balance at the beginning of the year		
(1 905)	3 268	Foreign exchange translation differences		
28 366	–	Reclassified to statement of profit or loss		
26 461	3 268	Net foreign exchange translation movement		
24 147	(2 314)	**Balance at the end of the year**		
		21.2 Cash flow hedge reserve		
		Balance at the beginning of the year		
(22 500)	–	ICE Gasoil forward contracts fair value adjustment		
25 850	–	Reclassified to statement of profit or loss		
3 350	–	Net other comprehensive income movement		
(938)	–	Income tax effect		
2 412	–	**Net cash flow hedge movement**		
2 412	–	**Balance at the end of the year**		

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

22 INTEREST-BEARINGS LOANS AND BORROWINGS

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		22.1 Secured liabilities		
900 000	900 000	(a) Secured by securitisation of trade debtors (refer to note 17). The first tranche of R250 million is repayable on 30 June 2017, and is charged a floating interest rate of 160 bps above three-month Jibar. The second tranche of R400 million is repayable 30 June 2018, and is charged a fixed interest rate of 9,28% (2015: 9.28%). The third tranche of R250 million is repayable on 30 June 2019, and is charged a floating interest rate of 220 bps above three-month Jibar. The funding is raised in the form of debentures issued to financial institutions and investment funds with specific redemption dates.		
31 790	36 247	(b) Secured by plant and equipment with a book value of R25,8 million (2015: R31,9 million). Repayable in monthly instalments. Payments due within the next year are R5,0 million (2015: R5,1 million). Variable interest rate portion: 8,5% - 10.5% (2015: 8,5% - 10,5%). Maturity: between July 2016 and March 2022. Fixed interest rate portion 9.0% and 10,5% (2015: 9,0% and 10,5%).		
931 790	936 247	Total secured liabilities		
		22.2 Unsecured liabilities		
30 386	–	(a) Credit financing agreements entered into with IBM Global Financing to fund the acquisition of certain software and consulting costs. Interest is charged at 3% with the final instalment due on 1 September 2017.		
–	688	(b) Unsecured loan from Merchant West, interest is charged at 7,57% (2015: 6.96%), and is repayable in quarterly instalments with a final payment on 1 October 2015		
7 188	1 938	(c) Bank overdraft Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate: 9,25% – 10,5% (2015: 9,0% - 9.25%)		
55 036	316 304	(d) Call loans Variable interest rate: 7,0% – 9,0% (2015: 6,75% – 7,8%)		
250 070	–	(e) Debentures issued to financial institutions and investment funds with fixed redemption date, interest is charged at Jibar plus 2.85% and is repayable on 1 October 2018.		
342 680	318 930	Total unsecured liabilities		
1 274 470	1 255 177	Total secured and unsecured liabilities		
		Current portion transferred to current liabilities:		
255 247	254 646	• Secured liabilities		
87 768	318 930	• Unsecured liabilities		
343 015	573 576	Total current portion transferred to current liabilities		
931 455	681 601	Total non-current interest-bearing borrowings		
1 274 470	1 255 177	Total current and non-current interest-bearing loans and borrowings		

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.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		The determination of the long-service bonus is based on the following assumptions:		
7 901	6 976	Active members		
6.3%	6.8%	Salary escalation ratio		
8.9%	7.8%	Discounting rate		
65	65	Normal retirement age		
24 868	26 376	Balance at the beginning of the year		
5 690	9 198	Amounts provided		
(8 712)	(10 706)	Amounts utilised		
21 846	24 868	**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.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
64 461	61 251	Balance at the beginning of the year		
13 054	10 413	Amounts provided		
(9 210)	(7 203)	Amounts utilised		
68 305	64 461	**Total leave pay provision**		

23.3 Total employee-related obligations

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
73 474	74 901	Long-term portion		
16 677	14 428	Short-term portion transferred to current liabilities		
90 151	89 329	**Total long-term and short-term employee-related obligations**		

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		24 TRADE AND OTHER PAYABLES		
1 115 717	1 072 019	Trade payables	**8 703**	8 392
218 950	230 972	Other payables	**1 389**	1 335
–	346	Interest payable	**–**	346
47 976	48 507	Payable to joint ventures		
1 382 643	1 351 844	Total trade and other payables	**10 092**	10 073
19 311	21 459	Non-current portion included in other payables transferred to non-current liabilities		
1 363 332	1 330 385	Current portion	**10 092**	10 073
1 382 643	1 351 844	Total trade and other payables	**10 092**	10 073

The terms for trade payables and other short term 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.

Non-current payables range from one to three years after the date of accrual

25 NOTES TO THE STATEMENT OF CASH FLOWS

Tax paid

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
40 330	33 877	Amount receivable/(due) at the beginning of the year	**2 157**	1 328
(107 161)	(99 801)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	**(9 925)**	(10 434)
9 893	(40 330)	Amount due/(receivable) at the end of the year	**(928)**	(2 157)
(56 938)	(106 254)	Total tax paid	**(8 696)**	(11 263)

26 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

26.1 Defined-benefit fund

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
5 018	9 277	Value of fund assets		
(24)	(4 452)	Value of fund liabilities		
4 994	4 825	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.		
n/a	8,8%	Expected rate of return		
n/a	8,8%	Discount rate		
n/a	8,1%	Future salary increases		
n/a	6,80	Expected average remaining working life in years		

The fund has converted all members to the Group's defined contribution pension fund. As per the fund rules the net surplus of the fund will be available to the Group to be utilised as a reduction of future company contributions towards the defined contribution pensions fund. Number of members on 30 June 2016: 0 (30 June 2015: 4). The fund closed for new entrants on 1 July 1994.

During the previous 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 prepayment asset was raised in the previous financial year amounting to 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.

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 2016: 1 112 (30 June 2015: 1 102).

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 2016:6 759 (2015: 6 143).

26.3 Amounts recognised in profit or loss

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Contributions for the Group for the current year:		
–	105	Defined-benefit fund		
38 999	34 985	Pension fund		
65 587	53 749	Provident fund		
104 586	88 839	**Total contributions recognised in profit or loss**		

27 COMMITMENTS AND CONTINGENCIES

27.1 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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Future minimum lease payments are as follows:		
299 627	289 823	Within one year		
977 720	847 451	After one year but not more than five years		
383 296	535 302	More than five years		
1 660 643	1 672 576	Total lease payments payable		

27.2 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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Future minimum rentals receivable under non-cancellable operating leases are as follows:		
2 400	7 609	Within one year		
7 366	8 607	After one year, but not more than five years		
9 766	16 216	Total lease payments receivable		

27.3 Finance leases and hire purchase agreements

The Group has finance leases and hire purchase contracts for various items of plant, machinery and vehicles. These leases have no terms of renewal, purchase options or escalation clauses.

GROUP 2016 Minimum payments R'000	GROUP 2016 Present value of payments R'000		GROUP 2015 Minimum payments R'000	GROUP 2015 Present value of payments R'000
		Future minimum lease payments with the present value of the net minimum lease payments are as follows:		
30 073	25 894	Within one year	8 248	5 196
45 098	36 282	After one year but not more than five years	41 488	31 739
75 171	62 176	**Total minimum lease payments**	49 736	36 935
(12 995)		Less: Amounts representing finance charges	(12 801)	–
62 176	62 176	**Present value of minimum lease payments**	36 935	36 935

27.4 Capital commitments

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
191 498	146 225	Capital expenditure authorised and contracted for		
68 963	29 305	Capital expenditure authorised but not contracted for		
260 461	175 530	**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.

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, the loan from Clover SA to Clover West Africa was written-off and a reversal of the prior year impairments on the loan to Clover Namibia of R3.8 million (2015: R5,5 million). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28.1 With regard to operating activities with subsidiaries and joint ventures, the following transactions took place during the year:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		(a) Fees earned by CIL for services rendered to Group Companies		
		Clover SA – Subsidiary	**44 424**	49 369
		Total fees earned by CIL for services rendered to Group Companies	**44 424**	49 369
		(b) Amounts due to CIL from Group Companies		
		Clover SA – Subsidiary	**546 838**	502 298
		Total amounts due to CIL from Group Companies	**546 838**	502 298
		(c) CIL received the following dividends during the year from Group Companies		
		Clover SA – Subsidiary	**100 000**	50 000
		Total dividends received by CIL from Group Companies	**100 000**	50 000

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 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 or companies in which they are connected by Clover SA:		
104 643	118 495	WI Büchner		
44 632	42 870	NA Smith		
15 362	11 888	PR Griffin		
164 637	173 253	**Total milk purchased from Non-Executive Directors**		
		Refer to note 32 for more information regarding compensation of Directors and key management personnel		
		28.3 Loans advanced to Directors and senior management outstanding		
		Executive Director		
–	13 019	JH Vorster	**–**	13 019
		Other Executives		
2 612	2 625	JHF Botes (Dr)	**2 612**	2 625
2 612	15 644	**Total**	**2 612**	15 644

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 71,6% (2015: 79,56%) 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 according 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 expected 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% (2015: 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% (2015: 20,3%) 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	2016 R'm	2015 R'm
Municipalities	**15.69**	15.60
Other*	**18.59**	0.42
	34.28	16.02

**Primarily relates to major supplier in relation to the import of equipment which has been subsequently settled.*

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 (2015: 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.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates of the Naira and the Pula. The Group's exposure to foreign currency changes for all other currencies is not material.

GROUP 2016 Change in rate	GROUP 2016 Effect on profit before tax	GROUP 2016 Effect on Equity		GROUP 2015 Change in rate	GROUP 2015 Effect on profit before tax	GROUP 2015 Effect on Equity
	R'000	R'000			R'000	R'000
			Foreign subsidiaries – equity			
+10%			Rand – strengthening	+10%		
		(25 035)	Loss on Pulas			(17 134)
		160	Profit on Naira			5 066
-10%			Rand – weakening	-10%		
		25 035	Profit on Pulas			17 134
		(160)	Loss on Naira			(5 066)

(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 2016 R'000		GROUP 2015 R'000
	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	
400 000	Fixed-rate instruments	400 000
874 470	Variable-rate instruments	855 177
1 274 470		1 255 177
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2015: 100 basis points) in interest rates at the reporting date would affect profit before taxation by the amount shown below. This analysis assumes that 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	
(8 745)	Decrease in profit before tax	(8 552)
	Decrease of 100 basis points	
8 745	Increase in profit before tax	8 552

GROUP 2016 R'000		GROUP 2015 R'000
	(iii) Share price risk management	
	The Group is affected by the movement in its share price due to the share appreciation rights issued to management. The Group entered into forward share purchases to hedge 2 132 695 of the share appreciation right issued to management. Refer to note 14 for more details.	
	Forward share purchases sensitivity	
	An increase/decrease of 10% (2015: 10%) in the share price at the reporting date would have affected profit before taxation by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10% in share price	
3 972	Increase in profit before tax	3 754
	Decrease of 10 % in share price	
(3 972)	Decrease in profit before tax	(3 754)
	(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 purposes.	
	Based on an 12-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 13 200 000 litres of diesel, which is equivalent to 8 months' diesel usage. Subsequent to year-end the Group extended its hedging period until 30 June 2017, at 1 650 000 per month.	
	Cash flow hedge sensitivity	
	An increase/decrease of 10% in the diesel price at the reporting date would have affected other comprehensive income, 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.	
	Increase of 10% in diesel price	
7 607	Increase in other comprehensive income	–
	Decrease of 10% in diesel price	
(7 607)	Decrease in other comprehensive income	–
	Diesel hedges sensitivity	
	An increase/decrease of 10% in the diesel price at the reporting date would have affected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior year.	
	Increase of 10% in diesel price	
–	Increase in profit before tax	21 344
	Decrease of 10% in diesel price	
–	Decrease in profit before tax	(21 344)
	(v) Clover Frankies - Call and put options	
	Call option Clover Frankies	
	Frankies granted Clover the irrevocable right to purchase Frankies' 49% of the issued share capital in Clover Frankies ("Call shares"). The call option may be exercised by Clover any time after 30 June 2019. Refer to note 14 for more information regarding the call option.	
	Call option sensitivity	
	An increase/decrease of 10 percent in the terminal growth rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in terminal growth rate	
780	Increase in profit before tax	–
	Decrease of 10 percent in terminal growth rate	
(780)	Decrease in profit before tax	–

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000		GROUP 2015 R'000
	An increase/decrease of 10 percent in the discount rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in discount rate	
(1 358)	Decrease in profit before tax	–
	Decrease of 10 percent in the discount rate	
2 000	Increase in profit before tax	–
	Put option Clover Frankies	
	Clover granted Frankies the irrevocable right to sell Frankies' 49% of the issued share capital in Clover Frankies ("put shares"). The put option may be exercised by Frankies any time after 30 June 2019. Refer to note 14 for more information regarding the put option. The sensitivity analysis indicates that there is no effect on profit before tax when the terminal growth rate or discount rate is adjusted by 10% upwards or downwards	
	(vi) Clover Good Hope - Call and put options	
	Call option Clover Good Hope	
	Good Hope granted Clover the irrevocable right to purchase Good Hope's 49% of the issued share capital in Clover Good Hope ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the fifth anniversary of the effective date. Refer to note 14 for more information regarding the call option.	
	Call option sensitivity	
	An increase/decrease of 10 percent in the terminal growth rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in terminal growth rate	
1 526	Increase in profit before tax	–
	Decrease of 10 percent in terminal growth rate	
(560)	Decrease in profit before tax (limited to current option value)	–
	An increase/decrease of 10 percent in the discount rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in discount rate	
(560)	Decrease in profit before tax (limited to current option value)	–
	Decrease of 10 percent in the discount rate	
2 806	Increase in profit before tax	–
	Put option Clover Good Hope	
	Clover granted Good Hope the irrevocable right to sell Good Hope's 49% of the issued share capital in Clover Good Hope ("Put shares"). The put option may be exercised by Good Hope within three months after each 12 month period from the third anniversary of the effective date. Refer to note 14 for more information regarding the put option. The sensitivity analysis indicates that there is no effect on profit before tax when the terminal growth rate is adjusted by 10% upwards or downwards.	
	Put option sensitivity	
	An increase/decrease of 10 percent in the discount rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in discount rate	
(689)	Decrease in profit before tax	–
	Decrease of 10 percent in the discount rate	
–	Increase in profit before tax	–

GROUP 2016 R'000		GROUP 2015 R'000

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 securisation programme. This programme came into effect during 2001. Senior debt raised by the programme currently amounts to R900 million (2015: R900 million). The securisation provides access to senior debt equal to 74,5% (2015: 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 12,9% (2015: 14,5%) of the debtors' book. In comparison the weighted average interest expense on interest-bearing borrowings was 9,72% (2015: 7,8%).

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 instruments.

These financial instruments are short term in nature and includes trade receivables, trade payables, cash and cash equivalents.

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. The credit rating remained unchanged at zaAA, as rated by Khanda Credit.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

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 2016	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	**26 144**	**9 564**	**13 477**	**20 234**	**4 992**	**74 411**
Secured by securitisation of trade debtors	**41 661**	**291 109**	**460 695**	**23 575**	**255 942**	**1 072 982**
Unsecured loans	**67 741**	**12 496**	**25 200**	**256 352**	**–**	**361 789**
Guarantees	**18 257**	**–**	**–**	**–**	**16 023**	**34 280**
Bank overdrafts	**7 188**	**–**	**–**	**–**	**–**	**7 188**
Financial liabilities	**25 612**	**–**	**2 199**	**–**	**–**	**27 811**
Trade and other payables	**1 321 244**	**42 088**	**9 152**	**10 158**	**–**	**1 382 642**
Total financial liabilities	**1 507 847**	**355 257**	**510 723**	**310 319**	**276 957**	**2 961 103**

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 liabilities	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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

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

	COMPANY 2016					
	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						
Unsecured loans	–	–	–	256 352	–	256 352
Trade and other payables	10 092	–	–	–	–	10 092
Total financial liabilities	10 092	–	–	256 352	–	266 444

	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						
Unsecured loans	–	–	–	–	–	–
Trade and other payables	10 073	–	–	–	–	10 073
Total financial liabilities	10 073	–	–	–	–	10 073

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

GROUP Carrying Value 2016 R'000	GROUP Carrying value 2015 R'000		COMPANY Carrying Value 2016 R'000	COMPANY Carrying Value 2015 R'000
		29.5 Credit risk		
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
1 227 372	1 137 640	Trade receivables		
97 035	95 469	Other receivables	603 600	522 334
604 071	475 436	Cash and short-term deposits	21 871	40 015
1 928 478	1 708 545	Total financial assets	625 471	562 349
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
878 273	904 841	Retail chain stores		
134 852	68 246	Wholesale chain stores		
214 247	164 553	Industrial/Catering/General trade		
1 227 372	1 137 640	Total		
		The ageing of trade receivables at the reporting date is as follows:		
1 128 812	1 059 421	Neither past due nor impaired*		
84 201	56 454	Past due, but not impaired 0–30 days		
10 069	12 157	Past due but not impaired 31–120 days		
4 290	9 608	Past due but not impaired 120 days		
1 227 372	1 137 640	Total		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
2 525	3 849	Balance at the beginning of the year	275	275
1 671	–	Increases in impairments		
(349)	(1 324)	Impairment loss written off		
3 847	2 525	Balance at the end of the year	275	275

* *The balance of these receivables mainly relate to well-known retail and wholesale chain stores and is considered to be of a high credit quality as is evident from the relative low impairment balance and zaAA credit ratings based on evaluations performed by independent credit valuation agencies.*

The allowance for impariment 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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Share-based payment investment in Clover SA	**–**	8 084
		Total investment in subsidiary	**326 735**	334 819
		Share of investment in a joint venture		
–	(253)	Clover Futurelife		
31 651	31 878	Clover Fonterra		
31 651	31 625			

Subsidiary and joint venture Name of company	Name of incorporation	Nature of business	Effective interest in capital 2016 %	Effective interest in capital 2015 %	Gross Investment in subsidiaries and joint ventures[1] 2016 R'000	Gross Investment in subsidiaries and joint ventures[1] 2015 R'000	Profit/(loss) after taxation[3] 2016 R'000	Profit/(loss) after taxation[3] 2015 R'000
Clover SA[2]	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**327 183**	334 818	**299 074**	282 443
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	**100**	100	**444 958**	361 458	**(14 389)**	(3 231)
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**75 492**	39 488
Clover MilkyWay	South Africa	Dairy manufacturing and sales	**100**	100	**50 050**	50 050	**(8 861)**	615
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**(1 208)**	561
Lactolab	South Africa	Testing of dairy products	**100**	100	**5 500**	5 500	**716**	1 317
Clover Fonterra#	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**31 651**	31 878	**14 015**	11 192
Clover Frankies	South Africa	Marketing, sales, distribution and production of CSD's	**51**	–	**10 928**	–	**518**	–
Clover Good Hope	South Africa	Manufactures, distributes, sells and markets a range of soy based milk alternatives	**51**	–	**7 068**	–	**1 380**	–
Clover West Africa[4]	Nigeria	Marketing of non-alcoholic beverage products	**100**	100	**468**	468	**71 273**	(8 139)
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	*****	*	**5 167**	5 641
Clover Waters	South Africa	Marketing, sales, distribution and production of water and iced tea	**70**	70	**76 669**	69 392	**(1 935)**	(15 939)
Clover Futurelife$	South Africa	Manufactures, distributes, sells and markets a range of functional food products	**50**	50	*****	(253)	**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.*
4 *Included in the profit is the write-off of the loan received from Clover SA of R61.1 million. However this amount was eliminated at Group level.*

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Frankies		
		Subsidiary's statement of financial position		
9 265		Current assets including cash and cash equivalents of R1,6 million and inventory R4,3 million		
12 233		Non-current assets including property, plant and equipment of R0,36 million and intangibles R11,8 million		
(597)		Non-current liabilities including deferred tax R0,6 million		
(6 925)		Current liabilities including trade and other payables of R6,9 million		
(13 976)		Equity (Net asset value)		
51%		Portion of the Group's ownership		
7 128		Net asset value of the investment		
		Subsidiary's revenue and profit		
20 568		Revenue		
(9 864)		Cost of sales		
(8 976)		Sales, marketing, distribution and administrative expenses		
(262)		Net finance cost		
1 466		Profit before taxation		
(450)		Income tax expense		
1 016		**Profit for the year**		
51%		Portion of the Group's ownership		
518		Group's share of profit for the year		
–		Dividend received		

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Good Hope		
		Subsidiary's statement of financial position		
27 302		Current assets including cash and cash equivalents of R3,6 million and inventory R8,7 million		
7 329		Non-current assets including property, plant and equipment of Rnil million and intangibles R7,3 million		
(657)		Non-current liabilities including deferred tax R0,6 million		
(26 265)		Current liabilities including trade and other payables of R26 million		
(7 709)		Equity (Net asset value)		
51%		Portion of the Group's ownership		
3 932		Net asset value of the investment		
		Subsidiary's revenue and profit		
16 206		Revenue		
(13 480)		Cost of sales		
(1 293)		Sales, marketing, distribution and administrative expenses		
1 721		Other operating income		
(65)		Net finance cost		
3 089		Profit before taxation		
(383)		Income tax expense		
2 706		**Profit for the year**		
51%		Portion of the Group's ownership		
1 380		Group's share of profit for the year		
–		Dividend received		

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Waters		
		Subsidiary's statement of financial position		
58 049	83 513	Current assets including cash and cash equivalents Rnil (2015: Rnil) and inventory R27,95 million (2015: R28,3 million)		
132 674	89 149	Non-current assets including property, plant and equipment R97,8 million (2015: R52,8 million)		
(9 866)	(5 887)	Non-current liabilities including deferred tax R2,7 million (2015: R3,9 million)		
(138 729)	(121 882)	Current liabilities including trade and other payables of R138,2 million (2015: R121,4 million)		
(42 128)	(44 893)	Equity (Net asset value)		
70%	70%	Portion of the Group's ownership		
29 490	31 425	Net asset value of the investment		
		Subsidiary's revenue and profit		
306 672	255 730	Revenue		
(195 972)	(174 730)	Cost of sales		
(87 740)	(85 231)	Sales, marketing, distribution and administrative expenses		
(21 011)	(14 578)	Other operating expenses		
(5 992)	(3 500)	Net finance cost		
(4 043)	(22 309)	Loss before taxation		
1 279	6 370	Income tax		
(2 764)	(15 939)	**Loss for the year**		
70%	70%	Portion of the Group's ownership		
(1 935)	(11 157)	Group's share of loss for the year		
–	–	Dividend received		

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

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 85 to 97.

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%.

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%

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.

Eighth allocation – Expected volatility of 33,0%, risk free rate of 8,19% and a dividend yield of 2,95%.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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)	Vetsing period
Clover's Share Appreciation Rights Plan (2010) – Initial allocation	31 May 2010	Until employment terminates	R4,67	1 808 459 (2015: 4 970 158)	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) – Third allocation	1 July 2011	Three years	R11,00	57 778 (2015: 57 778)	R3,11	Full allocation vested on 1 July 2014
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member ER Bosch	1 June 2012	Four years	R13,50	953 620 (2015: 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	Four years	R13,73	1 474 962 (2015: 2 737 742)	R3,70	Full allocation vested on 1 July 2015
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member MM Palmeiro	1 October 2012	Four years	R14,15	925 500 (2015: 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	Five years	R16,83	2 588 288 (2015: 3 041 063)	R4,97	Full allocation vests on 1 July 2016
Clover's Share Appreciation Rights Plan (2010) – Sixth allocation	20 June 2014	Six years	R17,31	2 325 208 (2015: 3 134 141)	R4,83	Full allocation vests on 30 June 2017
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member J van Heerden	26 September 2014	Four years	R17,55	501 425 (2015: 501 425)	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	Six years	R17,34	2 779 769 (2015: 3 656 212)	R5,38	Full allocation vests on 30 June 2018
Clover's Share Appreciation Rights Plan (2010) – Eighth allocation	30 June 2016	Five years	R18,44	2 679 262 (2015: Nil)	R5,58	Full allocation vests on 30 June 2019

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Provision against income		
12 697	18 080	Share-based payment expense		

There were no changes made to the share appreciation rights or the executives' interests therein after 30 June 2016 up to the approval of the annual financial statements.

32 DIRECTORS' REMUNERATION AND INTERESTS

32.1 Directors' remuneration

	2016							
	Basic salary R'000	Fees for services as Director R'000	Individual performance bonus R'000	Profit share bonus R'000	Retirement and medical contributions R'000	Re-imbursive expenses R' 000	Other benefits* R'000	Total R'000
Executive Directors								
JH Vorster	5 500	–	1 654	4 279	1 292	–	1 407	14 132
LJ Botha (resigned 2 January 2016)	3 767	–	636	–	465	–	362	5 230
CP Lerm (Dr) (retired 30 June 2016)	3 296	–	1 120	1 878	715	–	860	7 869
ER Bosch (appointed 2 January 2016 as director)	1 669	–	568	953	378	–	65	3 633
Total remuneration of Executive Directors	14 232	–	3 978	7 110	2 850	–	2 694	30 864
Non-Executive Directors								
WI Büchner	–	1 191	–	–	–	–	–	1 191
TA Wixley	–	899	–	–	–	–	–	899
SF Booysen (Dr)	–	818	–	–	–	39	–	857
JNS Du Plessis	–	520	–	–	–	36	–	556
NA Smith	–	371	–	–	–	–	–	371
N Mokhesi	–	432	–	–	–	–	–	432
B Ngonyama	–	472	–	–	–	–	–	472
PR Griffin	–	321	–	–	–	–	–	321
Total remuneration of Non-Executive Directors	–	5 024	–	–	–	75	–	5 099
Total Directors' remuneration	14 232	5 024	3 978	7 110	2 850	75	2 694	35 963
Other executives (prescribed officers)								
H Lubbe	3 285	–	1 118	1 877	701	–	167	7 148
JHF Botes (Dr)	3 300	–	1 121	1 882	700	–	166	7 169
ER Bosch (became a director on 2 January 2016)	1 669	–	567	952	378	–	64	3 630
MM Palmeiro	2 708	–	1 432	1 902	591	–	755	7 388
J van Heerden	2 382	–	608	1 020	452	–	237	4 699
Total remuneration of other executives	13 344	–	4 846	7 633	2 822	–	1 389	30 034

Other benefits include long service award payouts, leave payouts on retirement, housing allowances for expatriates, travel and accommodation expenses.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2015	Basic salary R'000	Fees for services as director R'000	Individual performance bonus R'000	Profit share bonus R'000	Retirement and medical contributions R'000	Re-imbursive expenses R' 000	Other benefits* R'000	Total R'000
Executive directors								
JH Vorster	5 129	–	1 615	6 446	1 376	–	277	14 843
LJ Botha	3 512	–	1 210	3 406	874	–	168	9 170
CP Lerm (Dr)	3 079	–	1 059	2 996	762	–	157	8 053
Total remuneration of Executive Directors	11 720	–	3 884	12 848	3 012	–	602	32 066
Non-Executive Directors								
WI Büchner	–	1 111	–	–	–	–	–	1 111
TA Wixley	–	897	–	–	–	–	–	897
SF Booysen (Dr)	–	743	–	–	–	–	–	743
JNS Du Plessis	–	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	11 720	4 683	3 884	12 848	3 012	59	602	36 808
Other executives (prescribed officers)								
H Lubbe	3 063	–	1 091	2 995	782	–	162	8 093
JHF Botes (Dr)	3 077	–	1 094	3 002	780	–	161	8 114
ER Bosch (became a director on 2 January 2016)	3 068	–	1 039	3 002	830	–	129	8 068
MM Palmeiro	2 525	–	1 259	2 235	626	–	739	7 384
J van Heerden	1 785	–	475	915	391	–	121	3 687
Total remuneration of other executives	13 518	–	4 958	12 149	3 409	–	1 312	35 346

**Other benefits include long service award payouts, leave payouts on retirement, housing allowances for expatriates, travel and accommodation expenses.*

	2016 R' 000	2015 R' 000
Share appreciation rights exercised and settled by the issue of shares		
Executive directors		
JH Vorster	**19 892**	53 652
LJ Botha	**11 234**	31 610
CP Lerm (Dr)	**13 414**	12 423
Executives (Prescribed officers)		
JHF Botes (Dr)	**–**	9 856
	44 540	107 541

All share appreciation rights exercised by Executives as part of the MPCRE (refer to page 96: - legacy scheme SARS issues) were settled in shares.

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 at allocation date	Number of rights as at 30 June 2015	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2016	Number of rights that have vested as at 30 June 2016	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	First	4 587 200	1 529 067		1 529 067	–		16.57	4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	1 036 716	1 036 716		340 000	**696 716**	696 716	18.72	13.73	All on 1 July 2015.
	Fifth	879 589	879 589			**879 589**			16.83	All on 1 July 2016.
	Sixth	906 510	906 510			**906 510**			17.31	All on 30 June 2017.
	Seventh	975 927	975 927			**975 927**			17.34	All on 30 June 2018.
	Eighth	919 753		919 753		**919 753**			18.44	All on 30 June 2019.
CP Lerm (Dr) (retired 30 June 2016)	First	2 454 758	818 252		818 252	–		18.70	4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	389 123	389 123		389 123	–		18.70	13.73	All on 1 July 2015.
	Fifth	332 135	332 135			**332 135**			16.83	All on 1 July 2016.
	Sixth	342 300	342 300		342 300	–		Cancelled	17.31	All on 30 June 2017.
	Seventh	371 109	371 109		371 109	–		Cancelled	17.34	All on 30 June 2018.
LJ Botha (resigned 2 January 2016)	First	2 443 140	814 380		814 380	–		16.59	4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	533 657	533 657		533 657	–		16.59	13.73	All on 1 July 2015.
	Fifth	452 775	452 775		452 775	–		Cancelled	16.83	All on 1 July 2016.
	Sixth	466 633	466 633		466 633	–		Cancelled	17.31	All on 30 June 2017.
	Seventh	505 334	505 334		505 334	–		Cancelled	17.34	All on 30 June 2018.
ER Bosch (appointed 2 January 2016 as director)	Allocation of newly appointed	953 620	953 620			**953 620**	635 747		13.50	One-third on 1 June 2015, a third on 1 June 2016 and final third on 1 June 2017.
	Fifth	332 135	332 135			**332 135**			16.83	All on 1 July 2016.
	Sixth	342 301	342 301			**342 301**			17.31	All on 30 June 2017.
	Seventh	371 988	371 988			**371 988**			17.34	All on 30 June 2018.
	Eighth	362 256		362 256		**362 256**			18.44	All on 30 June 2019.
Total Executive Directors		19 958 959	12 353 551	1 282 009	6 562 630	**7 072 930**	1 332 463			

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

	Allocation of rights	Number of rights at allcation date	Number of rights as at 30 June 2015	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2016	Number of rights that have vested as at 30 June 2016	Share price on date exercised	Grant price	Date from which exercisable
Other executives (prescribed officers)										
H Lubbe	First	2 027 236	1 351 491			1 351 491	1 351 491		4.67	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			57 778	57 778		11.00	All on 1 July 2014.
	Fourth	389 123	389 123			389 123	389 123		13.73	All on 1 July 2015.
	Fifth	332 135	332 135			332 135			16.83	All on 1 July 2016.
	Sixth	342 301	342 301			342 301			17.31	All on 30 June 2017.
	Seventh	370 992	370 992			370 992			17.34	All on 30 June 2018.
	Eighth	349 625		349 625		349 625			18.44	All on 30 June 2019.
JHF Botes (Dr)	First	1 370 904	456 968			456 968	456 968		4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	389 123	389 123			389 123	389 123		13.73	All on 1 July 2015.
	Fifth	332 135	332 135			332 135			16.83	All on 1 July 2016.
	Sixth	342 301	342 301			342 301			17.31	All on 30 June 2017.
	Seventh	372 023	372 023			372 023			17.34	All on 30 June 2018.
	Eighth	350 598		350 598		350 598			18.44	All on 30 June 2019.
MM Palmeiro	Allocation of newly appointed	925 500	925 500			925 500	308 500		14.15	One-third on 1 October 2015, a third on 1 October 2016 and final third on 1 October 2017.
	Fifth	380 159	380 159			380 159			16.83	All on 1 July 2016.
	Sixth	391 795	391 795			391 795			17.31	All on 30 June 2017.
	Seventh	417 246	417 246			417 246			17.34	All on 30 June 2018.
	Eighth	415 808		415 808		415 808			18.44	All on 30 June 2019.
J van Heerden	Allocation of newly appointed	501 425	501 425			501 425			17.55	One third on 26 September 2017, a third on 26 September 2018 and final third on 26 September 2019.
	Seventh	271 593	271 593			271 593			17.34	All on 30 June 2018.
	Eighth	281 222		281 222		281 222			18.44	All on 30 June 2019.
Total other executives		10 611 022	7 624 088	1 397 253	–	9 021 341	2 952 983			
Total		30 569 981	19 977 639	2 679 262	6 562 630	16 094 271	4 285 446			

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 2016, a total of 11 202 483 (30 June 2015: 8 619 271 ordinary shares) have been issued to Executives, with the balance of 4 797 517 ordinary shares remaining available for issue.

32.3 Interest of Directors and other executives of the Company in ordinary share capital

Number of shares at 30 June 2016				Number of shares at 30 June 2015		
Direct	Indirect	Associates		Direct	Indirect	Associates
			Executive Directors			
5 254 846	**4 500 000**	**398 315**	JH Vorster	8 346 599	–	398 315
3 574 220	**–**	**–**	CP Lerm (Dr) (retired 30 June 2016)	3 294 122	–	–
–	**–**	**–**	LJ Botha (resigned 2 January 2016)	2 318 014	–	–
8 829 066	**4 500 000**	**398 315**		13 958 735	–	398 315
			Non-Executive Directors			
–	**480 400**	**–**	WI Büchner*	–	628 400	–
–	**888 814**	**–**	NA Smith	–	997 586	–
47 619	**–**	**–**	TA Wixley	47 619	–	–
15 245	**–**	**–**	PR Griffin	53 245	–	–
62 864	**1 369 214**	**–**		100 864	1 625 986	–
8 891 930	**5 869 214**	**398 315**	**Total Directors' interests in ordinary share capital**	14 059 599	1 625 986	398 315
			Other executives (prescribed officers)			
342 222	**–**	**–**	H Lubbe	459 712	–	–
951 998	**–**	**–**	JHF Botes (Dr)	951 998	–	–
1 294 220	**–**	**–**	**Total interest of other Executives in ordinary share capital**	1 411 710	–	–

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.

* *This Director is a trustee of the Clover Milk Producer Trust that holds 23 100 000 (2015: 22 553 000) 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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
19 420	22 963	Employees with employment date before 01/01/2001		
2 426	1 905	Employees with employment date after 01/01/2001		
21 846	24 868	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.

ANNUAL FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 %	GROUP 2015 %		COMPANY 2016 %	COMPANY 2015 %
		33.5 Past service liability build-up		
		The build-up of the total past service liability for the past year, using the best estimate assumptions are as follows:		
8.42	9.00	a) The following discount rate per annum was used for the calculation of interest cost		
7.46	8.20	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 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		The increase in the past service liability is summarised as follows:		
		Past services liability build-up		
24 869	26 376	Opening balance		
1 782	2 394	*Plus:* Interest cost		
1 099	1 252	Current service cost		
(8 785)	(10 653)	*Less:* Benefits paid		
2 882	5 500	Actuarial loss		
21 847	24 869	**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 Beverage Company (Pty) Limited:	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
Clover Frankies (Pty) Limited:	Clover Frankies
Clover Good Hope (Pty) Limited:	Clover Good Hope

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
Discounted cash flow:	DCF
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 asset value:	NAV
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.

NOTES

NOTES

ADMINISTRATION

Registered office
200 Constantia Drive, Constantia Kloof, 1709

Postal address
PO Box 6161, Weltevredenpark, 1715

Telephone
(011) 471 1400

Telefax
(011) 471 1504

Internet address
www.clover.co.za

External Auditors
Ernst & Young Incorporated

Bankers
The Absa Group
First National Bank
Investec Bank

Company registration number
2003/030429/06

Attorneys
Werksmans
Roestoff, Venter and Kruse
JJFB Inc.
Adams & Adams

www.clover.co.za