How Clover creates value **today**

OVERVIEW OF CLOVER'S VALUE CREATION PROCESS

Clover's value creation process starts 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 establishment 119 years ago, Clover has always had its roots in dairy and its related products. Over decades, Clover evolved into a branded consumer goods company with one of the largest chilled distribution networks spread across southern Africa. It retained its dairy heritage, developing new, value-added dairy and complimentary products. At the same time, it leveraged its distribution network and merchandising expertise to become the supplier of choice for a number of international principals.

Clover underwent a major shift in 2010, to address regulatory legacy issues and position the Company for future growth. This unlocked significant value for producer shareholders and realised costs savings of more than R100 million per annum.

Subsequently, as a listed company, 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 financial crisis, the demand for transparency, early and accurate corporate reporting across all the bottom lines has escalated to new levels. Even in South Africa, corporate activism is on the rise and investors are responding more proactively to how a business is managed and shareholder value created.

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

We also devote considerable time to tell Clover's value creation story as concisely, plainly and transparently for the benefit of all stakeholders. This enables stakeholders, including shareholders and potential investors to evaluate our actions from an informed basis.

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.

This will attract long-term investors who are supportive of a company's investment case regardless of the macro-economic cycle.

In this report, Clover has endeavoured to use King III and Integrated Reporting principles to clearly show how our value creation chain and business model works to unlock shareholder and stakeholder value.

COMPANIES ACT:
REGULATION 43

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

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

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

Ethical leadership and corporate citizenship

Labour and employment

Environmental, Health and Public Safety

Social and Economic Development

Governing stakeholder relationships/ consumer relationship

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

FINANCIAL CAPITAL

MANUFACTURED CAPITAL

HUMAN CAPITAL

INTELLECTUAL CAPITAL

NATURAL CAPITAL

SOCIAL & RELATIONSHIP CAPITAL

Clover's vision and mission has been aligned to the value chain as we consider strategy, risk, governance, performance and sustainability to be inseparable.

OVERVIEW

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 22 as part of the Directorate and management section.

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 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, and guides our people in the way they execute their functions and projects. Ethical and effective leadership drive Clover's strategy to grow a sustainable business that considers its long and short-term impacts on the economy, society and the environment. Clover's committed to promoting equality, and preventing unfair discrimination in all forms.

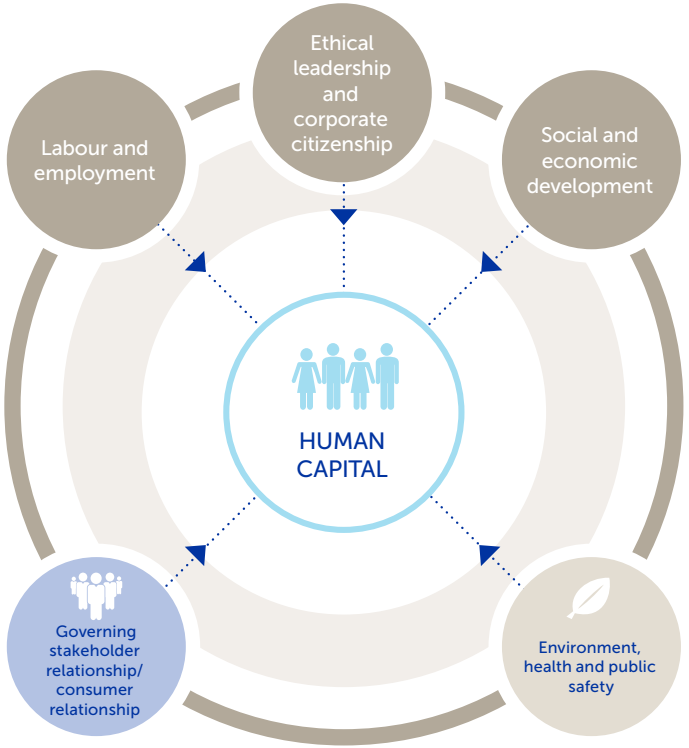
Clover's approach to ethical leadership draws on the principles recommended by:

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

The OECD recommendations on corruption.

Clover is committed to conducting its business activities in a manner that enhances our values, which include 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.



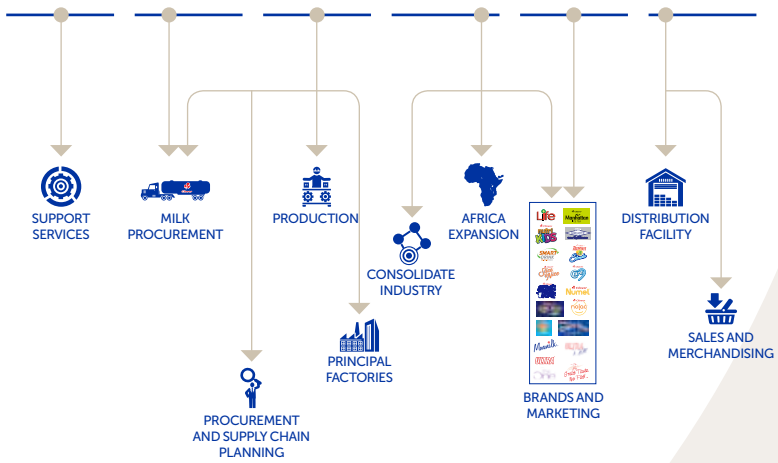
CLOVER'S BUSINESS MODEL

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

Preferred employer	Being a responsible corporate citizen	Way Better operations across supply chain to provide sustainable shareholder value	Develop or acquire brands to occupy number one or two position in chosen segments	Providing consumers with quality and trusted products	Reaching Clover's widely dispersed customers everyday



CAPITAL		INPUTS
HUMAN CAPITAL	• Employees competencies, capabilities and motivations to innovate • Training • Leadership	• 8 733 Employees • Dynamic management team with significant experience • Ongoing re-assesment of Human Capital strategy
NATURAL CAPITAL	Air, water, land minerals, forests, bio-diversity and ecosystem health	• Clover's production facilities and large distribution network • Clover's environmental strategy • Product ingredients, package materials, fuel and electricity • ISO 14001 listing of Clover's production division
MANUFACTURED CAPITAL	• Infrastructure, buildings and equipment • Machinery • Transportation	• Formal Health and Safety policies in place • Clover's large distribution networks in place • Heavy investment into production infrastructure in prior years
INTELLECTUAL CAPITAL	Patents, copyrights, software, licences, systems, procedures and protocols	• Clover employs and introduces state-of-the-art systems to gain further insight into business functions. • Deeply entrenched household brands, including Clover, Tropika etc. • Staff are encouraged to join various professional bodies through membership
SOCIAL & RELATIONSHIP CAPITAL	Shared norms, common values, behaviours, stakeholder relationships and dependencies	• 43 Mamas appointed to care for children and the elderly • Skills selection centres • Clover Mama Afrika assists communities with repairs and renovations to needed infrastructure
FINANCIAL CAPITAL	Equity, debts and grants	• Revenue • Cash • Funding

VISION AND MISSION

OPPORTUNITIES AND RISKS

PRODUCTION (16 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.

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.

MILK PROCUREMENT

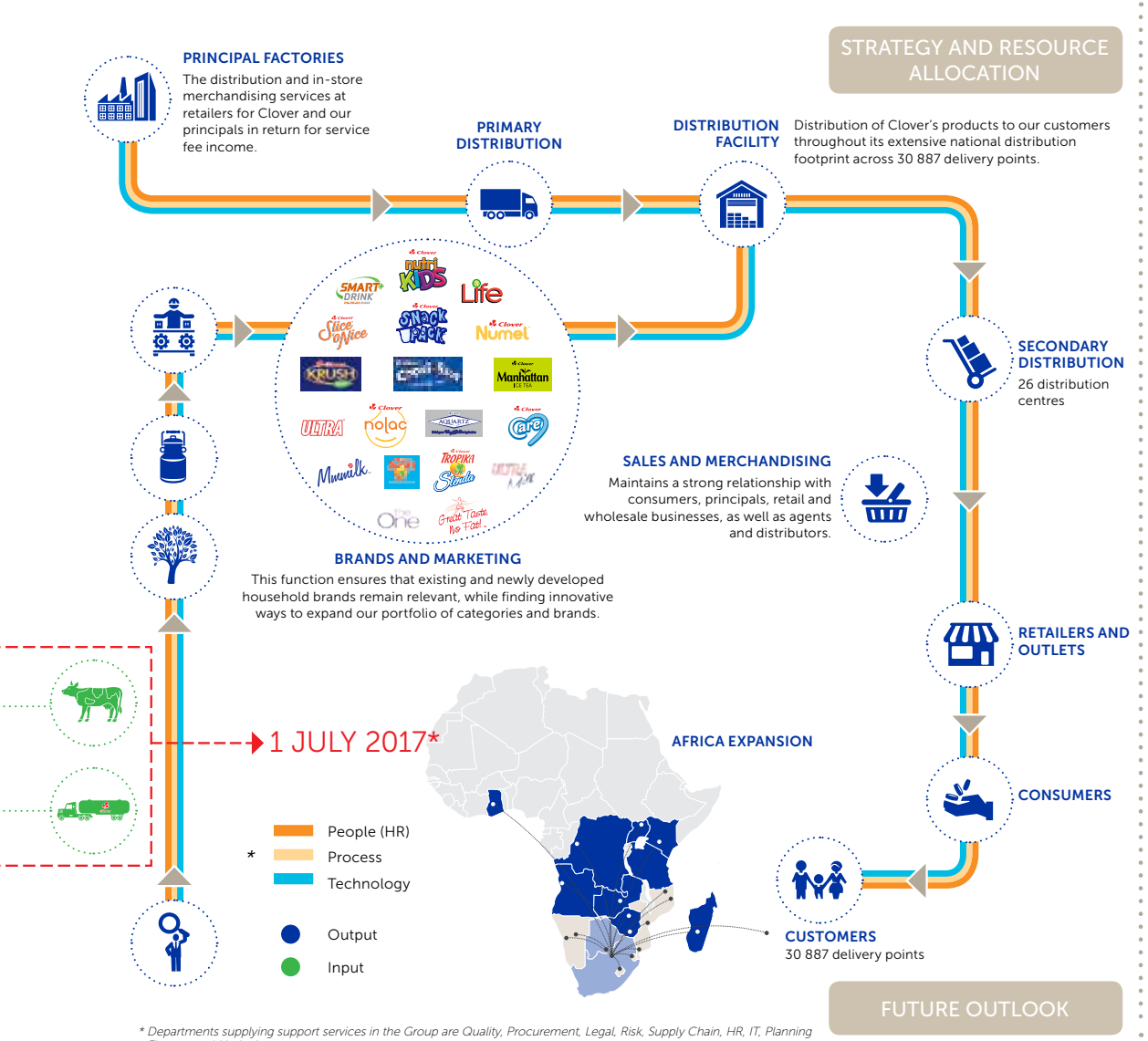
Procurement, collection and transport of raw milk.

PROCUREMENT AND SUPPLY CHAIN PLANNING

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

PERFORMANCE

GOVERNANCE



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

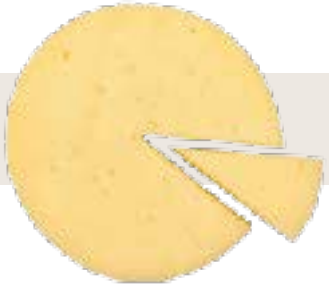
Clover will purchase raw milk from DFSA at the average national milk cost. DFSA and its producers will still participate in the full value chain of value added products, potentially even more so given DFSA will be able to supply raw milk to other value added processors as well.

Clover will continuously remain greatly involved in dairy, and will provide all essential services to DFSA such as Production, Distribution, Sales, Merchandising, Support Services and the like.

OUTPUTS	OUTCOMES
• Employee turnover rate of only 7.25% • 2 526 employees trained • 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 Human Resource function • An efficient and motivated workforce, aligned to the businesses objectives
• Direct energy consumption 1 411 596(GJ) • Electricity consumption 124 152 (MWh) • Water consumed per kg of product 3.86 (L)	• 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
• Capital expenditure of R231,1 million • Distribution delivery points 30 887 • Depreciation R103 million	• Clover is better prepared for long-term sustainability • Heightened customer service due to improved logistics and production • Safety of employees
• Total number of trademarks 911 • Investment in Research and Development R49,6 million	• Improved packaging, working towards "greener" alternatives • Increased sales and delivery of innovative solutions • Expanding portfolio of brands
• Total trained beneficiaries 2 054 • Training/Skills development R3 million • Total sponsorships and charitable givings R4,6 million	• Targeted, effective CSI (Mama Afrika) that sets a benchmark • Sustainable CSI projects through effective skills transfer • Clover's excellent reputation, attested by numerous awards
• Revenue up 2.4% • HEPS 63.9 cents • Administrative expenses reduced by 5.2%	• Revenue: R10 billion • Headline earnings: R121,5 million • Operating profit: R314,4 million

How Clover creates value **today**: Human Capital

HUMAN CAPITAL



The prevailing economic climate required ongoing focus on human capital to ensure optimal utilisation of people in the context of the evolving business strategy.

The workforce responded well to the demands placed on it which is testament to the commitment of employees to the business.

Clover is benchmarking its human capital processes against best practice to ensure that we:

- Optimise the performance culture in the business.
- Develop and grow all employees.
- Design the employee experience for engagement, productivity and growth.
- Create a competent and diverse workforce.
- Establish a pleasant, healthy and motivating work climate.

Clover's human capital strategy is regularly revisited and aligned with the business strategy. Focus areas during the past year included the following:

FOCUS AREAS

LEGISLATIVE COMPLIANCE

Ongoing initiatives were undertaken to ensure **legislative compliance**. Corrective action was taken to ensure compliance with "Equal pay for work of equal value" legislation. Ongoing adjustments had to be made to manage overtime hours worked. Clover continued with its efforts to keep employees informed about anti-competitive behaviour and Competition Commission requirements.

ATTRACTION AND RETENTION OF EMPLOYEES

All aspects relating to the **attraction and retention of employees** were revisited. A non-cash recognition policy was approved and salaries were benchmarked to ensure that they are market-related and in line with Clover's remuneration policy. Over and above a general retention strategy for critical positions, Clover is in the process of finalising a specific retention plan for identified employees who have the potential to progress to senior management levels.

How Clover creates value **today**: Human Capital (continued)

CHANGE OF LABOUR LANDSCAPE

The **changing labour landscape**, resulting in a multi-union environment has added new complexities to the business, a stable labour environment has been maintained. Given the increase in levels of union engagement it is anticipated that there will be a greater demand on resources to manage labour relations. Specific actions were launched to upskill management to deal with the demands of this changing landscape.

PRODUCTIVITY

Various initiatives to improve **productivity** were launched during the past year. A number of these initiatives impacted on employees through business restructuring. Staffing levels in the Commercial division were reviewed without negatively impacting service levels. The Gauteng distribution operation was streamlined which resulted in efficiency improvement and cost savings. Further productivity initiatives involved the mothballing of the Bethlehem factory; the closure of the distribution centres located in Kimberley and Upington and the opening of a distribution centre in Kuruman which is better placed to service the region.

ALIGNMENT OF EMPLOYEES

Increased focus on performance management has contributed to improved **alignment of employees**. During a summit, the management group together with sales and marketing personnel were exposed to the broader company strategy and business unit specific action plans. This forum also served to energise and mobilise personnel towards Clover's Way Better approach and mindset. The short-term incentive scheme has been modified to be more heavily weighted towards the Group's results to ensure better alignment with shareholders.

LEARNING AND DEVELOPMENT

Clover acknowledges the need for ongoing investment in **learning and development**. Emphasis is therefore on training that improves job-related skills and competencies that will prepare employees for management and leadership positions in the company. Despite the constrained economic environment, the upskilling of personnel at all levels remained a focus area. Use was made of the range of grants and funds available from the state.

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

Intervention	2017	2016	2015	2014	2013
Number of employees trained	**2 526**	2 786	2 601	2 127	1 953
Total training spend per year (R'000)	**16 435**	16 070	13 486	8 337	7 965
Training spend per total number of employees per year (R)	**1 882**	1 902	1 657	12 98	1 215
Number of man days spent on training	**12 632**	12 845	15 306	6 705	4 627

	2017		2016		2015	
Intervention	Total employees	Black employees	Total employees	Black employees	Total employees	Black employees
Number of employees trained	**2 526**	**2 155**	2 786	2 102	26 01	2 167
Number of employees enrolled on Learnerships, Skills Programmes and Apprenticeships	**701**	**567**	608	454	455	380
Number of employees on Formal Workplace Experience and In-Service Training Programmes	**41**	**40**	30	28	24	21
Number of bursaries (employed/ unemployed) granted for degree and diploma studies*	**9**	**3**	21	9	26	12
Value of bursaries granted for degree and diploma studies* (R)	**120 000**	**120 000**	120 000	120 000	325 113	191 864

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

WORKFORCE PLANNING

On the **workforce planning** front, ongoing assistance has been provided with the structuring and manning of Masakhane. Clover has been utilizing external resources available to support this initiative. Substantial administrative and reporting requirements need to be met on an ongoing basis.
The staffing of Masakhane not only presents new opportunities for existing Clover employees but also placement opportunities for the unemployed. Initiatives were launched to improve the company's talent acquisition procedures. This is bearing fruit with an improvement in the time taken to fill vacant positions together with a reduction in recruitment costs during the period under review. Further development will take place in this environment and will require improved systems.

MERGERS, ACQUISITIONS AND RESTRUCTURING

As far as **mergers, acquisitions and restructuring** are concerned: the service conditions and benefits of Clover Milnerton (ex-Good Hope) employees have been aligned with those of Clover; a plan has been developed to align Clover Milkyway (ex-Nkunzi) salaries and benefits over a three year period. The creation of Dairy Farmers of South Africa (DFSA) as a separate company resulted in a Section 197 transfer of all Milk Procurement employees. All HR-related legal and administrative requirements in respect of this new business were finalised as per the project plan.

EMPLOYMENT EQUITY

Clover fully supports **employment equity** in the workplace and various measures are in place to contribute to our employment equity objectives. Consultation is taking place at Employment Equity Forums at different levels in the business.
Clover continues to make progress in establishing a more diverse workforce profile. Numerical targets at junior and middle management level for the year under review have been met. Clover supports the relevant Codes of Good Practice and does not accept unfair discrimination of any type. The company purposefully strives to provide equal opportunities for employees to grow and develop, based on merit and ability. Clover's employment equity policy clearly sets out responsibilities for different levels of management in managing employment equity.

INNOVATION AND TECHNOLOGY

In the sphere of **innovation and technology** the detailed requirements of the Learning Management System (LMS) were scoped with a view of rolling out the system in the new financial year together with the following modules: recruitment; onboarding; talent management and succession planning. This will enable Clover managers to better manage these critical business processes in line with best practice. Options for improving communication at all levels via electronic platforms are being investigated.

Total number of employees and total female employees at June 2017

Company	Permanent	Fixed term/temp	Grand total	Total women	% Women
Clover SA (Pty) Ltd.	7 417	522	7 939	1 891	23,82
Clover Fonterra Ingredients (Pty) Ltd.	15		15	8	53,33
The Real Beverage Company (Pty) Ltd.	130		130	31	23,85
Clover Waters (Pty) Ltd.	58	2	60	12	20,00
Clover Dairy Namibia (Pty) Ltd.	102	5	107	17	15,89
Clover Swaziland (Pty) Ltd.	36	7	43	9	20,93
Clover Botswana (Pty) Ltd.	357	12	369	102	27,64
Clover Milkyway (Pty) Ltd.	60	10	70	31	44,29
Grand total	**8 175**	**558**	**8 733**	**2 101**	**24,06**

How Clover creates value **today**: Human Capital (continued)

KEY HUMAN CAPITAL INPUTS

- **Dynamic management team with significant experience in the FMCG and the dairy industry**
- **8 733 Employees**
- **Ongoing reassessment of our Human Capital strategy to ensure alignment with an evolving business environment**
- **Learning and development programmes ensure an optimally skilled workforce**

OUTPUTS OF OUR ACTIVITIES ON HUMAN CAPITAL

	2017	2016
Total amount paid in salaries and wages (R'000)	**R1 910m**	R1 8267m
Total number of Employees (and Contractors)	**8 733**	8 949
Percentage of Employees operating in SA	**94,1%**	94,6%
Percentage of permanent employees	**93,6%**	94,5%
Percentage of employees who are women	**24,1%**	23,7%
Percentage of employees who belong to a trade union	**50,0%**	48,7%
Employee turnover	**7,3%**	7,9%
Total number of person hours worked	**20 682 090**	20 921 940
Total number of employees trained	**2 526**	2 786
Percentage of employees trained in SA	**100%**	100%
Rand value of Training spend	**R16 435m**	R16 070m
Percentage of training spend in SA	**100%**	100%
Days lost to absenteeism	**55 853**	53 122
Days lost to industrial action	**0**	1337

OUTCOMES OF OUR ACTIVITIES ON HUMAN CAPITAL

- **Rising expertise at all staff levels in preparation for new technologies, more efficient systems and internal transformation**
- **Reskilling and realignment of Human Resource function**
- **An efficient and motivated workforce, aligned to the businesses objective**

Employee turnover for permanent employees

	2017		2016	
Company	**Total who left**	**%**	**Total who left**	**%**
Clover SA (Pty) Ltd.	**537**	**6,65**	555	7,21
Clover Fonterra Ingredients (Pty) Ltd.	**1**	**6,67**	2	15,38
The Real Beverage Company (Pty) Ltd.	**19**	**12,67**	23	18,40
Clover Waters (Pty) Ltd.	**2**	**3,13**	2	4,44
Clover Dairy Namibia (Pty) Ltd.	**53**	**33,97**	34	34,00
Clover Swaziland (Pty) Ltd.	**4**	**10,00**	10	29,41
Clover Botswana (Pty) Ltd.	**31**	**8,14**	35	10,42
Clover Milkyway (Pty) Ltd.	**4**	**4,35**	13	12,75
Grand total	**651**	**7,25**	**674**	**7,98**

Total number of person hours worked (PHw)

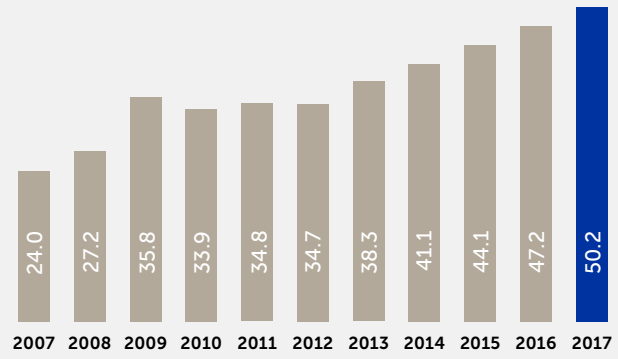
Company	Permanent	Temporary	Gross man-hours Jul 16 to June 17	Absent days*	Nett total man-hours for 2017	Nett total man-hours for 2016
Clover SA (Pty) Ltd.	17 690 205	1 147 185	18 837 390	1 842 736	**16 994 654**	17 396 944
Clover Fonterra Ingredients (Pty) Ltd.	33 345	0	33 345	4 116	**29 229**	27 404
The Real Beverage Company (Pty) Ltd.	291 915	3 315	295 230	34 139	**261 091**	258 000
Clover Waters (Pty) Ltd.	129 090	3 900	132 990	8 679	**124 311**	104 736
Clover Dairy Namibia (Pty) Ltd.	241 605	8 580	250 185	19 086	**231 099**	227 028
Clover Swaziland (Pty) Ltd.	82 485	10 920	93 405	5 284	**88 121**	91 660
Clover Botswana (Pty) Ltd.	826 605	13 650	840 255	64 933	**775 322**	682 736
Clover Milkyway (Pty) Ltd.	177 840	21 450	199 290	11 216	**188 074**	n/a
Grand total	**19 473 090**	**1 209 000**	**20 682 090**	**1 990 190**	**18 691 900**	**18 788 508**

No man-hours lost due to strike activity
*All leave types included

Percentage of permanent employees who belong to a trade union

	2017	2016
Company	**%**	**%**
Clover SA (Pty) Ltd.	**51,09**	48,00
Clover Fonterra Ingredients (Pty) Ltd.	**0,00**	0,00
The Real Beverage Company (Pty) Ltd.	**40,00**	36,80
Clover Waters (Pty) Ltd.	**68,97**	66,67
Clover Dairy Namibia (Pty) Ltd.	**19,80**	33,00
Clover Swaziland (Pty) Ltd.	**0,00**	0,00
Clover Botswana (Pty) Ltd.	**44,26**	57,01
Clover Milkyway (Pty) Ltd.	**46,67**	37,20
Grand total	**50,01**	**48,73**

Percentage of staff from designated groups at June 2017
%



How Clover creates value **today**: Natural Capital

NATURAL CAPITAL

The significant ramp-up of relative pricing of energy and other utilities had a major impact on Clover during the review period. Strategies are under way to sharply reduce our consumption of resources to remain competitive, especially with regard to water, sanitation and electricity. Infrastructure constraints at municipal level, has resulted in a deterioration in the quality of municipal water and electricity provision. This places additional pressure on Clover to ensure sufficient chilled storage space, and contingencies to minimize impact on production. Clover's constant focus on electricity, fuel and water consumption and carbon emissions further delivered efficiency improvements and utility cost reductions in the year under review and were in line with performance targets.

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.

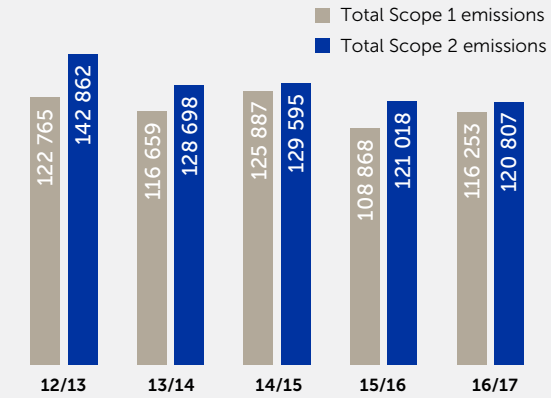
Clover is therefore implementing an Environmental Management System (EMS) as a structured framework for continually improving our environmental performance.

CARBON FOOTPRINT

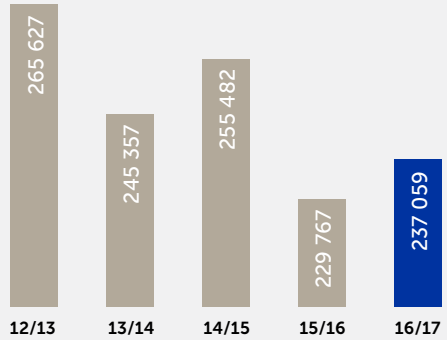
Clover's carbon footprint extends over the operations of the following four business units:

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.

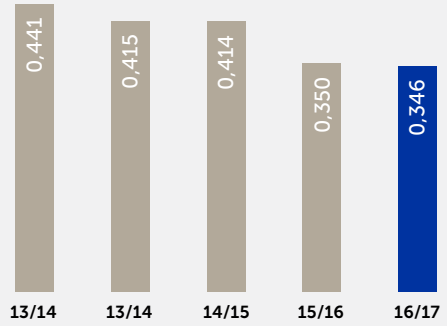
Carbon footprint - by scope
(tonnes CO_2e)



Carbon footprint – total scope 1 + 2 emissions
(tonnes CO_2e)



Carbon intensity
(tonnes CO_2e per Ton produced)



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. 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.

The Clover production division has been certified as compliant with the ISO 14001 standard.

Operational Efficiency

	2014/15	2015/2016	2016/17
Total Direct Energy Consumption (Gigajoules, GJ) – i.e. from fuels burned	1 514 773	1 353 188	**1 411 596**
Total Indirect Energy Consumption (Gigajoules, GJ) – i.e. from electricity consumed	482 168	447 262	**445 027**
Total Electricity Consumption (MWh)	133 936	124 236	**124 152**
Total Energy Consumption in Gigajoules	1 966 941	1 800 449	**1 856 623**
Electricity consumed per kg product produced (kWh/ton)	137,3	120,01	**112,4**
Fuel consumed for steam generation (coal, diesel, HFO, per product produced (kWh eq/ton)	402	379	**359**
Waste to landfill in kg per ton produced	7,3	8,3	**6,2**
Total weight of non-hazardous waste disposed (ton)	4 767	6 529	**4 367**
Total weight of hazardous waste disposed (ton)	38,3	16,8	**3,8**
Total weight of waste sent for recycling (ton)	1 695	1 651	**3 491**
Percentage of waste disposed of that is sent for recycling	66	55	**70**
Water consumed (litres) per kg of product produced	4,03	3,85	**3,9**
Total Water Consumption (kilolitres, or Kl)	2 604 358	2 713 623	**2 711 524**
Carbon footprint			
Total Carbon Emissions (tons of carbon dioxide equivalents, CO2e)	255 482	229 887	**237 059**
Total Scope 1 Emissions (tons CO2 eq)	125 887	108 868	**116 253**
Total Scope 2 Emissions (tons CO2 eq)	129 595	121 018	**120 807**

How Clover creates value **today**: Natural Capital (continued)

Key Natural Capital inputs

- Product ingredients, packaging materials, fuel and electricity.
- Clover's production facilities and large distribution network.
- Performance targets have been set for usage of resources (e.g. Water, fuel, electricity).
- Clover's Environmental strategy.

Outputs

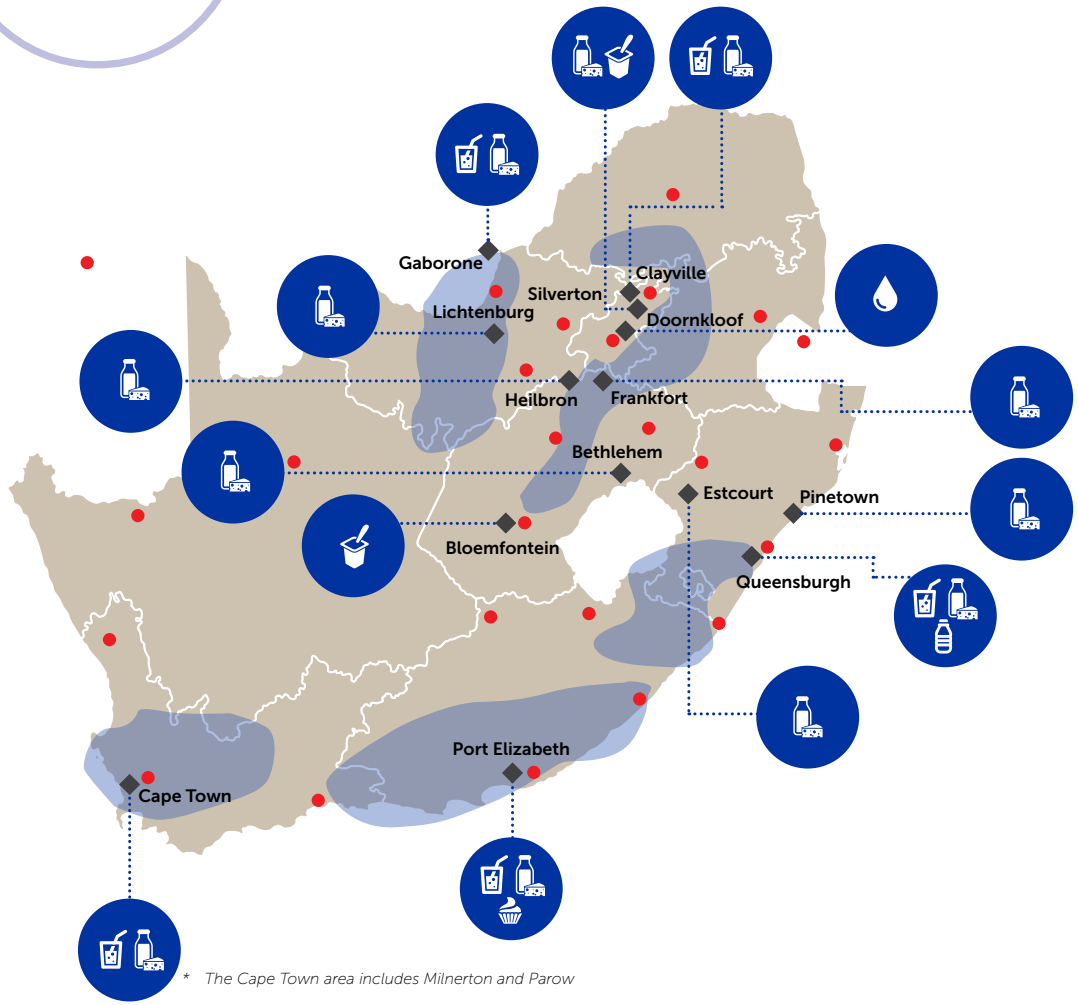
	2017	2016
Total direct energy consumption (GJ)	**1 411 596**	1 353 188
Total electricity consumption (MWh)	**124 152**	124 236
Electricity consumed per KG of product produced (kWh/ton)	**112,4**	120,0
Water consumed per kg of product produced (L)	**3,9**	3,9
Total carbon emissions	**237 059**	229 887

Outcomes

- 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.

How Clover creates value **today**: Manufactured Capital

MANUFACTURED CAPITAL



* *The Cape Town area includes Milnerton and Parow*

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

PRODUCER SELECTION	As at 30 June 2017, Clover sources its milk from 145 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 regularly to ensure freshness.
CLOVER WAY BETTER SUPPLY CHAIN AND WAREHOUSING CAPABILITIES	Delivering to approximately 30 887 points through 592 trucks to an average of 8 customers per day per truck.

- DAIRY (MILK, CHEESE, BUTTER, CONDENSED MILK, CREAM AND MILK POWDER)
- DESSERTS (BLISS)
- WATER (NESTLE PURE LIFE, AQUARTZ)
- BEVERAGES (KRUSH, TROPIKA AND NECTOR, DANAO)
- YOGHURT (IN SHAPE, FRUITS OF THE FOREST, VITABELLE, RAINBOW)
- ICE TEA (MANHATTAN)
- CLASSIC (YOGHURT AND CUSTARD)
- FLAVOURED MILK (SUPER M, Mmmilk)
- CLOVER'S MAIN MILK PRODUCING AREAS
- CURRENT PRODUCTION FACILITIES
- CLOVER DISTRIBUTION CENTRES

How Clover creates value **today**: Manufactured Capital (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's Commercial and Clover Marketing divisions.

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.

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 purchases all its milk from farms with above 80% audit scores against guidelines stipulated in Clover's Best Farming Practices.

Production

Once the raw milk has passed all quality tests, it is processed at one of Clover's 16 production facilities across South Africa and in certain African countries. Our products during the reporting period 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 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. Municipal and natural groundwater sources are regularly tested for safety and quality.

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 by reducing resource consumption.

Labour productivity increased substantially in the 2015/16 financial year, but reduced in 2016/2017, as volumes reduced substantially on certain production platforms. These platforms are being consolidated at present to ensure an improvement in average output per hour going forward. Clover is investing in automation for repetitive tasks, improved software and working methods to continue increasing productivity at the various Clover facilities.

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 200 000 man-hours worked, improved compared with the previous year. The table on page 111 aggregates current Clover health and safety statistics.

Quality

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 Control 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.

Clover implemented the latest and world-wide accepted FSSC 22000 Quality Management system. Clover also introduced a Supplier Quality Control programme to ensure that all raw materials and packaging materials comply with internationally recognised food safety requirements.

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 26 distribution centres to approximately 30 887 delivery points in South Africa. Clover

also has agreements with several major customers, for whom we provide distribution and in-store merchandising services.

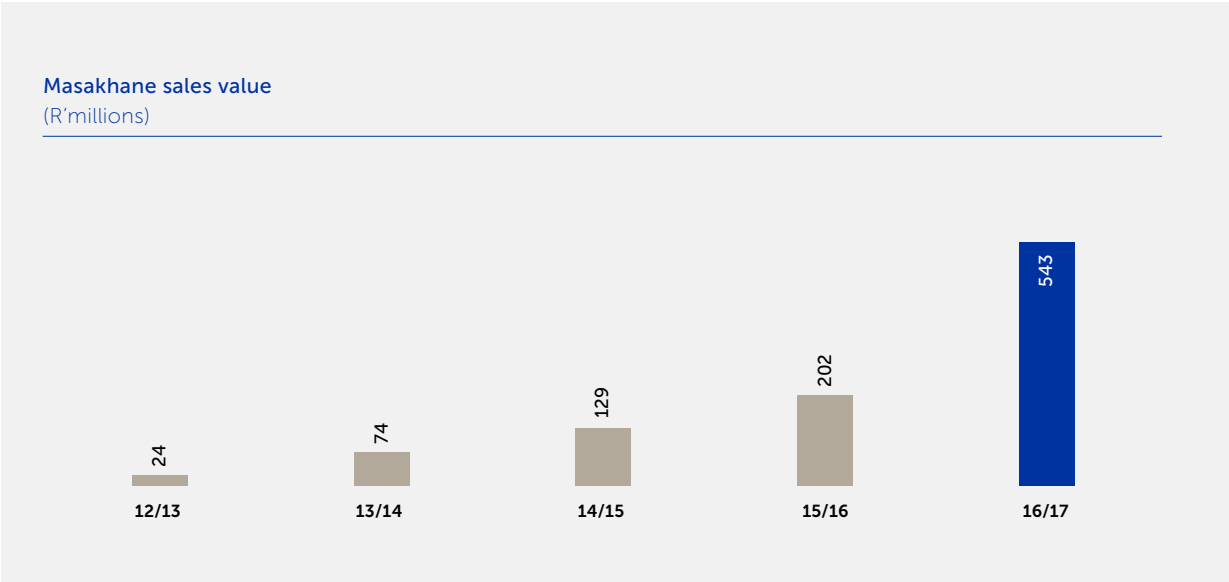
Masakhane – "Let's build together"

Masakhane (literally meaning "Let's build together") got off the ground in 2012 as Clover's first targeted approach to informal (emerging market) trading environments. The Masakhane objective is to grow the "emerging market" customer base and revenue stream by selling to stores that do not form part of a Clover Key Account or Buying Group. Masakhane has enabled Clover to rapidly increase our reach and footprint into informal and formal Food Service Industry (FSI) trading systems such as spaza shops, tuck shops, corner cafés, general traders, hotels, schools, B&B, restaurants and bottle stores.

Masakhane aims to create 1004 new and permanent jobs within the distribution and informal retail sector by reaching 61603 customer stores by 2020. Masakhane recruits undergo sales, marketing and distribution training that equip Masakhane entrepreneurs with the ability to carry out their daily responsibilities, while preparing and developing them for formal trade. Furthermore, 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 solution to the socio-economic problem of unemployment in South Africa and therefore is a catalyst for growth and job creation in the emerging market.

Masakhane's initial 2012 customer base of 600 stores, has since expanded rapidly to 17678 stores. Sales growth for the Masakhane channel over the last year was 168%.

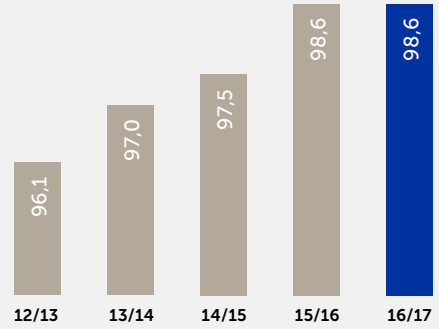
The Masakhane sales channel has evolved from a strictly informal trade to now include the formal & informal FSI sales channel. The results have been so successful that Clover Masakhane has now expanded into the Swaziland and Namibia countries, where Clover has a sales and distribution infrastructure presence and "route to market" footprint.



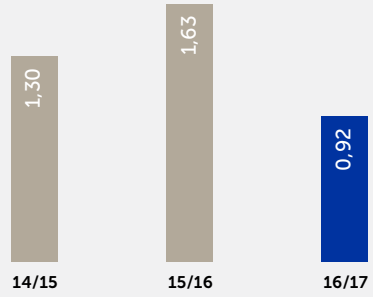
How Clover creates value **today**: Manufactured Capital (continued)

- **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.
- **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. In the first two years of the three year period shown, we allocated substantial capital resource into enhancing the quality of our manufacturing assets. During the past year, capital expenditure was limited to a strong focus on the maintenance, rather than the improving, of current capabilities. If maintained over the medium term, competitiveness would decrease. The graph below represents the capital investment for Clover's production facilities.
- **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 practice 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

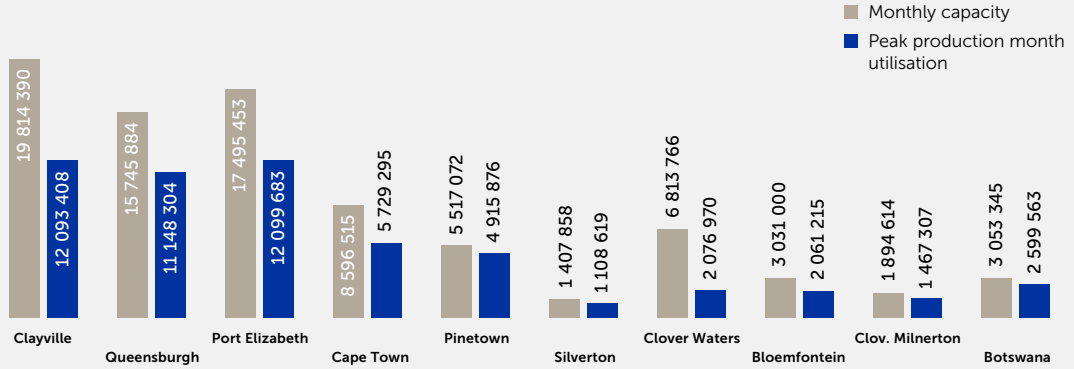
Machine availability
(Availability – year average)



Industrial capital expenditure vs depreciation
(Ratio)



Liquid factories capacity vs utilisation
(Litres)



during the seasonal peak determines limits for increased milk intake. As some products are highly seasonal, the average value and the peak (October) value have been utilised as being the most illustrative.

Key Manufactured capital inputs

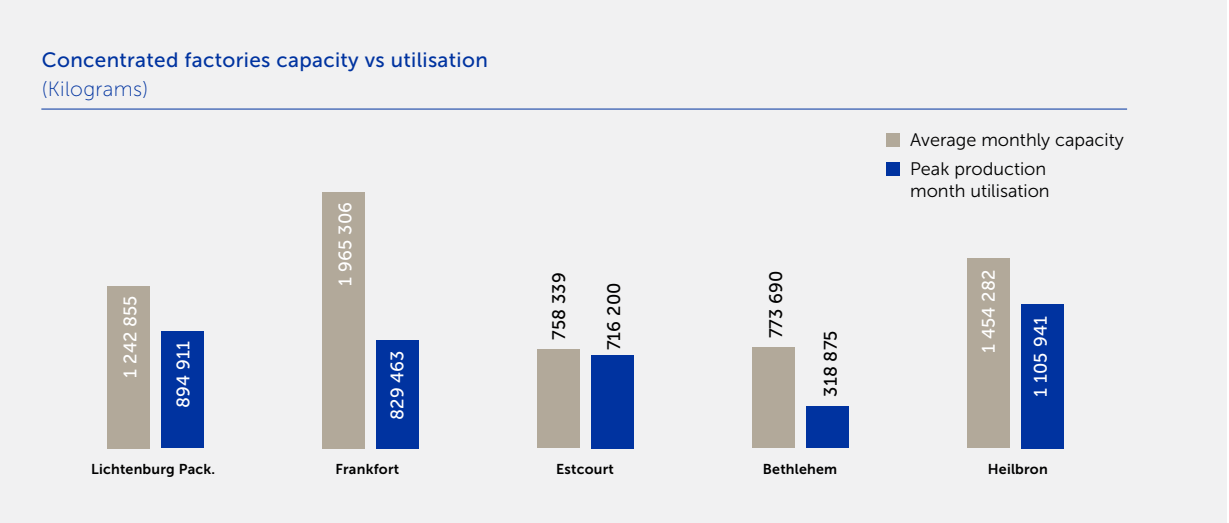
- State-of-the-art planning software being used by the Supply Chain Planning department.
- Substantial investment into production infrastructure in prior years.
- Clover's extensive distribution network.
- Masakhane, which enables Clover to rapidly increase our reach into the informal trading market.
- Formal health and safety policies in place

Outputs

	2017	2016
Capital Expenditure	**231,1m**	150,16m
Depreciation	**103,43m**	92,10m
Distribution Delivery Points	**30 887**	20 545
Informal stores serviced (Masakhane)	**17 678**	9 801

Outcomes

- Clover is better prepared for long-term sustainability.
- Heightened customer service due to improved logistics and production.



Description	Supply chain 2016	Supply chain 2017
Number of people receiving Health and Safety training (1 Person, 1 Course = 1)	**421**	**302**
Fatalities – People working under our control	**1**	**0**
Total Number of Recordable Injuries, including Medically Treated Cases, Lost Time Injuries and Fatalities	**610**	**824**
First Aid Cases – Persons working under our control	**566**	**779**
Reportable (Compensation Commissioner) lost time injuries for this financial year	**43**	**45**
Fatal Injury Frequency Rate (i.e. number of Fatalities per 200 000 person hours worked)	**0,011**	**0**
Lost Time Injury Frequency Rate (i.e. the number of LTIs per 200 000 person hours worked)	**0,5546**	**0,62712**

How Clover creates value **today**: Intellectual Capital

INTELLECTUAL CAPITAL

Over the years, Clover's marketing and new product development ("NPD") departments have developed several iconic household brands

TRADEMARKS AND PATENTS

Clover is the proprietor of more than 900 registered trademarks.

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.

Brands and reputation

Over the years, Clover's marketing and new product development ("NPD") Departments have developed several iconic household brands. These include Clover, Tropika, Butro and Krush, amoungst others. These brands are evolved and kept relevant to their markets through regular monitoring of the South African retail and consumer landscape and continuous marketing activities, utilizing various communication platforms such as in-store campaigns, digital campaigns, TV and print media.

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 company with core competencies in the development, production, distribution, sales and merchandising of both fresh and ambient food and beverage products.

Commercial sales

The ethos and strategy of Clover's commercial sales department is to stay ahead of changes in existing markets, while entering new markets and product categories.

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.

Distribution for third parties

Clover leverages our market leading distribution system to provide sales and distribution services to many leading companies.

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.

Clover's market share in major food and beverage product categories was as follows:

	Clover's Percentage market share as at 30 June 2017	June 16
Fresh Milk	**21,8**	24,1
UHT Milk	**14,1**	14,6
Fresh Cream	**21,9**	28,4
Feta Cheese	**24,7**	27,9
Natural Pre-Packed Cheese	**18,5**	17,0
Liquid Custard	**10,1**	7,6
Processed Cheese Slices	**9,4**	15,4
Pure Fruit Juice	**44,3**	42,9
Dairy Fruit Mix	**83,9**	79,0
Ready-to-Drink Iced Tea	**15,1**	17,2
Bottled Water (Including Aquartz and Nestlé)	**7,3**	11,0
Ready-to-Drink Flavoured Milk	**31,9**	29,7
Maas	**9,6**	9,3
Yoghurt	**8,7**	8,3

Source: Nielsen Report 30 June 2017 (12 monthly moving).

Key Intellectual Capital Inputs

- 911 trademarks registered.
- Deeply entrenched household brands, including Clover, Tropika, Butro and Krush, to name a few.
- Clover constantly improves its business process through state of the art systems to automate and gain further insight into business functions through various IT and system licences
- Staff are encouraged to join various professional bodies/institutions through memberships.

Outputs

	2017	2016
Total number of Trademarks:	**911**	966
In South Africa	**470**	442
In the rest of Africa	**436**	523
In other countries	**5**	1
Investment in Research and Development	**R49,62m**	R37,70m

Outcomes

- Improved packaging, working towards "greener" alternatives.
- Increased sales and delivery of innovative solutions.
- Expanding portfolio of brands.
- Clover regularly wins awards that confirms its status as a trusted household name.

Clover often wins awards that confirms its status as a trusted household name. Some awards bestowed on Clover in the recent past include:

- Winner of South Africa RepTrak® 2016 and 2017 most reputable company in South Africa award.
- Numerous 2016 SA Dairy Championships and Product Quality 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 category in 2015 and 2016, and in the cheese and juice categories in 2016.
- Although not Icon Brand Status, Clover was the category winner in this survey in the UHT Milk, Cream, Condensed Milk and Feta categories.
- Clover Fresh Milk also achieved Kasi Star Brand status in the 2016 and 2017 surveys (the same accolades as Icon Brands, but survey conducted only in South African Townships).
- In 2017 Clover also emerged as category winner in the Kasi Brands survey for yoghurt, cheese, cream and condensed milk.

Clover consumer campaigns "Little Big Cook Off" and "Tropika Island of Treasure" both received SAFTA awards in 2015 in the game show category

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 has the largest market share in fresh milk. In order to maintain this position, 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 six 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 good quality at the right price.

Further to this, Clover promotes feta in store to drive growth and profitability.

BUTTER

Clover is one of the largest manufacturers of butter in the country. Clover is one of the market leaders 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 and artificial colouring.

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 a strong market player in the Natural, Processed and Feta pre-packed cheese segments.

Clover's award-winning feta and individually wrapped processed cheese is indicative of Clover's clear ambition to provide consumers with the highest quality, best tasting products. Clover cheeses are made with great tasting and excellent quality ingredients.

AQUARTZ NATURAL MINERAL WATER

Aquartz is a natural mineral water bottled directly at source, to ensure the highest quality, purity and safety.

Aquartz is available in natural mineral water or in sparkling water options.

NESTLÉ PURELIFE MINERAL WATER

Nestlé Purelife is a 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.

DUO

Duo is a dairy fruit mix drink containing real fruit juice and dairy with added vitamins A, B, C, D and E 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 32 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 two tea extract variants, black and green, 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 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 Clover's range of creamy, smooth and delicious ready-to-eat Custard and Smooth yoghurt. Clover Classic Custard is made with the Unique Clover Recipe and is also a Source of Vitamin A, B2 & D. The perfect everyday treat for the whole family. Clover Classic; The creamy taste that takes you back.

AMASI

Amasi (so called in Zulu and Xhosa, and "maas" in Afrikaans) is the common word for fermented milk that includes a rich flavour, creamy and smooth texture.

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 is Clover's range of creamy, smooth and delicious ready-to-eat Custard and smooth Yoghurt. Clover Classic Yoghurt is Clover's range of Low Fat Smooth Yoghurt made with the Unique Clover Recipe. Clover Classic Yoghurt is a Source of 10 Vitamins and available in a variety of flavours and pack sizes. Clover Classic; The creamy taste that takes you back.

CLOVER NOLAC

Clover Nolac is an innovative, great tasting, quality milk product for lactose intolerant people and those avoiding lactose. It is 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 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.

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.

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.

CLOVER KRUSH LONG LIFE 100%

Clover Krush Long life has the same refreshing taste and nutritional benefits as Clover Krush 100% fresh fruit juice, nothing added but the convenience. It is preservative free and available in 5 flavours. Consumers can purchase Krush Long life in bulk and store. Clover Krush Long Life is also available in a healthy and convenient 200ml lunch box offer for kids.

CLOVER OLIVE PRIDE

Clover Olive Pride offers the current Olive Pride range of Extra Virgin Olive Oil, Green and Black olives and Balsamic Vinegar.
It is locally produced and imported from Spain.

TROPIKA SLENDA

Tropika Slenda comes in a modern and distinctive 425ml slender and taller bottle with a full shrink sleeve.

It is available in a range of 4 smooth twist flavours:

- Orange with a twist of Passionfruit
- Pineapple with a twist of Kiwi
- Strawberry with a twist of Cranberry
- Litchi with a twist of Lime

Tropika Slenda has 80% less calories than regular Tropika yet will still taste smooth and delicious.

Tropika Slenda is endorsed by the GI and diabetes foundation.

SNACKPACK

Introducing new Clover SnackPack. Clover's range of quality, yet affordable range of smooth yoghurt in a convenient 6 x 70g pack size. Made with the goodness of Clover Dairy, it is also a Source of 10 Vitamins as well as Kosher & Halaal approved. Anytime is snack time with Clover SnackPack yoghurt.

NUTRIKIDS

Clover Nutrikids™ is an enriched toddler's range comprising of Instant milk powder, Full Cream Milk (Ready To Drink), Fruit Nectar Blend and Smooth yoghurt for kids aged 3years and above.

Clover Nutrikids™ is set on providing a foundation of healthy development for toddlers as it offers products which are high in vitamins ,a source of calcium and iron.

It's Good for mom, way better™ for kids!

How Clover creates value **today**: Intellectual Capital (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

How Clover creates value **today**: Social and Relationship Capital

SOCIAL AND RELATIONSHIP CAPITAL

Clover Mama Afrika

Good corporate citizenship

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

Corporate social and community investment Clover Mama Afrika Trust was started 13 years ago and has since established a reputation for being one of the country's most innovative, effective and sustainable corporate investment programmes, bringing tangible benefits to the people it aims to empower.

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

At the heart of the programme are the carefully chosen "mamas" who already act as pillars of strength in their communities. The mamas are incredibly special ladies who already make a difference in the lives of the people around them and have earned their respective communities respect. They want to be empowered with skills that can generate an income for themselves and teach others to become self-sustaining too. The programme sees that they are trained in a variety of essential skills that can then be passed on to other community members. Cooking, baking, sewing, quilting, mosaic, egg laying project, welding, hairdressing and food gardening are just some of the training they receive and significantly, they are also presented with the necessary tools, equipment and infrastructure to create an income for their communities on the back of their newly acquired skills. Clover Mama Afrika has appointed 43 Mamas over a period of 13 years but unfortunately has lost 3 Mamas due to illness. Currently, the operating Clover Mama Afrikas collectively care for over 15 500 children and more than 2 500 elderly across South Africa.

Value drivers of the Clover Mama Afrika initiative

- Skills selection centres: Relevant, employable and marketable skills are aligned to the needs of each respective community to ensure that the centres become self-sustainable. After skills-training, Clover Mama Afrika provides start-up equipment to allow for immediate income generation and passing on of skills.
- Site improvement: Clover Mama Afrika assists communities with the repairs and renovations to basic facilities such as appropriate ablution facilities. It is important to create a safe haven for all the children in the care of a Clover Mama Afrika.
- Monitoring and Evaluation: Regular monitoring and evaluation of each self-help project is implemented, which allows for the identification of strengths and weaknesses on an individual basis. Immediate support and assistance is provided where necessary.
- Partners: Clover is of the firm belief that the best way for Clover Mama Afrika to have the greatest possible impact is through partnership and collaboration with other organisations and individuals that want to embed sustainability into the fabric of South African society.

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

Blue chip partners who contribute to the success of Clover Mama Afrika and co-fund 20% of the Trust's expenses include:

- HCI Foundation;
- HFR Transport;
- Eqstra Flexi Fleet; and
- MiX Telematics.

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

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

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

Clover's sponsorship budget for the period under review was submitted and approved by Executive Management. Management is responsible for the tracking, accounting and reporting to the Social and Ethics Committee all sponsorships, donations and charitable givings. Supporting documentation is maintained by each business unit to enable transparent reporting. Sponsorships are used with a purpose of gaining brand awareness, corporate identity or consumer loyalty, which is aligned with Clover's vision and mission.

Key Social Capital inputs

- 43 Mamas appointed to care for children and the elderly.
- Clover Mama Afrika assists communities with repairs and renovations to needed infrastructure.
- 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.
- Food gardens created to enable the selected Mamas to feed their communities.

Outputs

	2017	2016
Total beneficiaries trained	**2 054**	2 022
Training/Skills development	**R2,99m**	R2,74m
Site Improvements and communications development	**R1,69m**	R849 101
Total Sponsorships and Charitable givings	**R4,68m**	R5,19m

Outcomes

- Targeted, effective CSI (Mama Afrika) that sets a benchmark.
- Sustainable CSI projects through effective skills transfer.
- Clover's excellent reputation, attested by numerous awards.

SUSTAINABLE IMPACT OF CLOVER MAMA AFRIKA SINCE INCEPTION

SKILLS TRAINING	Clover Mamas/ members trained beneficiaries	Operating Clover Mama Afrika centres	Skills transferred to fellow community members	Employed members earning wages/salaries as reported
Sewing	122	22	1 886	**45**
Bread Baking Project	715	21	2 192	**105**
Cooking & Baking	98	21	1 231	**47**
Food Gardens*	557	16	823	**26**
Quilting	51	14	385	**9**
Crochet/Knitting	28	14	599	**19**
Hairdressing	32	4	219	**14**
Pottery	1	1	20	
New Earth Pottery	6	6	35	**3**
Egg Farming	14	5	45	**8**
Flower Arrangement	42	10	621	**13**
Beadwork	21	12	419	**25**
ADDED VALUE SKILLS				
Art/Mosaic	40/7	22/11	678	**19**
Welding	9	5	52	
Mobile Phones/Save a Child	79/175	13/26		
Basic Admin/Finance	49	27		
TOTALS	**2 054**		**9 961**	

* Food gardens feed over 5 600 members per day

How Clover creates value **today**: Governing stakeholder relationships

In order to achieve Clover's strategic objectives as described in Clover's vision and mission, the Company relies on effectively executing all value creation processes in its business model, which are interdependent of Clover's material stakeholders' contributions. These stakeholder groups or individuals can be affected by Clover's actions and operations or their operations can materially impact on Clover's operations.

Clover actively engages with all our stakeholders throughout the year on its strategic aspirations as well as understanding stakeholder's needs, interests and perspectives. Material matters arising from stakeholder engagements are managed as part of the risk management process, in so far as the review of material risks and opportunities include stakeholders' perspectives, to ensure alignment of Clover's and its stakeholders' respective business models.

Clover's material stakeholder groups are described in table below:

From 1 July 2017, Clover restructured its milk procurement department to operate from a newly formed entity, Dairy Farmers of South Africa (DFSA), that will perform milk procurement for Clover. DFSA will also take over Clover's low margin fluid dairy product business, while Clover will still provide manufacturing, distribution and head office support services.

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Communities, traditional and civic society	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. • Employment opportunities across South Africa • Reduction in use of natural resources	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. Clover's continued support enforces the Clover brand, while assisting in implementation of Clover's Masakhane distribution model in the informal markets.	Direct interaction through various corporate social investment initiatives and environmental campaigns in various communities, such as: • Supporting communities through Clover Mama Afrika • Clover contributed with product donations to the Kellogg's Breakfast for Better Days project • Advertisment of new job opportunities on Clovers' website • Clover recruits trainee graduates from GradX
Consumers	Providing high-quality and trusted products under some of the country's most admired brands in fulfilling consumers' needs: • Research in gaining consumer insights in product categories. • 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.	Loyal consumers continued support of their most admired brands and trusted products. Consumer loyalty translates to sustainable revenue and brand support	• Promotions, above the line advertisments (TV), below the line advertisement through instore promotions, sampling etc • Tropika Island of Treasure TV show • Community based initiatives • Regular communication on all core brands via social media. • Brandseye monitoring over concerns on social media • Clover Consumer Centre dealing with complaints and enquiries • Membership held at the Consumer Goods Council • Sponsorships

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Customers/trade	Providing good quality products at competitive prices: • Effective product stewardship. • Effective merchandising services • Valued partnerships to drive efficiency and continued future growth. • Provide necessary marketing brands especially when launching new product categories. • Grow retailer profitability while ensuring competitive pricing • Presence of sales representatives for ongoing support in store meeting. • Require a variety of products to cater for both formal and informal markets, considering minimum delivery quantities • Clover Masakhane focused on supporting informal market stores • Availability of products in informal markets, while store owner requires assistance for growth • Category expansion and volume growth. • Cost efficiencies/optimisation. • Ensuring optimum stock levels at retail outlets.	Extensive retailer footprint providing the basis for continued growth. Clover's brand expansion through retail expansion into informal markets and into Africa growing revenue in the medium- to long-term.	• CSC taking orders from trade. • Participation in retailer promotional activities • Presence of sales representatives for ongoing support in store meeting • Clover Masakhane focused on supporting informal market stores
Employees/ management	A stimulating and gratifying work environment, while offering prospects to meet career growth aspirations: • Safe and healthy work environment. • Ongoing training and development. • Career development plan. • Open communication between employees and managers. • Transformation in line with EE Plan. • Access to HIV counselling and employee wellness programmes. • Competitive remuneration	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 for sustainable returns.	• CE briefs and conferences on material strategic direction • Corporate bi-monthly newsletter (*In Clover*), • Training programmes, learnerships, apprenticeships, interns and workplace skills programmes • Formal Performance reviews against agreed objectives • Intranet has relevant communication, information and document storage such as policy and procedures

How Clover creates value **today**: Governing stakeholder relationships (continued)

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Government and regulatory authorities	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 relevant B-BBEE Codes and newly formed B-BBEE Commission's requirement. • Reduction of energy and water consumption. • Disclosure and management of carbon emissions. • Regulatory compliance to material legislation, such as competition legislation. • Submission of B-BBEE certificate to the B-BBEE commission. • Provide input on policy changes in the agricultural sector and food security.	Government gives us our license to operate and provides the enabling regulatory framework.	Personal meetings, written and verbal communication, through business organisations, Parliamentary portfolio committees. Disclosure and management of carbon emissions. Submission of B-BBEE certificate to the B-BBEE commission. Participate in the DTI's Jobs Fund project, stimulating Job creation in the "Masakhane Together we grow" project.
Insurers	Open and transparent communication enabling insurers to assess risk appropriately: • Proactively ensure that sites conform to legislative requirements and best practice fire safety requirements.	Through pro-active risk management practices, ensure Clover has adequate insurance cover. For all potential insurable loss events that would be material.	Site surveys; annual renewal of insurance policies.
Media	Good Corporate Citizenship: • Transparent and responsible reporting.	The media contributes in sustaining our brand reputation and increase awareness on new products, community development programmes and changes in our business strategy.	Timeous media statements and briefings Keep media informed on key product offerings and new product launches

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Milk Producers (DFSA*)	A stable market for milk produced for delivery to Clover: • Large fluctuation in milk prices. • Increases in farm overhead costs. • Land reform.	Milk producers provide quality raw milk used in manufacturing of our dairy products.	• Regular Circulars and group meetings with producers • Clover producer forums.
Principals	Timely delivery of ordered product with professional in store merchandising: • Clover not meeting the agreed upon service levels in distribution and merchandising activities.	Participation in growing the combined distribution footprint in retailers while achieving economies of scale and reducing costs in the supply chain.	• Contract and service level agreements, • Transactional information integrated via respective ERP systems. • Regular sales conferences enabling marketing plans and effective planned promotional activities.
Shareholders, investors and analysts (Refer to Report on Governance, Risk and Compliance for more detail)	Providing sustained returns on investment by achieving business objectives through delivery on embedded strategy, sound risk management identifying strategic growth opportunities and good governance practices: • Delivering consistently superior financial results for sustainable growth given economic constraints. • Leadership and strategic direction. • Strategy to ensure sustained financial performance. • Sound Corporate governance processes and ethics embedded. • Responsible investment for future growth by seizing strategic opportunities. • Effective risk management process over risks and opportunities.	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.	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.

How Clover creates value **today**: Governing stakeholder relationships (continued)

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
Suppliers and service provider	Conducting business in a transparent manner that is mutually beneficial and sustainable: ● Timely payment and fair terms ● Effectiveness of planned procure-to-pay process. ● Preferential procurement. ● Efficiency with imports.	Our suppliers provide us with good quality raw materials and services that enable us to produce quality products for our consumers, enforcing the Clover brand. Supporting Broadbased black economic empowerment compliance (B-BBEE)	Supplier meetings, site visits, performance evaluation and audits, business association meetings.
Trade unions	Positive work relationships in dealing with matters sensibly during negotiation processes: ● Provision of competitive remuneration packages and safe working conditions.	Organised labour to engage Clover in a positive manner on matters affecting their members as well as other matters of mutual interest.	Regular meetings with trade unions and collective bargaining forums.

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 Empowerlogic (Pty) Ltd, a verification agency approved by the South African National Accreditation System (SANAS). Based on our June 2015/16 year-end, Clover was assessed against the current AgriBEE Sector Codes for the fourth time. Clover's overall score was 66.55, which retained our status as a Level 4 B-BBEE contributor.

The extent to which the AgriBEE 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 amended AgriBEE Sector Codes have been finalised, Clover will re-assess its B-BBEE strategy and make the necessary adjustments.

Annual Compliance Report

The Annual Compliance Report prepared pursuant to section 13G(2) of the B-BBEE Amendment Act stipulates that all public-listed companies on the JSE must provide the B-BBEE Commission, in such manner as may be prescribed, a report of their compliance with Broad-Based Black Economic Empowerment, as specified under section 12(3) .

Clover's current B-BBEE certificate is based on its financial year ending 30 June 2016 and was issued on 19 May 2017, expiring on 18 May 2018. Clover and its Subsidiaries' consolidated current B-BBEE certificate as well as information required to be reported in the Compliance Report (Form B-BBEE 1) follows below. The Subsidiaries include the following companies:

- Clover Industries Limited
- Clover Fonterra Ingredients (Pty) Ltd
- Clover Frankies (Pty) Ltd
- Clover Good Hope (Pty) Ltd
- Clover Milkyway (Pty) Ltd
- Clover SA (Pty) Ltd
- Clover Waters (Pty) Ltd
- The Real Beverages Company (Pty) Ltd

To align Clover's B-BBEE reporting period with that of its financial year-end (June) and to meet the reporting deadlines implemented by the B-BBEE Commission going forward, Clover will undergo another B-BBEE verification shortly after its 30 June 2017 financial year-end, and formally report its compliance report (Form B-BBEE) to the BEE Commission within allowed timelines.

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.

How Clover sustains value for **tomorrow**: Manufactured Capital

MANUFACTURED CAPITAL

Clovers recent investments in upgrading our manufactured capital forms the beachhead to building long-term stakeholder value. Future value creation through manufactured capital is anticipated as follows:

FUTURE VALUE CREATION

Commercial

Clover's 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:

- 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

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

State-of-the-art planning software is currently being implemented to replace the current legacy planning tools to:

- Improve pricing strategy with suppliers and other role-players
- Integrate supply chain modelling
- Integrate business planning
- Improve supplier collaboration on procurement
- Development of suppliers to limit the risk of milk shortages
- Improve Clover's B-BBEE status and
- promote job creation
- Collaborate with suppliers on milk procurement – to support export initiatives and promote growth in national dairy industry.

Distribution

Clover leverages our industry leading distribution system to provide sales and distribution services to a number of multinational companies with the objective of:

- Optimising the distribution network through real time monitoring of execution
- Improving distribution mobility by delivering a paperless system to promote streamlined product returns and driver reconciliations
- Distribution retailer centralisation
- Expanding basket of principal products through strategic partnership focus
- Collaborating with principal customers and retailers.

Production

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 healthier and "greener" alternatives

- Improving asset utilisation through consolidation
- Promoting industry development, export opportunities and job creation
- Reducing the carbon footprint
- Increase capacity utilisation.

How Clover sustains value for **tomorrow**: Intellectual Capital

INTELLECTUAL CAPITAL

FUTURE VALUE CREATION

To optimise the brand portfolio

The Company continuously and actively seeks to

- Acquire complimentary brands that can be added to the Clover stable
- Develop new brands able to add synergistic value to the existing portfolio and distribution network
- Evolve and improve existing brands in light of changing consumer profiles and regulation such as the implementation of the proposed sugar tax

Commercial sales

Clover's commercial sales department is mandated to stay ahead of changes in existing markets and to enter new markets and product categories through continuous development and evolvement.

From Clover's perspective, vertical growth is essential to its sustainability. In this regard the Company has progressed well 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.

How Clover sustains value for **tomorrow**: Intellectual Capital (continued)

FUTURE VALUE

Collaboration with IBM

Collaboration is critical to maintaining close working relationships with our retailer partners. Clover embarked on an initiative with IBM, called Project Kolabo that enables Clover to make use of big data analytics to provide insights into market dynamics, consumption trends and the needs of our retailers, allowing for more informed decisions across all levels of management (More information on Kalobo is available under Information Systems below).

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.

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 68.

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 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.

How Clover sustains value for **tomorrow**: Social and Relationship Capital

SOCIAL AND RELATIONSHIP CAPITAL

YESTERDAY

Started in 2004

with 4 Mamas caring for 1500 vulnerable children

Trained 1864

individuals in 15 different skills between 2005 and 2016

No jobs were created until the late **2005** but by 2016 there were 362 employed between 30 operating Mamas

Clover Mama Afrika received

19 prestigious awards

CURRENT

43 Clover Mamas

appointed in all 9 provinces caring for more than 15,500 vulnerable children

and over 2500 elderly

Trained 2054

individuals who in turned transferred their skills to over 9,600 fellow members

There is never less than 328

permanently employed between 25 operating Mamas

Clover Mama Afrika have received

21 prestigious awards

TODAY

FUTURE

To have more than 50

Clover Mama Afrikas countrywide

More regular training

in selected skill that the Mama excels in.

A bigger budget

in order to spread the good work

To continue supporting

all deserving Clover Mama Afrika to grow from strength to strength so that they can in turn **alleviate poverty** within their respective communities

TOMORROW

How Clover sustains value for **tomorrow**: Social and Relationship Capital (continued)

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 9 168 complaints of which 1 901 were accepted and 7 267 were rejected due consumers being at fault in handling products or products being mishandled at distribution or store level.

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.
Priority 5	**Completed by consultants** These are complaints that are received through social media.

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

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 69 to 71.

Financial capital

For information on the financial capital, refer to the Chief Financial Officer's report on page 42 and the Annual Financial Statements that follow.

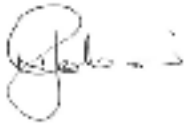
Combined assurance

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 142. 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 61. 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 2017 and will be presented to shareholders at the forthcoming Annual General Meeting.



Ms Neo Mokhesi
Chairperson: Social and Ethics Committee

11 September 2017

Combined assurance on six capitals

On material inherent risks, dependant on effective control measures in keeping residual risks at acceptable levels, Clover annually revises its combined assurance plan over material risks to gain assurance from Internal and external identified assurance providers in accordance with the four levels of defence, 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 EmpowerLogic in respect of Clover's June 2016 year-end. • Internal audit performed a Time and Attendance Review on Clover's overtime hours.
Natural Capital	• Internal audit conducted a Sustainability and Advisory Review Health and Safety statistics published in 6 capitals and advice on tax implications on carbon reduction initiatives. • 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.
Manufactured Capital	• Internal safety audits were performed by Clover personnel and Makrosafe, covering all Clover distribution sites. • Internal Audit performed independent reviews on Production Inventory Management and the Production Process. • External audits were performed on assets. • Clover adopted FSSC 22000 which is 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 • 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. • Marsh performed fire risk surveys over a three-year cycle of all Clover material sites. • 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. • Property valuations are performed every three years by The Property Partnership. Replacement values from these valuations are used to adequately insure sites.
Intellectual Capital	• Internal audit performed a Rebate and Co-op agreement review on Clover's customer contracts relating to trading terms. • Internal audit performed advisory review over Cyber Security. • Internal audit provided independent assurance over the Risk Management Function in the June 2016 year end.
	• Clover brands have won numerous accolades, confirming our status as a trusted household name. • Clover Fresh Milk also achieved Kasi Star Brand status in the 2016 and 2017 surveys (the same accolades as Icon Brands, but survey conducted only in South African Townships). • Clover's portfolio of trademarks and patents are managed by Adams and Adams attorneys.
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 2017. • Clover received a full allocation of points on our Social Economic Development as assessed in respect of Clover's June 2016 year-end by EmpowerLogic. • Clover was the winner of South Africa RepTrak® 2017 most reputable company in South Africa award
Financial Capital	• Internal Auditors performed various financial control audits and provided a statement on material financial controls and governance as required by King III. • Clover received an unqualified audit opinion by external auditors. • External auditors assessed management's representation over material internal financial controls.

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

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 28 November 2016. Shareholders will again be asked to approve the appointment of the members of the Audit and Risk Committee for the 2017/2018 financial year at the Annual General Meeting scheduled for 28 November 2017. 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 pages 22.

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 Companies Act of South Africa, 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 Derek Engelbrecht as the designated auditor to the shareholders for appointment as auditor for the financial year ended 30 June 2017, 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 2017.

Financial statements

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

- confirmed, based on managements' review that the interim and Annual Financial Statements were drawn up on the going-concern basis;
- examined the published Interim and Annual Financial Statements and other financial information, prior to the Board's approval;
- considered the accounting treatment of significant or unusual transactions and accounting judgements by management;
- considered the appropriateness of accounting policies and any changes made;
- reviewed the audit report on the Annual Financial Statements;
- reviewed the representation letter relating to the Annual Financial Statements signed by management;
- considered any problems identified as well as any legal and tax matters that could materially affect the financial statements;
- met separately with management, the External Auditor and Internal Auditor; and
- concluded that the Annual Financial Statements fairly present the financial position of the Group and Company at the end of the financial year and the results of operations and cash flows for the financial year.

Risk management and information technology

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

- reviewed and approved the Group's Enterprise Wide Risk Management Framework defining Clover's risk management methodology;
- reviewed quarterly risk reports containing pertinent risks and opportunities aligned to the Group's vision and mission, emerging events and reportable incidents;
- reviewed the Group's policies on risk assessment and risk management, including fraud risks and information technology risks and found them to be sound;

- reviewed the Group's insurance cover based on the advice of the Group's insurance broker and confirmed that all significant insurable risks are appropriately covered; and
- received a limited assurance report on management's assessment of the effectiveness of the Group's system of internal controls over financial reporting from the External Auditors, Ernst & Young Inc.

Internal control and Internal audit

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

- reviewed and approved the annual Internal Audit plan and evaluated the independence, effectiveness and performance of the Internal Audit providers;
- considered the reports of the Internal and External Auditors on the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems;
- received assurances that proper accounting records were maintained and that the systems safeguarded the Group's assets against unauthorised use or disposal;
- reviewed issues raised by Internal Audit and the adequacy of corrective action taken by management in response; and
- assessed the adequacy of the performance of the Internal Audit function and found it satisfactory.

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

Sustainability

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

- reviewed the Report on Six Capitals included in the Group's Integrated Annual Report and satisfied itself that it is consistent with the Annual Financial Statements; and
- obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework as reflected in the Report on Six Capitals. It is the Group's intention to enhance qualitative and quantitative information as systems are progressively bedded down. All material risks concerning the sustainability of Clover's business model and in complying with the requirements of Regulation 43 of the Companies Act, as well as King III are incorporated into Clover's risk universe and are monitored under Clover's risk management process as described more comprehensively under the Governance section of the Integrated Report.

Legal and regulatory requirements

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

- reviewed with management all legal matters that could have a material impact on the Group;
- reviewed with the Group's internal legal counsel the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the Group's ethics line or otherwise, including complaints or concerns regarding accounting matters, Internal Audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, Internal Audit and the External Auditor regarding compliance with legal and regulatory requirements.

Combined assurance

The Audit and Risk Committee reviewed the Group's combined assurance plan together with the reports of the respective assurance providers, including External and Internal Auditors, and concluded that the material financial and governance controls within the business were satisfactory.

Key Audit Matters

The external auditors report includes two key audit matters namely, Rebates and Credit Note Provisions and Deferred tax assets on assessed losses. Specifically, the underlying valuation processes are complex and involve the use of estimates, judgements and assumptions and thus have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years. The auditor's findings have been discussed in detail and the Audit Committee is satisfied with the results as disclosed in the financial statements

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:

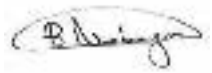
- representations made by Ernst & Young Inc. to the Audit and Risk Committee;
- the auditor does not, except as External Auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group;
- the auditor's independence was not impaired by any consultancy, advisory 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 2017 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 and the JSE listing requirements. 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 2017 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

11 September 2017

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.

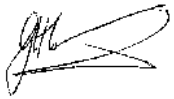
The Directors have reviewed the Group and Company's budget and cash flow forecast up to 30 June 2018. On the basis of this review and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that Clover Industries Limited is a going concern and have 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.

The consolidated and separate Annual Financial Statements, set out on pages 154 to 242, which have been prepared on the going-concern basis, were approved by the Board of Directors on 11 September 2017 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

11 September 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF CLOVER INDUSTRIES LIMITED

Report on the Audit of the Consolidated and Separate Annual Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Clover Industries Limited and its subsidiaries (the Group), set out on pages 154 to 242, which comprise the consolidated and separate statements of financial position as at 30 June 2017, 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 notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2008 and JSE Listing Requirements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) that is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) together with other ethical requirements that are relevant to our audit of the consolidated financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How this matter was addressed in our audit
Rebates and Credit Note Provisions As described in the Accounting Policies in note 2.4.1 to the Annual Financial Statements, the Group raises deductions from revenue in the form of trade terms (rebates) and credit notes. Rebates from trade term agreements are accounted for at year end based on the estimated outcome for sales to date for agreements which only conclude on a date after year end. Trade term agreements are typically concluded with large customers at a product level, and include a fixed component, a variable component as well as a growth hurdle component. The various types of trade term agreements differ in their targets, percentages applied, and product categories and relate to different periods, for each customer. In addition, there is judgment as to whether the growth incentives will be reached for each agreement as sales patterns differ for each customer and when taking into account that the growth incentives are typically negotiated over a calendar year, which doesn't coincide with the financial reporting period. The determination of the rebates accounted for at year end requires the disaggregation of large volumes of information at a product level to consider the evidence for the assumptions referred to above. This requires a high degree of audit effort due to the large volume of data, high number of agreements at a product level for various customers and the fact that the agreements are not co-terminus with the company's year end In addition to rebates, the Group has a large volume of credit notes which arise from short deliveries, product returns and price variances. Significant audit effort is required to assess the appropriateness of the provision for credit notes based on product mix analysis and historical trends taking into the short/limited shelf life of many of the Group's perishable products.	Our audit responses included testing the effectiveness of the Group's controls pertaining to the accuracy and completeness of rebates and authorisation of credit notes issued to customers. With respect to rebates recognised as an expense during the year, as well as the rebate provision: • On a sample basis we inspected the rebate terms in the agreement and agreed them to inputs used in the calculation; • On a sample basis we vouched payments and deductions to supporting documentation; • We agreed the sales volumes recorded in the stand-alone trade terms system to the sales data warehouse; • We agreed the sales volumes in the sales data warehouse to the sales volumes recorded in the general ledger • We independently recalculated the rebate provision as at year-end and compared to the recorded provision; • On a sample basis we selected material manual journals, and vouched it to supporting documentation. • With respect to the credit note provision: • We tested the arithmetical accuracy of the calculation and agreed the amount calculated to the amount recognised in the accounting records; • We assessed management's estimates to accrue for credit notes at year end; • We compared the assumptions to historical credit notes issued and to current trends; and • We assessed sales transactions taking place at and before year end date as well as credit notes issued after the year end date to assess whether revenue was recognised in the correct period.

Key audit matter	How this matter was addressed in our audit
Deferred tax assets on assessed losses As disclosed in note 2.4.2 and note 15, the Group has recognised deferred tax assets related to estimated and assessed losses related to certain statutory entities. In order to recognise the deferred tax assets, management has made certain judgements and assumptions in relation to the future taxable income of the entities, including appropriate commercial and tactical plans, thereby concluding on the recoverability of those individual assets. The assumptions primarily relate to various approved strategies in relation to optimising current product range / mix, the introduction of new products, strategic pricing and marketing support initiatives, the reformulation of recipes, as well as efficiencies arising from the historical investment in supply chain assets and distribution network, Significant audit attention is required to assess and vouch how the assumptions adjust the historic cash flows to determine the estimate future cash flows. We also consider the degree of uncertainty of those changes and the entity's ability to execute on those plans given the challenging macro-economic environment.	We reviewed and challenged management's assumptions used in projecting future taxable profits, consistency of these forecasts with the budgets and the likelihood of generating future taxable profits to support the recognition of deferred tax assets. We compared key inputs used within the forecasts to externally available data such as economic forecasts and the historical data and performance. In addition we assessed the sensitivity of the outcomes to reasonably possible changes in assumptions. Lastly, we assessed whether the Group's disclosures of the application of judgement in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the Group's deferred tax position.

Other Information

The group's directors are responsible for the other information. The other information comprises the information included in Group's Integrated Annual Report for the year ended 30 June 2017 that includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate as required by the Companies Act, but does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the accompanying consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The company directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs and the requirements of the Companies Act, 2008, 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

Independent Auditor's Report (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 23 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Derek Engelbrecht
Registered Auditor
Chartered Accountant (SA)

11 September 2017

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 2017.

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:

	2017 R'm	2016 R'm
Revenue	**10 058,6**	9 818,7
Total comprehensive income attributable to equity holders of the parent Company	**141,3**	379,8

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

Subsidiary companies and interests in joint ventures

Details of subsidiary companies are reflected in note 31 to the financial statements and business combinations and interests in joint ventures in notes 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 Pride (Pty) Ltd ("Clover Pride"). AECI Limited ("AECI") sold its subsidiary's business to Clover Pride for a consideration of R58 million, effective 1 April 2017 and in return holds an equity stake in Clover Pride of 49% of the issued share capital (see note 3.1). The business involves the manufacturing and importing of olive oils, extra virgin olive oils, balsamic vinegars and related products. Clover will provide all services including merchandising, marketing, sales and distribution to the new entity whilst Clover Pride will continue to distribute, market and sell products under the Olive Pride brand. 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 third anniversary of the effective date (see notes 14.1 and 23).

In addition, CSA has acquired the remaining 49% of the issued share capital of Clover Frankies Proprietary Limited ("Clover Frankies") effective 31 March 2017 for a cash consideration of R4.4 million. The business includes carbonated soft drinks (CSD) manufacturing, marketing, distribution, inventory and intellectual property. Refer to note 3.2 for more details on the acquisition of a non-controlling interest in a subsidiary.

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 28 November 2016 and is valid until 28 November 2017. Such authority is subject to the Companies Act and the Listings Requirements of the JSE. The Listings Requirements of the JSE limit repurchases during any one year to a maximum of 20% of the issued ordinary shares at the time.

On 1 September 2016 the Company issued 38 397 (2016: 2 583 212) ordinary Clover Industries shares to a retired member of senior management to settle part of its obligation under the Clover Share Appreciation Rights Plan ("SAR").

As part of the Company's interim dividend declaration, the company gave shareholders the option to select between a cash dividend or scrip distribution share. In terms of the scrip distribution, 482 617 new ordinary shares were issued on 24 April 2017 to shareholders who did not elect to receive a cash dividend in respect of all their shares.

Except for the above no shares were issued or repurchased during the year ending 30 June 2017.

Dividends

Dividends declared and paid by CIL during the year:

	2017 R'000	2016 R'000
Ordinary dividends		
Declared and paid	**114 802**	108 755

The Board declared an interim dividend of R46,1 million (2016: R46,1 million) or 24,21 cents (2016: 24,21 cents) per ordinary share during February 2017. The cash paid in in relation to the interim dividend amounted to R36,9 million and R9,2 million by the issue of 482 617 scrip distribution shares.

During the consideration of the interim dividend for 1H17 the board decided to maintain the interim dividend in line with the prior year's interim dividend and declared a dividend of 24,21 cents per share, although the interim headline earnings were 13.5% lower than the prior interim period's results.

Although the Board communicated in the past that it will follow a progressive dividend policy whereby dividends are as minimum maintained or grown by at least the growth in the headline earnings per share, the Board has resolved not to declare a final dividend due to the current weak economic circumstance and the Group's growth funding requirements.

Directors and Company Secretary

Particulars of the present Directors and Company Secretary are listed on pages 22 to 23 and page 148.

Share-based compensation

On 30 June 2017, 3 108 839 SARs were issued to executives at an issue price of R16,75. 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.

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 55 to 71.

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 R316,9 million (2016: R366,7 million) and R5,7 million (2016: R56,4 million) on intangible assets.

Events after the reporting period

As communicated on the SENS Clover transferred the non-value added dairy business to its wholly owned subsidiary, Dairy Farmers of South Africa (Pty) Ltd. ("DFSA"), under a written transfer of business agreement with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover, shares in DFSA. The board of directors of Clover announced that the issue and allotment of the B shares in DFSA to the milk producers has been implemented with effect from 1 July 2017 and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

Except for the above no significant events occurred subsequent to the year-end that would require disclosure or amendment to these financial statements.

Special resolutions

The following special resolutions were adopted at the Annual General Meeting of Clover Industries Limited held on 28 November 2016:

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;

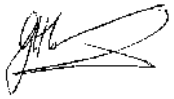
The remuneration of the Non-executive Directors with effect from 1 July 2016 was approved; and

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

11 September 2017

Consolidated statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2017

GROUP				COMPANY	
2017 R'000	**2016 R'000**		**Notes**	**2017 R'000**	**2016 R'000**
9 401 842	9 102 469	Sales of products			
641 499	684 496	Rendering of services		**4 418**	–
11 907	22 769	Sale of raw milk			
–	–	Dividends received		**80 000**	100 000
3 351	8 983	Rental income			
10 058 599	9 818 717	**Revenue**		**84 418**	100 000
(7 333 041)	(7 025 497)	Cost of sales	6.1		
2 725 558	2 793 220	**Gross profit**		**84 418**	100 000
60 040	73 688	Other operating income	6.2	**47 394**	44 945
(2 089 364)	(1 944 333)	Selling and distribution costs			
(284 721)	(300 461)	Administrative expenses		**(12 627)**	(12 937)
(48 098)	(8 493)	Restructuring expenses	6.7		
(48 936)	(49 171)	Other operating expenses	6.3		
314 479	564 450	**Operating profit**	6.4	**119 185**	132 008
12 647	10 139	Finance income	6.5	**5 097**	3 438
(145 765)	(122 964)	Finance cost	6.6	**(13)**	(14)
18 486	14 268	Share of profit in joint ventures after tax	4		
199 847	465 893	**Profit before tax**		**124 269**	135 432
(41 105)	(113 992)	Taxation	7	**(13 544)**	(9 925)
158 742	351 901	**Profit for the year**		**110 725**	125 507

Consolidated statements of comprehensive income

(continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP				COMPANY	
2017 R'000	**2016 R'000**		**Notes**	**2017 R'000**	**2016 R'000**
158 742	351 901	**Profit for the year (carried forward from previous page)**		**110 725**	125 507
		Other comprehensive income to be reclassified to profit or loss in subsequent periods			
(14 510)	26 461	Exchange differences on translations of foreign operations, net of tax	21.1		
(14 510)	(1 905)	Exchange differences on translations of foreign operations			
–	28 366	Reclassified to profit or loss			
–	–	Income tax effect			
(2 412)	2 412	Net gain on cash flow hedges, net of tax	21.2		
(9 294)	(22 500)	Cash flow hedge fair value adjustment			
5 944	25 850	Reclassified to profit or loss			
938	(938)	Income tax effect			
(16 922)	28 873	Net other comprehensive income to be reclassified to profit or loss in subsequent periods			
141 820	380 774	**Total comprehensive income for the year, net of tax**		**110 725**	125 507
		Profit attributable to:			
158 258	350 906	Equity holders of the parent		**110 725**	125 507
484	995	Non-controlling interests			
158 742	351 901			**110 725**	125 507
		Total comprehensive income attributed to:			
141 336	379 779	Equity holders of the parent		**110 725**	125 507
484	995	Non-controlling interests			
141 820	380 774			**110 725**	125 507
		Earnings per share (cents)			
83.1	185.9	Basic profit for the year attributable to ordinary equity holders of the parent	8		
82.3	181.8	Diluted profit for the year attributable to ordinary equity holders of the parent	8		

Consolidated statements of financial position

AS AT 30 JUNE 2017

GROUP 2017 R'000	GROUP 2016 R'000		Notes	COMPANY 2017 R'000	COMPANY 2016 R'000
		Assets			
		Non-current assets			
2 427 444	2 323 216	Property, plant and equipment	11	**232**	233
9	15	Investment properties	12		
650 663	612 191	Intangible assets	13		
		Investment in subsidiaries	31	**326 735**	326 735
38 946	31 651	Investment in joint ventures	31		
3 165	5 657	Other non-current financial assets	14.1		
45 496	37 019	Deferred tax assets	15	**77**	77
3 165 723	3 009 749			**327 044**	327 045
		Current assets			
964 630	916 909	Inventories	16		
1 341 311	1 308 223	Trade and other receivables	17	**563 233**	603 605
19 844	16 184	Prepayments			
7 165	–	Income tax receivable	26	**–**	928
544 863	604 071	Cash and short-term deposits	18	**63 241**	21 871
2 877 813	2 845 387			**626 474**	626 404
4 607	10 907	**Assets classified as held-for-sale**	10		
6 048 143	5 866 043	**Total assets**		**953 518**	953 449
		Equity and liabilities			
		Equity			
9 542	9 516	Issued share capital	19	**9 542**	9 516
892 692	882 774	Share premium	19	**892 692**	882 774
78 642	74 873	Other capital reserves	20	**2 169**	2 169
9 637	24 147	Foreign currency translation reserve	21.1		
–	2 412	Cash flow hedge reserve	21.2		
1 904 349	1 871 690	Retained earnings		**35 670**	48 898
2 894 862	2 865 412	Equity attributable to equity holders of the parent		**940 073**	943 357
(15 179)	23 305	Non-controlling interests			
2 879 683	2 888 717	**Total equity**		**940 073**	943 357
		Liabilities			
		Non-current liabilities			
767 621	931 455	Interest–bearing loans and borrowings	22		
57 088	–	Non-controlling interest put liability	23		
82 595	73 474	Employee-related obligations	24		
221 065	192 358	Deferred tax liability	15		
25 492	19 311	Trade and other payables	25		
9 683	2 199	Other non-current financial liabilities	14.2		
1 163 544	1 218 797				
		Current liabilities			
1 274 700	1 363 332	Trade and other payables	25	**10 013**	10 092
714 304	343 015	Interest-bearing loans and borrowings	22		
6 141	25 612	Other current financial liabilities	14.2		
–	9 893	Income tax payable	26	**3 432**	–
9 771	16 677	Employee-related obligations	24		
2 004 916	1 758 529			**13 445**	10 092
3 168 460	2 977 326	**Total liabilities**		**13 445**	10 092
6 048 143	5 866 043	**Total equity and liabilities**		**953 518**	953 449

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

		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 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					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		129	44 411	(11 709)			(23 638)	9 193		9 193
Share-based payment expense recognised				12 697				12 697		12 697
Initial recognition of call options				1 005				1 005		1 005
Non-controlling interest arising from business combinations									8 800	8 800
Dividends forfeited							155	155		155
Dividends declared and paid							(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**
Profit for the year							**158 258**	**158 258**	**484**	**158 742**
Other comprehensive income	21.1 - 21.2				**(2 412)**	**(14 510)**		**(16 922)**	**–**	**(16 922)**
Total comprehensive income					**(2 412)**	**(14 510)**	**158 258**	**141 336**	**484**	**141 820**
Share appreciation rights exercised	19-20	**2**	**729**	**(1 651)**			**639**	**(281)**		**(281)**
Non-cash distribution	19	**24**	**9 189**				**(9 213)**	**–**		**–**
Non-controlling interest put option movement	23								**(57 088)**	**(57 088)**
Acquisition of non-controlling interest	3.2						**(2 730)**	**(2 730)**	**(5 624)**	**(8 354)**
Share-based payment expense recognised	32			**5 865**				**5 865**		**5 865**
Call option in Frankies reclassified	20			**(445)**			**445**	**–**		**–**
Non-controlling interest arising from business combinations	3.1								**24 234**	**24 234**
Dividends forfeited							**62**	**62**		**62**
Dividends declared and paid	9						**(114 802)**	**(114 802)**		**(114 802)**
Dividends of subsidiaries									**(490)**	**(490)**
Balance at 30 June 2017		**9 542**	**892 692**	**78 642**	**–**	**9 637**	**1 904 349**	**2 894 862**	**(15 179)**	**2 879 683**

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

		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 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**
Profit for the year					**110 725**	**110 725**
Other comprehensive income					**–**	**–**
Total comprehensive income					**110 725**	**110 725**
Ordinary shares issued		**24**	**9 189**		**(9 213)**	**–**
Share appreciation rights exercised	19	**2**	**729**			**731**
Dividends forfeited					**62**	**62**
Dividends declared and paid					**(114 802)**	**(114 802)**
Balance at 30 June 2017		**9 542**	**892 692**	**2 169**	**35 670**	**940 073**

Consolidated statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2017

GROUP 2017 R'000	GROUP 2016 R'000		Notes	COMPANY 2017 R'000	COMPANY 2016 R'000
		Operating activities			
199 847	465 893	Profit before tax		**124 269**	135 432
199 847	465 893	**Profit before tax**		**124 269**	135 432
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
183 366	166 941	Depreciation of property, plant and equipment		**1**	1
22 816	21 680	Amortisation of intangible assets			
6	8	Depreciation of investment properties			
(1 422)	–	Fair value adjustments on call options			
4 100	–	Software licences written off			
(9 270)	–	Profit on the sale of Lactolab			
336	–	Deconsolidation of Lactolab			
(33 404)	(20 869)	Profit on disposal and scrapping of assets		**–**	(521)
(15 889)	21 036	Unrealised loss on financial instruments			
(9 321)	(9 075)	Unrealised foreign exchange gain	6.2		
11 232	(27 833)	Realised foreign exchange loss/(gain)	6.2-6.3		
–	(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		
(7 295)	38	Share of profit of joint venture – net of dividend paid	4		
2 213	1 120	Movement in provisions			
5 865	12 697	Share appreciation rights expense recognised over vesting period	32		
		Other adjustments:			
145 765	122 964	Finance cost	6.6	**13**	14
(12 647)	(10 139)	Finance income	6.5	**(5 097)**	(3 438)
–	–	Dividends received		**(80 000)**	(100 000)
–	–	Share appreciation rights expense settled in cash			
–	(4 490)	Government grants			
(47 115)	(56 938)	Taxes paid	26	**(9 184)**	(8 696)
		Working capital adjustments			
(43 578)	24 269	(Increase)/Decrease in inventories			
(36 747)	(91 298)	(Increase)/Decrease in trade and other receivables		**(8 835)**	13 426
(81 902)	30 799	(Decrease)/Increase in trade and other payables		**(79)**	19
276 956	673 448	**Net cash flows from operating activities**		**21 088**	36 237

Consolidated statements of cash flows

(continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP				COMPANY	
2017 R'000	**2016 R'000**		**Notes**	**2017 R'000**	**2016 R'000**
276 956	673 448	**Net cash flows from operating activities**		**21 088**	36 237
		Investing activities			
58 941	45 533	Proceeds from sale of property, plant and equipment and other assets		**–**	950
(11 232)	27 833	Realised foreign exchange (loss)/gain	6.2 - 6.3		
12 647	10 139	Interest received	6.5	**5 097**	3 438
–	(2 550)	Acquisition of controlling interest in Clover Good Hope Proprietary Limited			
–	(6 610)	Acquisition of controlling interest in Clover Frankies Proprietary Limited			
10 275	–	Disposal of controlling interest in Lactolab Proprietary Limited			
(29 639)	–	Acquisition of controlling interest in Clover Pride Proprietary Limited	3.1		
3 854	–	Cancellation of a finance lease			
–	–	Dividends received		**130 000**	50 000
–	16 097	Government grants received recognised against property, plant and equipment and expenses			
(316 883)	(366 665)	Capital expenditure: tangible assets			
(5 671)	(56 406)	Capital expenditure: intangible assets			
(277 708)	(332 629)	**Net cash flows (used in)/from investing activities**		**135 097**	54 388
		Financing activities			
(145 765)	(122 964)	Interest paid	6.6	**(13)**	(14)
(115 230)	(108 755)	Dividends paid		**(114 802)**	(108 755)
(4 440)	–	Non-controlling interest acquired in Clover Frankies Proprietary Limited	3.2		
(3 854)	–	Cancellation of a finance lease			
(285 668)	(254 646)	Repayment of borrowings			
496 975	273 939	Proceeds from borrowings			
(57 982)	(212 426)	**Net cash flows (used in)/from financing activities**		**(114 815)**	(108 769)
(58 734)	128 393	**Net (decrease)/increase in cash and cash equivalents**		**41 370**	(18 144)
(474)	242	**Net foreign exchange difference**			
604 071	475 436	**Cash and cash equivalents at the beginning of the year**		**21 871**	40 015
544 863	604 071	**Cash and cash equivalents at the end of the year**	18	**63 241**	21 871

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 2017 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 coterminous year-ends. The consolidated financial statements of Clover Industries Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 11 September 2017. 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 is 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 2.4. 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.
- In the stand-alone financial statements of the holding company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

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 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.

In the stand-alone financial statements of the holding company, there are no investments in joint ventures. However joint ventures are accounted for at cost less impairment in the stand-alone financial statements of the subsidiary of the holding company.

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 2017, the following standards and interpretations were in issue but not yet effective:

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture*	Effective date deferred indefinitely
IAS 7 *Disclosure Initiative – Amendments to IAS 7*	1 January 2017
IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12*	1 January 2017
IFRS 2 *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2*	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IFRS 12 *Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12*	1 January 2017
IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*	1 January 2018
-IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice*	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax treatments	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

The Directors are of the opinion that the above new standards and amendments to existing standards issued but not yet effective are not expected to have a significant impact on the Group and Company except for IFRS9, IFRS 15, IFRS 16 as listed below:

- **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 credit loss (ECL) 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 ECL model applies to debt instruments accounted for at amortised cost. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

  The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses.

  The Group is of the view that due to the limited types and short life span of financial instruments entered into by the Group, only the disclosure is expected to be impacted on items like the provision for bad debts for which it already provides detailed disclosures on the credit risk associated with the underlying trade receivables. The incurred loss model under IAS 39 over time has shown that the level of risk taken by the Group is minimal and generally losses actually written off would be less than 0.5% of the total Trade Receivables balance whereas the provision will typically also be less than 0.5%. To put this into perspective, 0.5% of the Group's trade receivables ranges between R5.5 million and R6.2 million. The low level of risk is further substantiated by the fact that independent credit valuation agencies rate the underlying customers to be of a high quality (zaAA credit ratings).

- **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.

Far more prescriptive guidance has been introduced by the new Revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be delinked.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Extensive disclosures are also required by the new Standard.

The Group and Company has decided that it will apply the modified retrospective (cumulative catch-up) transition method in its adoption of the standard and hence the effect will only be fully disclosed in the 30 June 2019 financial statements while the comparative figures for the 30 June 2018 financial statements will not be adjusted.

The Group has done a preliminary assessment of 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.

Management has established a work group to expand on the assessment and planning of the implementation of IFRS 15. The mandate of the work group is to determine the following information:

- Detailed description and explanation on how key IFRS 15 concepts will be implemented along with the different revenue streams (e.g. identification of performance obligations, determination and allocation of the transaction price and how performance obligations are satisfied and revenue is recognised).
- Setting of a timeline for implementing IFRS 15 within the prescribed timeframe;
- Reasonably estimable, quantification of the possible impact of the application of IFRS 15 (e.g. either in relation to the amount or timing of the revenue recognised in relation to the different revenue streams).
- Additional qualitative information enabling users to understand the magnitude of the expected impact on the financial statements of the issuer.

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.

- **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 currently considering the use of any of the transition practical expedients, i.e. the modified retrospective (cumulative catch-up transition) method or the full retrospective application and, for example, the practical expedient for completed contracts (e.g. approach to provide comparative information at the date of initial application, planning of implementation and disclosure of information).

The new standard is effective for annual periods beginning on or after 1 January 2019 and will accordingly be fully adopted in the Group's 30 June 2020 financial statements.

All identified operating leases that have met the requirements of IFRS 16 to be reclassified to a finance lease, will be included on the statement of financial position.

2.3 New Standards, New Interpretations and Amendments to Standards adopted in the current period

On 1 January 2016, the Group adopted the following new standards, new Interpretations and amendments to standards.

	Effective for accounting period beginning on or after
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*	1 January 2016
IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
IAS 16 and IAS 41 *Agriculture: Bearer Plants*	1 January 2016
IAS 27: *Equity Method in Separate Financial Statements*	1 January 2016
IAS 1 *Disclosure Initiative*	1 January 2016
IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*Annual Improvements Cycle - 2012-2014	1 January 2016
IFRS 5 *Non-current Assets held for sale and discontinued operations – Changes in methods of disposal*	1 January 2016
IFRS 7 *Financial Instruments: Disclosures – Servicing Contracts*	1 January 2016
IFRS 7 *Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements*	1 January 2016
IAS 19 *Employee benefits – Discount rate: regional market issue*	
IAS 34 *Interim financial reporting – Disclosures of information "elsewhere in the interim financial report"*	1 January 2016

All the amendments and annual improvements above did not have an impact on the entity.

2.4 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.

2.4.1 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 and 50,1% of Clover Futurelife respectively through Clover SA. The Group has classified the interests in Clover Fonterra and Clover Futurelife as joint ventures despite the fact that the Group owns more than 50% of the issued share capital. Refer to note 4.

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 lessee

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments, net of any incentives received from the lessor under an operating lease, are recognised in profit or loss over the lease term on a straight-line basis and the leased assets are not recognised on the Group's statement of financial position.

Rebates

The Group enters into agreements with many of its customers providing for rebates based upon achievement of specified volumes of sales. For certain agreements, the rebates increase as a proportion of sales as higher quantities or values of sales are made relative to the prior period. Customer rebates affect the recorded value of revenue and trade receivables.

A number of agreements are non-coterminous with the Group's financial year, requiring judgment over the level of future sales. At the balance sheet date the Directors make judgments on the amount of rebate that will become payable by the Group under these agreements based upon prices, volumes and product mix.

2.4.2 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 32.

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.

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 30 for further disclosures.

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.

Non-controlling interest put options are put options over non-controlling interests accounted for using the present access method. Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognised as financial liabilities.

Under this method, the non-controlling interest is not derecognised when the financial liability in respect of the put option is recognised, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest.

Non-controlling interest put options are initially recognised at the present value of expected future cash flows and subsequently re-measured at the present value of expected future cash flows with any changes in value (accretion and interest) through equity. Refer to note 23.

2.5 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. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

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 subsequently 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 10 years

g. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met, only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell, other than financial assets and deferred tax assets which continue to be measured in accordance with their relevant accounting standards.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

h. 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.

i. 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.

j. 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.

k. 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. 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.

Following initial recognition they are amortised on a straight-line basis over a period:

Right of use assets: 5 years

Trademarks and customer lists: 10 to 15 years

Research expenses

Research expenses are recognised in profit or loss as incurred.

l. 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.

m. 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.

n. 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 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.

o. 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 merchandising 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 non-investment properties it owns, the Group enters into rental agreements from time to time. Income in this regard is recognised as revenue.

p. 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, rebates, agent commission, border levies, etc.).

q. 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.

r. 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.

s. 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. Refer to note 5

t. 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.

u. 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.

v. 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 30. 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 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.

w. 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.

x. 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.

y. 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.

Any change in non-controlling interest which doesn't not result in a loss of control is recognised in equity with no gains/losses in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

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 Pride Proprietary Limited

Clover entered into an agreement with AECI Limited ("Seller") to form a new entity, Clover Pride Proprietary Limited ("Clover Pride") that acquired the Olive Pride olive oil business, effective 1 April 2017. According to the "Sale of Business Agreement" Clover Pride has acquired all of the consumables, raw materials, finished goods, equipment, material contracts, trademarks, intellectual property and goodwill in relation to the Olive Pride business from the Seller on the effective date. Clover effectively holds 51% of the shares in Clover Pride and the Seller holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Pride 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 R5.5 million; free cash flow growth per annum of between 7% to 19% and a discount rate of 18.54%.

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 Olive Pride business as at the date of acquisition were:

	2017 R'000	2016 R'000
Assets		
Property, plant and equipment	502	
Inventory	8 659	
Intangible assets	38 217	
	47 378	
Liabilities		
Deferred tax liability	(10 841)	
Loan	(4 243)	
Total identifiable net assets at fair value	32 294	
Goodwill arising on acquisition	21 579	
Total value of the Clover Pride business	53 873	
Non-controlling interest measured at residual value	24 234	
Purchase consideration settled in cash	29 639	

The business contributed R22.4 million of revenue and R7.7 million of margin on material to the Group results since acquisition. These amounts would have been R89,6 million and R30.8 million respectively if annualised for the full period.

	2017 R'000	2016 R'000

3.2 Acquisition of non-controlling interest in Clover Frankies Proprietary Limited

With effect from 31 March 2017 Clover SA bought the remaining 49% issued ordinary shares of Clover Frankies from Frankies Olde Soft Drinks cc ("Seller") for a cash consideration of R4.44 million. From this date Clover effectively holds 100% of the shares in Clover Frankies.

Clover Frankies previously acquired the Frankies Carbonated Soft Drinks (CSD) and ice lollies business ("the business") from the seller. The business involves the manufacturing, distribution, selling and marketing of CSDs and ice lollies utilising the trademarks it acquired under the original business acquisition.

No goodwill may be recognised because of this transaction as Clover already had a controlling interest, holding 51% of the issued ordinary shares in Clover Frankies prior to this transaction.

The call and put option related to the initial acquisition was subsequently cancelled.

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

	2017 R'000	2016 R'000
Assets		
Plant and Equipment	245	
Intangible assets	11 534	
Inventory	1 749	
Trade Receivables	2 567	
Cash and cash equivalents	1 417	
	17 512	
Liabilities		
Deferred tax liability	75	
Trade and other payables	5 958	
	6 033	
Total identifiable net assets at non-controlling interest acquisition date	11 479	
Non - controlling interest at carrying amount	5 624	
Equity movement due to acquisition of non-controlling interest	2 730	
Call option directly attributable to the acquisition of the non-controlling interest	(3 914)	
Purchase consideration settled in cash	4 440	

4 INTEREST IN JOINT VENTURES

Clover Industries indirectly holds a 51% interest in Clover Fonterra through Clover SA. Clover Fonterra is involved in the marketing and distribution of dairy-related products. The Group has classified the interest in Clover Fonterra as a joint venture despite the fact that the Group owns more than 50% of the issued share capital. The shareholder's agreement is set out in such a way that unanimous consent between the two shareholders is required for any decisions regarding the relevant activities of the investee. Therefore the Group concluded that they have joint control over the investee. Summarised financial information of the joint venture, based on its IFRS Financial Statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
136 103	128 387	Current assets including cash and cash equivalents of Rnil million (2016: R2,4 million) and inventory R96,3 million (2016: R94,4 million)		
1 840	1 554	Non-current assets including deferred tax of R1,9 million (2016: R1,6 million)		
(61 579)	(67 880)	Current liabilities including trade and other payables of R61,5 million (2016: R62,3 million)		
76 364	62 061	Equity (Net asset value)		
51%	51%	Portion of the Group's ownership		
38 946	31 651	Carrying amount of the investment		
		Joint venture's revenue and profit		
515 117	360 476	Revenue		
(432 673)	(293 082)	Cost of sales		
(32 125)	(29 154)	Sales, marketing, distribution and administrative expenses		
140	115	Other operating income		
(116)	(187)	Net finance cost		
50 343	38 168	Profit before taxation		
(14 096)	(10 687)	Income tax expense		
36 247	27 481	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
18 486	14 015	Group's share of profit for the year after tax		
(11 191)	(14 242)	Dividend received		
7 295	(227)	**Net movement**		

4 INTEREST IN JOINT VENTURES (continued)

Clover Industries indirectly holds a 50.1% interest in Clover Futurelife through Clover SA. Clover Futurelife commenced its operations on 1 January 2017 and is involved in the manufacturing, distribution, selling and marketing of a range of functional food products using trademarks under licence from Clover and Futurelife Health Products Proprietary Limited ("Futurelife"). The Group has classified the interest in Clover Futurelife as a joint venture despite the fact that the Group owns more than 50% of the issued share capital. The shareholder's agreement is set out in such a way that unanimous consent between the two shareholders is required for any decisions regarding the relevant activities of the investee. Therefore the Group concluded that they have joint control over the investee. Summarised financial information of the joint venture, based on its IFRS Financial Statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Clover Futurelife		
		Joint venture's statement of financial position		
5 237	–	Current assets including cash and cash equivalents of R0,5 million and inventory of R0,8 million		
18		Non-current assets		
(5 268)	–	Current liabilities including trade and other payables of R5,2 million		
(13)	–	Equity		
50.1%	50.1%	Portion of Group's ownership		
–	–	Carrying amount of investment (Limited to R0)		
		Joint venture's revenue and profit		
9 994		Revenue		
(5 017)		Cost of sales		
(5 052)		Sales, marketing, distribution and administrative expenses		
–	506	Other operating income		
57		Net finance income		
(18)	506	Loss before tax		
5		Income tax expense		
(13)	506	**Loss for the period**		
50.1%	50.1%	Portion of the Group's ownership		
–	253	Group's share of loss for the year (Limited to R0)		
		Total interest in profits from joint ventures		
18 486	14 268	**Total Group share of profit after tax**		
38 946	31 651	**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.
- The soya and oil products consist of soya, olive oil and olives.

30 June 2017 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	Olive oil & Soya R'000	CIL Group R'000
External revenue							
Sale of products	4 643 600	1 312 575	216 424	2 369 071	794 403	65 769	9 401 842
Sale of raw milk	11 907	–	–	–	–	–	11 907
Charges against sales	(97 683)	(41 381)	(7 363)	(41 967)	(22 438)	(1 260)	(212 092)
Cost of material and packaging	(2 540 697)	(837 497)	(129 164)	(1 032 004)	(545 007)	(34 795)	(5 119 164)
Milk collection cost	(252 269)	(40 517)	(8 632)	(6 358)	(6 684)	–	(314 460)
Margin on material	1 764 858	393 180	71 265	1 288 742	220 274	29 714	3 768 033
Reconciliation of margin on material to operating profit							
Margin on material							3 768 033
Revenue from rendering of services							641 499
Rental income							3 351
Direct and indirect manufacturing cost							(1 250 415)
Primary distribution cost							(436 910)
Gross profit							2 725 558
Net other costs							(2 362 981)
Restructuring cost							(48 098)
Operating profit							314 479
Net financing cost							(133 118)
Tax expense							(41 105)
Depreciation and amortisation							(206 264)
Assets and liabilities							
Assets							6 048 143
Liabilities							3 168 460

5 SEGMENT REPORTING (continued)

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	Olive oil & Soya 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

5 SEGMENT REPORTING (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 2017 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	**8 703 640**	**505 944**	**192 258**	**9 401 842**
Sale of raw milk	**11 907**	**–**	**–**	**11 907**
Charges against sales	**(197 839)**	**(8 896)**	**(5 357)**	**(212 092)**
Cost of material and packaging	**(4 664 983)**	**(302 663)**	**(151 518)**	**(5 119 164)**
Milk collection cost	**(314 217)**	**(243)**	**–**	**(314 460)**
Margin on material	**3 538 508**	**194 142**	**35 383**	**3 768 033**

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

	2017 R'000	2016 R'000
Sales made to major customers		
Customer 1*	**2 135 975**	2 017 715
Customer 2*	**2 095 287**	1 818 456
Customer 3*	**1 194 880**	1 190 187

* Revenue is generated by the Group from these customers within all of the different product segments as listed in the Table: Segment report per product group above.

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		6 INCOME AND EXPENSES		
		6.1 Cost of sales		
(212 092)	(208 118)	Charges against sales		
(3 840 542)	(3 622 709)	Cost of raw materials		
(1 278 622)	(1 218 958)	Packaging costs		
(314 460)	(324 026)	Milk collection cost		
(1 250 415)	(1 206 199)	Manufacturing direct and indirect cost		
(436 910)	(445 487)	Primary distribution cost		
(7 333 041)	(7 025 497)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below:		
(105 382)	(95 967)	Depreciation and impairment of property, plant and equipment		
(873)	(1 522)	Amortisation and impairment of trademarks, patents and licences		
(106 255)	(97 489)	Total depreciation, impairment and amortisation included in cost of sales		
(22 326)	(13 247)	Total inventories, raw material and finished product written off or provided for included in cost of sales		
		6.2 Other operating income		
33 404	20 869	Profit on disposal and scrapping of property, plant and equipment and other assets	**–**	521
–	27 833	Realised foreign exchange gains		
9 321	9 075	Unrealised foreign exchange gains		
324	1 055	Scrap sales and sales to staff		
–	1 721	Bargain purchase at acquisition (Clover Good Hope)		
617	2 852	Fair value adjustment for call option (Clover Frankies)		
–	2 000	Distribution received from cell captive		
1 351	234	Handling fees		
9 270		Profit on the sale of investment in Lactolab		
–	–	Fees for the cession of milk rights	**47 394**	44 424
5 753	8 049	Sundry*		–
60 040	73 688	Total other operating income	**47 394**	44 945

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

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		6.3 Other operating expenses		
(10 466)	(2 252)	Write down to net realisable value of consumable stock (engineering spares)		
(7 991)	(1 299)	Loss on hedge for share appreciation rights forward purchases		
(552)	–	Loss on hedge for diesel purchases		
(11 485)	(5 021)	Movement in provision on impairment of trade receivables		
–	(28 366)	Release of foreign currency translation reserve in abandonment of foreign operation		
(11 232)	–	Realised foreign exchange loss		
(6 750)	(7 756)	Royalties		
(460)	(4 477)	Sundry*		
(48 936)	(49 171)	**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		
(49 621)	(37 705)	Research expenses		
(313 801)	(310 967)	Distribution, milk collection and transport cost		
		Rentals		
(41 579)	(46 528)	• land and buildings		
(45 221)	(45 069)	• equipment		
(7 449)	(7 564)	• vehicles		
(763)	(2 259)	• machines		
(4 445)	(3 729)	• other		
		Direct operating expenses of investment properties earning rental income		
(188)	(16)	• maintenance		
(463 067)	(453 837)	**Total other expenses**		
		Personnel expenses		
(1 630 170)	(1 604 728)	Wages, salaries, bonuses and car allowances		
(23 115)	(25 728)	Company contributions		
(109 706)	(104 586)	Pension and provident fund contributions		
(36 974)	(34 788)	Medical aid fund contributions		
(64 059)	(48 379)	Other personnel expenses		
(46 779)	(8 493)	Retrenchment cost		
(1 910 803)	(1 826 702)	**Total personnel expenses**		

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

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Auditors' remuneration		
(11 071)	(11 258)	Audit fees current year	**(1 842)**	(1 914)
(224)	276	Prior year (under)/over provision		
(403)	(376)	Other fees		
(11 698)	(11 358)	**Total auditors' remuneration**	**(1 842)**	(1 914)
		Depreciation, amortisation and impairment		
(79 055)	(70 987)	Depreciation of property, plant and equipment	**(1)**	(1)
(6)	(8)	Depreciation of investment properties		
(21 944)	(20 158)	Amortisation of trademarks, patents and licences		
(101 005)	(91 153)	**Total depreciation and amortisation included in selling, distribution, restructuring and administrative expenses**	**(1)**	(1)
		6.5 Finance income		
10 601	7 901	Bank interest	**4 852**	2 700
948	495	Interest received on call deposits		
1 098	1 743	Other	**245**	738
12 647	10 139	**Total finance income**	**5 097**	3 438
		6.6 Finance cost		
(26 366)	(18 158)	Bank loans and overdrafts	**–**	–
(89 117)	(82 050)	Debtors' securitisation		
(25 520)	(16 153)	Debentures		
(4 762)	(6 603)	Other	**(13)**	(14)
(145 765)	(122 964)	**Total finance cost**	**(13)**	(14)
		6.7 Restructuring expenses		
		Restructuring expenses has been determined after taking into account the following expenses:		
(46 779)	(8 493)	Retrenchment expenses		
(1 319)	–	Other		
(48 098)	(8 493)	**Total restructuring expenses**	**–**	–

7 TAXATION

7.1 The major components of the tax expenses are:

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Local income tax		
		Current income tax		
(14 975)	(87 139)	• current year	**(12 399)**	(9 957)
2 808	1 531	• previous year	**(1 145)**	32
		Deferred income tax		
(12 906)	(4 098)	• current year	**–**	32
3 105	784	• previous year	**–**	(32)
(590)	–	• deferred tax asset limitation		
970	–	• rate change		
(5 794)	(1 552)	Withholding tax on foreign income		
		Foreign taxation		
		Current income tax		
(12 457)	(20 185)	• current year		
239	(18)	• previous year		
		Deferred taxation		
(1 505)	(2 899)	• current year		
–	(416)	• previous year		
(41 105)	(113 992)	**Total income tax expense**	**(13 544)**	(9 925)
348 112	200 268	**Estimated taxation losses available for reduction of future taxable income**		

7.2 Reconciliation of income tax rate

%	%			%
28.00	28.00	Standard income tax rate	**28.00**	28.00
		Adjusted for:		
(7.58)	(2.97)	Non taxable income*	**(18.03)**	(20.68)
2.72	2.16	Non deductible expenses#	**–**	0.01
(0.98)	(0.73)	Special deductions%		
3.62	0.50	Special inclusions&		
0.15	(1.49)	Tax losses/(profits) of foreign subsidiaries not deductible/(taxable)		
(1.65)	(0.87)	Effect of foreign jurisdictions tax at lower rates		
(3.07)	(0.40)	Prior year adjustments	**0.92**	–
(2.59)	(0.84)	Share of joint venture profit equity accounted		
(0.49)	–	Rate change		
0.23	–	Deferred tax asset limitation		
–	1.62	Release of foreign currency translation reserve in abandonment of foreign operation		
(0.23)	(0.70)	Tax deduction realised on share appreciation rights exercised		
2.44	0.19	Foreign withholding taxes in foreign jurisdictions and utilisation of foreign tax credits		
20.57	24.47	**Effective income tax rate**	**10.89**	7.33

* *Group: Accounting capital profits; employment tax incentive; Company: Exempt dividends received;*
\# *Professional and legal fees; non-deductible depreciation; share-based payment expense.*
% *Learnership allowances;*
& *Capital gains realised on assets disposed*

GROUP 2017 Number of shares	GROUP 2016 Number of shares		COMPANY 2017 Number of shares	COMPANY 2016 Number of shares
		8 EARNINGS AND HEADLINE EARNINGS PER SHARE		
		8.1 Diluted weighted average number of ordinary shares		
190 433 237	188 733 409	Weighted average number of issued ordinary shares		
1 924 836	4 288 569	Increase in number of shares as a result of unexercised share appreciation rights		
192 358 073	193 021 978	**Diluted weighted average number of ordinary shares**		
R'000	**R'000**		**R'000**	**R'000**
		8.2 Profit for the year		
158 258	350 906	Profit for the year attributable to equity holders of the parent company		
Cents per share	**Cents per share**		**Cents per share**	**Cents per share**
		8.3 Earnings per share		
		Basic		
83.1	185.9	Attributable to equity holders of the parent		
		Diluted		
82.3	181.8	Attributable to equity holders of the parent		

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		8.4 Headline earnings per share		
		Headline earnings attributable to equity holders of the parent company		
158 258	350 906	Profit for the year attributable to equity holders of the parent company		
		Gross remeasurements excluded from headline earnings		
(33 404)	(20 869)	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		
(9 270)	–	Profit on the sale of an investment in subsidiary		
		Taxation effects of remeasurements		
4 641	(87)	Profit on sale of property, plant and equipment and gains on other assets		
1 392	–	Profit on the sale of an investment in subsidiary		
121 617	356 595	Headline earnings attributable to equity holders of the parent company		
Cents per share	**Cents per share**		**Cents per share**	**Cents per share**
		Headline earnings per share		
		Basic		
63.9	188.9	Attributable to equity holders of the parent		
		Diluted		
63.2	184.7	Attributable to equity holders of the parent		

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		9 DIVIDENDS DECLARED AND PAID		
		During the year equity dividends were declared as follows:		
9 213	–	Value of scrip issue to shareholders that did not elect to receive a cash dividend	**9 213**	–
114 802	108 755	Cash paid to ordinary shareholders	**114 802**	108 755
Cents per share	**Cents per share**		**Cents per share**	**Cents per share**
65.15	57.61	To ordinary shareholders (which elected to receive cash)	**65.15**	57.61

10 ASSETS CLASSIFIED AS HELD-FOR-SALE

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
10 907	429	Net book value at the beginning of the year made up as follows:		
2 225	–	– Plant and equipment		
8 682	429	– Freehold land and buildings		
10 506	23 390	Transfers from Property, Plant and Equipment		
(15 114)	(12 912)	Disposals		
(1 692)	–	Disposal of subsidiary		
4 607	10 907	Net book value at the end of the year made up as follows:		
264	2 225	– Plant and equipment		
4 343	8 682	– Freehold land and buildings		

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 Group was successful in selling one the properties held by RBC situated in Stikland, Cape Town. An offer to purchase was received for the second property situated at Stikland but the suspensive conditions were not met during the year. The Group received a new offer to purchase on the second property and the suspensive conditions have been fulfilled. Transfer is expected to take place soon after year end. The balance at year end represents the Stikland property (including movable items forming part of the sale).

11 PROPERTY, PLANT AND EQUIPMENT

	Group					Company
	2017					2017
	Freehold land and buildings R'000	Leasehold properties R'000	Plant, equipment and vehicles R'000	Capital work-in-progress R'000	Total R'000	Freehold land and buildings R'000
Cost						
Balance at 1 July 2016	972 914	39 015	2 101 829	329 918	3 443 676	250
Capital expenditure	–	–	–	317 385	317 385	–
Capitalised	70 748	10 980	316 575	(398 303)	–	–
Acquisition through business combinations	–	–	502	(502)	–	–
Transfer to assets classified as held-for-sale	(14 491)	–	(8 310)	–	(22 801)	–
Disposals and scrappings	–	–	(58 705)	–	(58 705)	–
Reclassification between asset classes	(2 162)	5 232	(3 070)	–	–	–
Foreign exchange translations	–	(2 001)	(4 400)	(467)	(6 868)	–
Balance at 30 June 2017	1 027 009	53 226	2 344 421	248 031	3 672 687	250
Accumulated depreciation and impairment						
Balance at 1 July 2016	(228 813)	(8 639)	(883 008)	–	(1 120 460)	(17)
Depreciation for the year	(26 673)	(5 444)	(151 184)	–	(183 301)	(1)
Transfer to assets classified as held-for-sale	7 646	–	4 649	–	12 295	–
Disposals and scrappings	–	–	44 524	–	44 524	–
Reclassification between asset classes	433	(392)	(41)	–	–	–
Foreign exchange translations	–	324	1 375	–	1 699	
Balance at 30 June 2017	(247 407)	(14 151)	(983 685)	–	(1 245 243)	(18)
Net book value as at 30 June 2017	779 602	39 075	1 360 736	248 031	2 427 444	232

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 2017 was R19.9 million (2016: R25,8 million). Additions during the year were R Nil (2016: R Nil) 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.

In the prior year government grants were 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. No government grants have been received in the current year.

Assets with an original cost price of R76,8 million (2016: R51,4 million) are still in use, although it has been fully depreciated.

	Group					Company
	2016					2016
	Freehold land and buildings R'000	Leasehold properties R'000	Plant, equipment and vehicles R'000	Capital work-in-progress R'000	Total R'000	Freehold land and buildings R'000
Cost						
Balance at 1 July 2015	853 344	31 030	1 947 093	327 408	3 158 875	250
Capital expenditure				365 133	365 133	–
Capitalised	154 426	5 152	204 441	(364 019)	–	–
Government grants received	–	–	(2 003)	2 003	–	–
Transfer to assets classified as held-for-sale	(34 359)	–	(13 993)	–	(48 352)	–
Acquisition through business combinations	–	–	463	(463)	–	–
Disposals and scrappings	(497)	–	(40 151)	–	(40 648)	–
Foreign exchange translations	–	2 833	5 979	(144)	8 668	–
Balance at 30 June 2016	**972 914**	**39 015**	**2 101 829**	**329 918**	**3 443 676**	**250**
Accumulated depreciation and impairment						
Balance at 1 July 2015	(217 156)	(5 145)	(783 123)	–	(1 005 424)	(16)
Depreciation for the year	(25 264)	(3 076)	(138 601)	–	(166 941)	(1)
Transfer to assets classified as held-for-sale	13 195	–	11 767	–	24 962	–
Disposals and scrappings	412	–	28 545	–	28 957	–
Foreign exchange translations	–	(418)	(1 596)	–	(2 014)	–
Balance at 30 June 2016	**(228 813)**	**(8 639)**	**(883 008)**	**–**	**(1 120 460)**	**(17)**
Net book value as at 30 June 2016	**744 101**	**30 376**	**1 218 821**	**329 918**	**2 323 216**	**233**

12 INVESTMENT PROPERTIES

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Cost		
270	270	Balance at the beginning of the year		
270	270	**Balance at the end of the year**		
		Accumulated depreciation		
(255)	(247)	Balance at the beginning of the year		
(6)	(8)	Depreciation for the year		
(261)	(255)	**Balance at the end of the year**		
		Carrying amounts		
15	23	Balance at the beginning of the year		
9	15	**Balance at the end of the year**		
284	292	Rental income derived from investment properties		
(188)	(16)	Direct operating expenses generating rental income		
96	276	**Net profit arising from investment properties carried at net book value**		

The fair value of the property is R1,4 million (2016: 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 R181 000 (2016: R149 000) and a rental capitalisation into perpetuity factor of 13% (2016: 13%) and is considered to be a Level 3 fair value disclosure.

13 INTANGIBLE ASSETS

	Group					
	2017					
	Goodwill R'000	Trademarks, patents and customer lists R'000	Software licences R'000	Right-of-use R'000	Capital work-in-progress – software R'000	Total R'000
Cost						
Balance at 1 July 2016	380 745	142 505	125 758	9 579	48 745	707 332
Capital Expenditure	–	–	–	–	1 571	1 571
Capitalised	–	–	1 631	–	(1 631)	–
Additions through business combinations	21 579	38 216		–	–	59 795
Disposals and scrappings	–	–	(2 066)	–	–	(2 066)
Balance at 30 June 2017	402 324	180 721	125 323	9 579	48 685	766 632
						–
Accumulated amortisation and impairment						–
Balance at 1 July 2016	(1 311)	(25 687)	(65 204)	(2 939)	–	(95 141)
Amortisation for the year	–	(11 189)	(9 711)	(1 916)	–	(22 816)
Disposals and scrappings	–	–	1 988	–	–	1 988
Balance at 30 June 2017	(1 311)	(36 876)	(72 927)	(4 855)	–	(115 969)
Net book value as at 30 June 2017	401 013	143 845	52 396	4 724	48 685	650 663

13 INTANGIBLE ASSETS (continued)

	Group					
	2016					
	Goodwill R'000	Trademarks, patents and customer lists R'000	Software licences R'000	Right-of-use R'000	Capital work-in-progress – software R'000	Total R'000
Cost						
Balance at 1 July 2015	375 205	128 478	130 215	9 579	7 722	651 199
Capital Expenditure	–	–	–	–	66 367	66 367
Capitalised	–	–	15 383	–	(15 381)	2
Additions through business combinations	5 540	14 027	–	–	(19 567)	–
Disposals and scrappings	–	–	(10 236)	–	–	(10 236)
Government grants received	–	–	(9 604)	–	9 604	–
Balance at 30 June 2016	**380 745**	**142 505**	**125 758**	**9 579**	**48 745**	**707 332**
Accumulated amortisation and impairment						
Balance at 1 July 2015	(1 311)	(15 753)	(65 554)	(1 024)	–	(83 642)
Amortisation for the year	–	(9 933)	(9 831)	(1 916)	–	(21 680)
Disposals and scrappings	–	–	10 181	–	–	10 181
Balance at 30 June 2016	**(1 311)**	**(25 686)**	**(65 204)**	**(2 940)**	**–**	**(95 141)**
Net book value as at 30 June 2016	**379 434**	**116 819**	**60 554**	**6 639**	**48 745**	**612 191**

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%-10% (2016: 5%-6%) and adjusted for non-cash items; movements in working capital; and a before tax discount rate of 19.27% (2016: 19,92%).

Goodwill has been allocated to Clover Industries Group excluding Clover Frankies and then to Clover Frankies and Clover Pride respectively as the smallest separately identifiable cash-generating units due to income, cost, assets and liabilities not being possible to be split into smaller cash-generating units. The respective calculated recoverable amounts 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 in the prior year 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.

13 INTANGIBLE ASSETS (continued)

	Group	
	2017 R'000	2016 R'000
Goodwill has been allocated to the following cash-generating units for purposes of the impairment review:		
Clover Industries*	**373 894**	373 894
Clover Frankies	**5 540**	5 540
Clover Pride	**21 579**	–
Clover Industries Group	**401 013**	379 434

**Clover Industries Limited does not hold any goodwill at a company level*

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES		
		14.1 Other financial assets		
		Financial assets at fair value through profit or loss		
2 309	1 800	Investment in Guardrisk Cell Captive		
		Derivatives not designated as hedges		
–	3 297	Call option to acquire remaining shares in Clover Frankies		
856	560	Call option to acquire remaining shares in Clover Good Hope		
3 165	5 657	**Total financial instruments at fair value**		
3 165	5 657	**Total other financial assets**		
	–	Total current		
3 165	5 657	Total non-current		

Call option to acquire remaining shares in Clover Frankies
The option value has been derecognised against the investment in Clover Frankies - Refer to note 3.2.

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 way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A - C) x B) 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 discounted cash flow valuation of the call option was based on the following inputs; estimated annual free cash flow of R7,3 million; free cash flow growth per annum of between 6% to 10% and a discount rate of 18%

Call option to acquire remaining shares in Clover Pride
AECI granted Clover the irrevocable right to purchase AECI's 49% of the issued share capital in Clover Pride ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the third anniversary of the effective date. The purchase price of the call shares will be determined by way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
(A x B - C + D -E) x 49%
A – 6.21 (EBITDA multiple)
B – Average normalised EBITDA
C – Clover Pride's debts
D – Working capital on hand
E – Normal working capital
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.

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		14.2 Other financial liabilities		
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedging instruments:		
638	86	Foreign exchange contracts		
13 521	5 225	Clover Industries shares forward purchases		
		Financial liabilities at fair value through OCI		
		Derivatives designated as hedging instruments:		
1 665	22 500	Cash flow hedge – Diesel hedge		
15 824	27 811	**Total financial instruments at fair value**		
15 824	27 811	**Total other financial liabilities**		
6 141	25 612	Total current		
9 683	2 199	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 3,92% (2016: 3,11%), a credit spread of 2,75% (2016: 2,75%), a spot rate of R16,55 (2016: R18,51) and a swap interest rate reflecting the term of each tranche of the hedge.

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Expiry date	2017 Number of forwards	2017 Forward price per share (Rand)	2016 Number of forwards	2016 Forward price per share (Rand)
3 October 2016			308 500	21.40
1 June 2017			158 936	22.40
30 June 2017			158 937	22.29
30 June 2017			253 575	22.46
1 June 2017			158 937	22.35
30 June 2017			308 500	22.35
2 October 2017	**308 500**	**23.20**	308 500	23.20
29 June 2018	**308 500**	**23.97**		
31 July 2018	**519 442**	**24.29**		
3 June 2019	**476 810**	**26.48**	476 810	26.48
28 June 2019	**519 443**	**25.72**		
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. 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.

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 5,9 million (R 4,2million net of tax) (2016: R 25,8 million (R 18,6 million net of tax)), the unrealised profit portion of R Nil (2016: 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.

During the financial year the Group hedged 1 500 000 litres of ICE Gasoil per month at a average price of R 5,61 per litre. As at 30 June 2017 all the Group diesel hedged had expired.

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 2017, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	GROUP			
	30 June 2017 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 Good Hope (Pty) Ltd	**856**	**–**	**–**	**856**
Investment in cell captive	**2 309**	**–**	**2 309**	**–**
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	**638**	**–**	**638**	**–**
Clover Industries shares forward purchases	**13 521**	**–**	**13 521**	**–**
Derivatives designated as hedging instruments:				
Diesel hedge	**1 665**	**–**	**1 665**	**–**
During the reporting period ended 30 June 2017, there were no transfers between Level 1 and Level 2 fair value measurements.				

	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.				

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair value measurement and valuation techniques for level 2 and level 3 financial instruments

Type of financial instrument Fair value 2017	Fair value R'000	Valuation technique	Significant inputs
Financial assets at fair value through profit or loss	**3 165**		
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	**856**	**DCF**	Free cash flow forecast Market interest rate
Investment in cell captive	**2 309**	**NAV**	Cash and cash equivalents Investment in unit trusts Insurance fund liabilities
Financial liabilities at fair value through profit or loss	**14 159**		
Foreign exchange contracts	**638**	**DCF**	Yield curves Market interest rate Market foreign exchange rate
Clover Industries shares forward purchase	**13 521**	**DCF**	Share price Yield curves
Financial liabilities at fair value through OCI	**1 665**		
Diesel hedges	**1 665**	**DCF**	Market forward ICE gasoil price Yield curves Market foreign exchange rate

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Reconciliation of fair value measurement of level 3 financial assets		
		Call option to acquire remaining shares in Clover Frankies (Pty) Ltd		
3 297		Balance at the beginning of the year		
–	445	Initial recognition through OCI		
617	2 852	Remeasurement recognised through statement of profit or loss		
(3 914)		Derecognised against investment in Clover Frankies (note 3.2)		
–	3 297	**Balance at the end of the year**	**–**	
		Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
560		Balance at the beginning of the year		
–	560	Initial recognition through OCI		
296		Remeasurement recognised through statement of profit or loss		
856	560	**Balance at the end of the year**	**–**	

Refer to Note 30.1 (ii) to 30.1 (vi) for further disclosure.

15 DEFERRED TAXATION

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
(155 339)	(155 557)	Balance at the beginning of the year	**77**	77
(20 230)	218	Movements during the year:		
(14 411)	(6 997)	Charge to profit or loss		
(590)	–	Deferred tax limitation		
3 105	368	Prior year over provision		
970	–	Change in rate		
520	(62)	Foreign currency translation effect		
938	(938)	Charge from/(to) other comprehensive income		
79	9 193	Credit to the statement of changes in equity		
(10 841)	(1 346)	Acquisition of subsidiaries		
(175 569)	(155 339)	**Balance at the end of the year**	**77**	77
		The balance is constituted as follows:		
		Deferred tax assets		
1 668	920	Doubtful debts provision	**77**	77
3 356	5 029	Credit note accrual		
1 138	1 420	Leases straight-lined		
47 205	60 314	Employee related expenses that are only deductible when paid		
5 400	6 582	Income received in advance		
–	272	Inventory provision		
21 138	18 018	Other accruals		
96 882	55 939	Assessed loss carried forward		
1 636	717	Foreign tax credits		
4 578	7 773	Cash flow hedges		
183 001	156 984	**Total deferred tax assets**	**77**	77
		Deferred tax liabilities		
(351 872)	(306 491)	Property, plant and equipment		
(2 069)	(1 524)	Prepayments		
(3 150)	(2 798)	Consumable stores		
(1 358)	(1 398)	Pension fund asset		
(121)	(112)	Other		
(358 570)	(312 323)	**Total deferred tax liabilities**		
(175 569)	(155 339)	**Net deferred tax (liability)/asset**	**77**	77

15 DEFERRED TAXATION (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Reflected in the Statement of Financial Position as follows:		
45 496	37 019	Deferred tax assets	**77**	77
(221 065)	(192 358)	Deferred tax liabilities		
(175 569)	155 339	**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.

16 INVENTORIES

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
–	5 800	Delivery agreements		
170 659	156 746	Raw materials		
99 221	112 506	Work-in-progress		
115 403	107 697	Consumable stores		
579 347	534 160	Finished goods		
964 630	916 909	**Total inventories**		

The amount of the write-down of inventories recognised as an expense is R22.4 million (2016: R13,2 million). This expense is included in the cost of sales line item as a cost of inventories.

17 TRADE AND OTHER RECEIVABLES

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
1 182 775	1 227 372	Trade receivables	**13 061**	4 129
36 515	27 335	Trade receivables from principals		
139 262	73 284	Other receivables and advance payments	**275**	50 286
2 585	2 612	Loans to Executive Directors and other Executives	**2 585**	2 612
		Inter-company loan: Clover SA	**547 578**	546 844
		Loan: CIL Share Purchase Plan Trust	**9**	9
(6 517)	(3 847)	Allowance for impairment	**(275)**	(275)
(13 309)	(18 533)	Credit note accrual		
1 341 311	1 308 223	**Total trade and other receivables**	**563 233**	603 605

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 29.3 for further details.

See note 30.5 for age analysis on trade receivables and on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Trade receivables are non-interest-bearing and the payment terms are 30 days after the end of the month in which the goods were delivered.

As at 30 June 2017, trade receivables of an initial value of R6,5 million (2016: R3,9 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

3 847	2 525	**Balance at the beginning of the year**	**275**	275
4 978	1 671	Charge for the year		
(2 308)	(349)	Impairment loss written off		
6 517	3 847	**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 2017, the Group had available R14 million (2016: R256 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 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Cash at bank and on hand		
335	266	On hand		
73 584	113 918	Outstanding deposits		
54 829	12 621	Call deposits	**53 592**	11 530
416 115	477 266	Cash in banks	**9 649**	10 341
544 863	604 071	**Total cash and short-term deposits**	**63 241**	21 871

GROUP 2017 Number of shares	GROUP 2016 Number of shares		COMPANY 2017 Number of shares	COMPANY 2016 Number of shares
		19 SHARE CAPITAL AND SHARE PREMIUM		
		Ordinary shares		
		Authorised		
		2 billion (2016: 2 billion) ordinary shares with a par value of 5 cents (2016: 5 cents) each		
		Shares issued		
190 314 350	187 731 138	Ordinary shares in issue at the beginning of the year	**190 314 350**	187 731 138
		Share appreciation rights exercised:		
–	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
38 397	–	Issued on 15 September 2016	**38 397**	–
482 617	–	Issued on 24 April 2017	**482 617**	–
190 835 364	190 314 350	**Ordinary shares in issue at the end of the year**	**190 835 364**	190 314 350
2017 R'000	**2016 R'000**		**2017 R'000**	**2016 R'000**
		Ordinary share capital		
9 542	9 516	190,8 million (2016: 190,3 million) ordinary shares of 5 cents (2016: 5 cents) each	**9 542**	9 516
		Ordinary share premium		
892 692	882 774	Ordinary share premium on 190,8 million (2016: 190,3 million) ordinary shares	**892 692**	882 774
902 234	892 290	**Total ordinary share capital and ordinary share premium**	**902 234**	892 290
		Shares were issued as follows during the year		
		Ordinary shares:		
26	129	Ordinary shares of 0,5 cents (2016: 0,5 cents) each	**26**	129
9 918	44 411	Ordinary share premium of R19,04 (2016: R17,19) per share	**9 918**	44 411
9 944	44 540	**Total ordinary share capital raised during the year**	**9 944**	44 540

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		20 OTHER CAPITAL RESERVES		
		Share-based payments reserve		
73 868	72 880	Balance at the beginning of the year	**2 169**	10 252
5 865	12 697	Share based expense	**–**	–
(1 651)	(11 709)	Share appreciation rights exercised	**–**	(8 083)
78 082	73 868	Balance at the end of the year	**2 169**	2 169
		Call options		
1 005	–	Balance at the beginning of the year		
–	1 005	Initial recognition of call options		
(445)	–	Transfer to retained earnings		
560	1 005	Balance at the end of the year		
78 642	74 873	**Total other capital reserves at the end of the year**	**2 169**	2 169
		21 OTHER COMPONENTS OF EQUITY		
		21.1 Foreign currency translation reserve		
24 147	(2 314)	Balance at the beginning of the year		
(14 510)	(1 905)	Foreign exchange translation differences		
–	28 366	Reclassified to statement of profit or loss		
(14 510)	26 461	Net foreign exchange translation movement		
9 637	24 147	Balance at the end of the year		
		21.2 Cash flow hedge reserve		
3 350	–	Balance at the beginning of the year		
(9 294)	(22 500)	ICE Gasoil forward contracts fair value adjustment		
5 944	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		

GROUP 2017 R'000	GROUP 2016 R'000			COMPANY 2017 R'000	COMPANY 2016 R'000
		22 INTEREST-BEARINGS LOANS AND BORROWINGS			
		22.1 Secured liabilities			
900 000	900 000	(a)	Secured by securitisation of trade debtors (Refer to Note 17).The first tranche of R 400 million is repayable 30 June 2018, and is charged a fixed interest rate of 9,28% (2016: 9,28%). The second tranche of R 250 million is repayable on 30 September 2019, and is charged a floating rate of 220 bps above 3 month JIBAR. The third tranche of R 250 million is repayable 30 June 2020, and is charged a floating interest rate of 185 basis points above 3 month JIBAR. The funding is raised in the form of debentures issued to financial institutions and investment funds with specific redemption dates		
23 170	31 790	(b)	Secured by plant and equipment with a book value of R19,9 million (2016: R25,8 million). Repayable in monthly instalments. Payments due within the next year are R5,9 million (2016: R5 million). Variable interest rate portion: 8,5% – 10,5% (2016: 8,5% – 10,5%). Maturity: between July 2016 and March 2022. Fixed interest rate portion 9.0% and 10,5% (2016: 9,0% and 10,5%).		
923 170	931 790		**Total secured liabilities**		
		22.2 Unsecured liabilities			
4 889	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.		
1 763	7 188	(b)	Bank overdraft Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate: 10,5% (2016: 9,25% - 10.5%)		
302 033	55 036	(c)	Call loans Variable interest rate: 8,6% – 9,0% (2016: 7,0% – 9,0%)		
250 070	250 070	(d)	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.		
558 755	342 680		**Total unsecured liabilities**		
1 481 925	1 274 470		**Total secured and unsecured liabilities**		
			Current portion transferred to current liabilities:		
405 899	255 247		• Secured liabilities		
308 405	87 768		• Unsecured liabilities		
714 304	343 015		Total current portion transferred to current liabilities		
767 621	931 455		Total non-current interest-bearing borrowings		
1 481 925	1 274 470		**Total current and non-current interest-bearing loans and borrowings**		

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		23 NON-CONTROLLING INTEREST PUT OPTIONS LIABILITIES		
		The Group has entered into transactions with non-controlling interest equity holders whereby they are able to put their shareholding to the Group for a limited time period.		
57 088		Non-controlling interest put options		
57 088		Total non-controlling interest put options		
–		Current portion reflected under current liabilities		
57 088		Non-current portion reflected under non-current liabilities		

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 way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

((A - C) x B) 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 estimating the future EBITDA as per the contract and discounted given the remaining time period until the option becomes exercisable. The EBITDA estimates for purposes of the valuation of the put option was based on the following inputs; estimated annual free cash flow of R7,3 million; free cash flow growth per annum of between 6% to 10% and a discount rate of 18%. The fair value op the put was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The resultant fair value based on this calculation is Rnil. This value is considered a level 3 valuation. Refer to note 30.1 for more details regarding the sensitivity of the valuation inputs.

Put option to acquire remaining shares in Clover Pride

Clover granted AECI the irrevocable right to sell AECI's 49% of the issued share capital in Clover Pride ("Call shares"). The put option may be exercised by AECI 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 way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

(A x B - C + D -E) x 49%

A – 5.5 (EBITDA multiple)

B – Average normalised EBITDA

C – Clover Pride's debts

D – Working capital on hand

E – Normal working capital

The value of the put option was calculated by estimating the future EBITDA as per the contract and discounted given the remaining time period until the option becomes exercisable. The EBITDA estimates for purposes of the valuation of the put option was based on the same assumptions utilised in calculating the discounted cash flow as used for the purchase price allocation as per note 3.1. The fair value op the put was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The resultant fair value based on this calculation is Rnil. This value is considered a level 3 valuation. Refer to note 30.1 for more details regarding the sensitivity of the valuation inputs.

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		24 EMPLOYEE-RELATED OBLIGATIONS		
		24.1 Long-service bonus		
		The projected-credit method is used for the calculation of the long-service bonus provision.		
		Payments are recognised as utilisations.		
		The determination of the long-service bonus is based on the following assumptions:		
7 754	7 901	Active members		
6.3%	6.3%	Salary escalation ratio		
8.1%	8.9%	Discounting rate		
65	65	Normal retirement age		
21 846	24 868	Balance at the beginning of the year		
5 086	5 690	Amounts provided		
(5 507)	(8 712)	Amounts utilised		
21 425	21 846	**Total long-service bonus provision**		
		Refer to note 34 for further detail on the long-service bonus provision.		
		24.2 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.		
68 305	64 461	Balance at the beginning of the year		
11 714	13 054	Amounts provided		
(9 078)	(9 210)	Amounts utilised		
70 941	68 305	**Total leave pay provision**		
		24.3 Total employee-related obligations		
82 595	73 474	Non-current portion		
9 771	16 677	Current portion transferred to current liabilities		
92 366	90 151	**Total non-current and current employee-related obligations**		

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		25 TRADE AND OTHER PAYABLES		
1 056 019	1 115 717	Trade payables	**8 240**	8 703
174 635	218 950	Other payables	**1 773**	1 389
69 538	47 976	Payable to joint ventures		
1 300 192	1 382 643	**Total trade and other payables**	**10 013**	10 092
25 492	19 311	Non-current portion included in other payables transferred to non-current liabilities		
1 274 700	1 363 332	Current portion	**10 013**	10 092
1 300 192	1 382 643	**Total trade and other payables**	**10 013**	10 092

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

		26 NOTES TO THE STATEMENT OF CASH FLOWS		
		Tax paid		
(9 893)	40 330	Amount receivable/(due) at the beginning of the year	**928**	2 157
(30 057)	(107 161)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	**(13 544)**	(9 925)
(7 165)	9 893	Amount due/(receivable) at the end of the year	**3 432**	(928)
(47 115)	(56 938)	**Total tax paid**	**(9 184)**	(8 696)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000

27 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

27.1 Defined-contribution funds

27.1.1 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 2017: 1 082 (30 June 2016: 1 112).

27.1.2 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 2017: 6 572 (2016: 6 759).

27.2 Amounts recognised in profit or loss

Contributions for the Group for the current year:

40 170	38 999	Pension fund		
69 536	65 587	Provident fund		
109 706	104 586	**Total contributions recognised in profit or loss**		

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		28 COMMITMENTS AND CONTINGENCIES		
		28.1 Operating lease commitments - Group as lessee		
		The Group entered into an outsourcing agreement whereby the Group is provided with 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.		
		Future minimum lease payments are as follows:		
158 053	88 021	Within one year		
217 014	110 929	After one year but not more than five years		
23 305	179 326	More than five years		
398 372	378 276	**Total lease payments payable**		
		28.2 Future contractual distribution and milk collection cost		
		The Group entered into a multiyear outsourcing arrangement in respect of distribution and milk collection vehicles. In terms of the outsourcing arrangement the supplier shall acquire and supply vehicles based on functional specifications by the Group. The functional specifications don't result in the vehicles becoming so customised to the extent that they cannot be repurposed, and used in other parts of the supplier's fleet or sold. In addition, the supplier has the right to substitute any vehicle in the fleet at its sole discretion as long as it meets the functional speciation as agreed in the service level agreement.		
		Management concluded that the right to substitute the vehicle, and the economic incentive to do so, will result in a substantive right by the supplier, and accordingly the outsourcing arrangement does not meet the definition of a lease.		
		Future minimum contractual payments are as follows:		
205 477	211 606	Within one year		
762 505	866 791	After one year but not more than five years		
158	203 970	More than five years		
968 140	1 282 367	**Total contractual payments payable**		

28 COMMITMENTS AND CONTINGENCIES (continued)

28.3 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.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

GROUP 2017 R'000	GROUP 2016 R'000	
2 654	2 400	Within one year
12 321	7 366	After one year, but not more than five years
14 975	9 766	**Total lease payments receivable**

28.4 Finance leases and hire purchase agreements

The Group has finance leases and hire purchase contracts for various items of plant, machinery and vehicles. These leases have no terms of renewal, purchase options or escalation clauses.

Future minimum lease payments with the present value of the net minimum lease payments are as follows:

GROUP 2017 Minimum payments R'000	GROUP 2017 Present value of payments R'000		GROUP 2016 Minimum payments R'000	GROUP 2016 Present value of payments R'000
11 974	9 755	Within one year	**30 073**	25 894
23 321	18 304	After one year but not more than five years	**45 098**	36 282
35 295	28 059	Total minimum lease payments	**75 171**	62 176
(7 236)		*Less:* Amounts representing finance charges	**(12 995)**	
28 059	28 059	Present value of minimum lease payments	**62 176**	62 176

28 COMMITMENTS AND CONTINGENCIES (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		28.5 Capital commitments		
40 908	191 498	Capital expenditure authorised and contracted for		
43 424	68 963	Capital expenditure authorised but not contracted for		
84 332	260 461	Total capital commitments		

Commitments will be spent within the next three to four years.

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		29 RELATED PARTY DISCLOSURE		
		Transactions with related parties are made at market-related prices. Outstanding balances at the year-end are unsecured. No interest is paid on current accounts. There have been no guarantees provided or received for any related party receivables or payables except for a sub-ordination agreement with Clover Milkyway (Pty) Ltd amounting to R9.6m. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.		
		29.1 With regard to operating activities with subsidiaries and joint ventures, the following transactions took place during the year:		
		(a) Fees earned by CIL for services rendered to Group Companies		
		Clover SA – Subsidiary	**51 812**	44 424
		Total fees earned by CIL for services rendered to Group Companies	**51 812**	44 424
		(b) Amounts due to CIL from Group Companies		
		Clover SA – Subsidiary	**547 578**	546 844
		Total amounts due to CIL from Group Companies	**547 578**	546 844
		(c) CIL received the following dividends during the year from Group Companies		
		Clover SA – Subsidiary	**80 000**	100 000
		Total dividends received by CIL from Group Companies	**80 000**	100 000

29 RELATED PARTY DISCLOSURE (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		29.2 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:		
146 949	104 643	WI Büchner		
49 358	44 632	NA Smith		
7 284	15 362	PR Griffin (Resigned 30 November 2016)		
203 591	164 637	**Total milk purchased from Non-Executive Directors**		
		Refer to note 33 for more information regarding compensation of Directors and key management personnel		
		29.3 Loans advanced to senior management outstanding		
		Other Executives		
2 585	2 612	JHF Botes (Dr)	**2 585**	2 612
2 585	2 612	**Total**	**2 585**	2 612
		Refer to note 17 for more details around the terms of the loans.		

30 FINANCIAL INSTRUMENTS

The Group treasury function does not operate as a profit centre, but rather provides financial services to the divisions and Group companies, coordinates access to credit and loan facilities and manages the financial risks relating to the Group's operations. The Group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movement in currency and interest rates. Currency and interest rate exposure is managed within Board-approved policies and guidelines which restrict the use of derivatives to the hedging of specific underlying currency and interest rate exposures.

30.1 Financial Risk management

The Group has exposure to the following risks from its use of financial instruments:

– credit risk

– liquidity risk

– market risk: foreign currency, 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 30.5. Historically, Group bad debts have been negligible and the management of debtors payment terms have been very successful. Trade receivables comprise a large number of debtors, but with significant concentration in value on the country's major retail and wholesale chains, credit is extended in terms of the Group's credit policies. In the opinion of the Board there was no significant credit risk at year-end which had not been adequately provided for.

The Group limits its exposure to credit risk by only investing in reputable institutions with high credit ratings.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 76,7% (2016: 71,6%) of the Group's credit sales is attributable to sales transactions with the major national chain stores of good credit standing. However, geographically there is no concentration of credit risk.

The responsibility for effective credit management rests with the Chief Financial Officer. The granting of credit is governed by a policy for the approval and authorisation levels for new credit applications and revision of credit limits.

The credit policy requires that each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Any variations in authorisation levels must be approved in terms of the credit policy. The review includes obtaining and evaluating trade references, bank codes, financial statements and trade history. Depending on the customer profile and credit limit required, further information on Directors and a credit bureau report will be obtained. With the exception of the major national chain stores, where credit risks are assessed as low, credit limits are established for each customer, which represents the maximum open amounts.

Most of the Group's customers have been transacting with the Group for many years and the Group has had a steady customer base. In monitoring customer credit risk, customers are grouped 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.

30 FINANCIAL INSTRUMENTS (continued)

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 30.4 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% (2016: 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 27.3% (2016: 20%) 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	2017 R'000	2016 R'000
Municipalities	**15 642**	15 694
Other*	**329**	18 586
	15 971	34 280

**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 (2016: 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.

30 FINANCIAL INSTRUMENTS (continued)

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 2017				GROUP 2016		
Change in rate	Effect on profit before tax R'000	Effect on Equity R'000		Change in rate	Effect on profit before tax R'000	Effect on Equity R'000
			Foreign subsidiaries – equity			
+10%			**Rand – strengthening**	+10%		
		(21 556)	Loss on Pulas			(25 035)
		32	Profit on Naira			160
-10%			**Rand – weakening**	-10%		
		21 556	Profit on Pulas			25 035
		(32)	Loss on Naira			(160)

(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		GROUP
2017 R'000		**2016 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
1 081 925	Variable-rate instruments	874 470
1 481 925		1 274 470
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2016: 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	
(10 819)	Decrease in profit before tax	(8 745)
	Decrease of 100 basis points	
10 819	Increase in profit before tax	8 745

30 FINANCIAL INSTRUMENTS (continued)

GROUP 2017 R'000			GROUP 2016 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% (2016: 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	
3 484		Increase in profit before tax	3 972
		Decrease of 10 % in share price	
(3 464)		Decrease in profit before tax	(3 926)
	(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% (2016: 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	
–		Increase in other comprehensive income	7 607
		Decrease of 10% in diesel price	
–		Decrease in other comprehensive income	(7 607)
	(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 was exercisable by Clover any time after 30 June 2019. However the option was effectively cancelled when Clover acquired the remaining 49% shares in the current year. Refer to note 14 for more information regarding the call option.	
		Call option sensitivity	
		An increase/decrease of 10% (2016: 10%) 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% in terminal growth rate	
–		Increase in profit before tax	780
		Decrease of 10% in terminal growth rate	
–		Decrease in profit before tax	(780)
		An increase/decrease of 10% (2016: 10%) 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.	

30 FINANCIAL INSTRUMENTS (continued)

GROUP 2017 R'000			GROUP 2016 R'000
		Increase of 10% in discount rate	
–		Decrease in profit before tax	(1 358)
		Decrease of 10% in the discount rate	
–		Increase in profit before tax	2 000
	(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 % 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% in terminal growth rate	
1 195		Increase in profit before tax	1 526
		Decrease of 10% in terminal growth rate	
(856)		Decrease in profit before tax (limited to current option value)	(560)
		An increase/decrease of 10 % 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 % in discount rate	
(856)		Decrease in profit before tax (limited to current option value)	(560)
		Decrease of 10 % in the discount rate	
4 547		Increase in profit before tax	2 806
		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 23 for more information regarding the put option.	
		Put option sensitivity	
		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.	
		An increase/decrease of 10% 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 % in discount rate	
(2 480)		Decrease in profit before tax	(689)
		Decrease of 10 % in the discount rate	
–		No effect	–

30 FINANCIAL INSTRUMENTS (continued)

GROUP 2017 R'000		GROUP 2016 R'000
	(vii) Clover Pride - Call and put options	
	Call option Clover Pride	
	AECI granted Clover the irrevocable right to purchase AECI's 49% of the issued share capital in Clover Pride ("Call shares"). The call option may be exercised by Clover 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 call option.	
	Call option sensitivity	
	An increase/decrease of 10 % 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% in terminal growth rate	
1 433	Increase in profit before tax	
	Decrease of 10% in terminal growth rate	
–	Decrease in profit before tax (limited to current option value)	
	An increase/decrease of 10 % 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 % in discount rate	
–	No effect on net profit before tax	–
	Decrease of 10 % in the discount rate	
5 619	Increase in profit before tax	–
	Put option Clover Pride	
	Clover granted AECI the irrevocable right to sell AECI's 49% of the issued share capital in Clover Pride ("Put shares"). The put option may be exercised by AECI within three months after each 12 month period from the third anniversary of the effective date. Refer to note 23 for more information regarding the put option.	
	Put option sensitivity	
	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.	
	An increase/decrease of 10% 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 % in discount rate	
(1 148)	Decrease in profit before tax	–
	Decrease of 10 % in the discount rate	
	No effect on net profit before tax	–

30 FINANCIAL INSTRUMENTS (continued)

GROUP 2017 R'000		GROUP 2016 R'000

30.2 Capital management

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

A combination of retained earnings, senior debt, term asset finance, commodity finance and general banking facilities are used to fund the business. The Bulk of the Group's debtors forms part of a securitisation programme. This programme came into effect during 2001. Senior debt raised by the programme currently amounts to R900 million (2016: R900 million). The securitisation provides access to senior debt equal to 74,5% (2016: 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 5,4% (2016: 12,9%) of the debtors' book. In comparison the weighted average interest expense on interest-bearing borrowings was 10,6% (2016: 9,7%).

30.3 Fair value

The carrying amount of financial assets and liabilities carried at amortised cost are a reasonable approximation of fair value due to the short-term maturities of these financial instruments, other than the put liabilities disclosed in note 23.

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.

30 FINANCIAL INSTRUMENTS (continued)

30.4 Liquidity risk profile

Maturity profile of financial instruments

The following tables summarises the maturity profile of Clover's financial liabilities at 30 June 2017 and 30 June 2016, based on contractual undiscounted payments.

GROUP 2017	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	7 987	3 370	7 790	14 284	–	33 431
Secured by securitisation of trade debtors	42 256	441 900	46 834	529 055	–	1 060 045
Unsecured loans	314 875	12 633	258 585	–	–	586 093
Guarantees	–	–	–	–	15 971	15 971
Bank overdrafts	1 763	–	–	–	–	1 763
Financial liabilities	6 141	–	9 683	–	–	15 824
Trade and other payables	1 230 532	44 168	17 995	7 497	–	1 300 192
Total financial liabilities	1 603 554	502 071	340 887	550 836	15 971	3 013 319

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

30 FINANCIAL INSTRUMENTS (continued)

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

COMPANY 2017	0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Trade and other payables	10 013					10 013
Total financial liabilities	10 013	–	–	–	–	10 013

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						
Trade and other payables	10 092	–	–	–	–	10 092
Total financial liabilities	10 092	–	–	–	–	10 092

GROUP			COMPANY	
Carrying Value 2017 R'000	Carrying value 2016 R'000		Carrying Value 2017 R'000	Carrying Value 2016 R'000
		30.5 Credit risk		
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
1 182 775	1 227 372	Trade receivables		
178 380	97 035	Other receivables	**563 233**	603 605
544 863	604 071	Cash and short-term deposits	**63 241**	21 871
1 906 018	1 928 478	**Total financial assets**	**626 474**	625 476
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
906 736	878 273	Retail chain stores		
123 878	134 852	Wholesale chain stores		
152 161	214 247	Industrial/Catering/General trade		
1 182 775	1 227 372	**Total**		
		The ageing of trade receivables at the reporting date is as follows:		
1 127 639	1 128 812	Neither past due nor impaired*		
41 753	84 201	Past due, but not impaired 0–30 days		
5 940	10 069	Past due but not impaired 31–120 days		
7 443	4 290	Past due but not impaired 120 days		
1 182 775	1 227 372	**Total**		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
3 847	2 525	Balance at the beginning of the year	**275**	275
4 978	1 671	Increases in impairments		
(2 308)	(349)	Impairment loss written off		
6 517	3 847	**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 impairment 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.

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Total investment in subsidiary	**326 735**	326 735
		Share of investment in a joint venture		
–	–	Clover Futurelife		
38 946	31 651	Clover Fonterra		
38 946	31 651			

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

			Effective interest in capital		Gross Investment in subsidiaries and joint ventures[1]		Profit/(loss) after taxation[3]	
Subsidiary and joint venture Name of company	**Country of incorporation**	**Nature of business**	**2017 %**	**2016 %**	**2017 R'000**	**2016 R'000**	**2017 R'000**	**2016 R'000**
Clover SA[2]	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**326 735**	326 735	**171 180**	299 074
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	**100**	100	**466 958**	444 958	**(45 019)**	(14 389)
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**44 425**	75 492
Clover MilkyWay	South Africa	Dairy manufacturing and sales	**100**	100	**80 000**	50 050	**(5 317)**	(8 861)
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**1 306**	(1 208)
Clover Fonterra#	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**38 946**	31 651	**18 486**	14 015
Clover Frankies	South Africa	Marketing, sales, distribution and production of CSD's	**100**	51	**19 854**	10 928	**(3 851)**	518
Clover Good Hope	South Africa	Manufactures, distributes, sells and markets a range of soy based milk alternatives	**51**	51	**14 822**	7 068	**1 829**	1 380
Clover West Africa	Nigeria	Marketing of non-alcoholic beverage products	**100**	100	**468**	468	**(1 027)**	71 273
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	*****	*	**2 494**	5 167
Clover Waters	South Africa	Marketing, sales, distribution and production of water and iced tea	**70**	70	**146 985**	76 669	**(3 536)**	(1 935)
Clover Futurelife	South Africa	Manufactures, distributes, sells and markets a range of functional food products	**50.1**	50.1	*****	*	**(7)**	253
Clover Pride	South Africa	Manufactures, distributes, sells and markets a range of food products	**51**	–	**31 768**	–	**1 007**	–
Dairy Farmers of South Africa	South Africa	Milk collection and dairy sales	**100**	–	**405 311**	–	**(4 483)**	–

Joint venture.
* *Amounts less than R1 000.*
1 *Held by Clover SA.*
2 *Held by CIL.*
3 *Before inter company eliminations.*

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Clover Frankies		
		Subsidiary's statement of financial position		
3 605	9 265	Current assets including cash and cash equivalents of R0,23 million (2016: R1,6 million) and inventory R1.3 million (2016: R4,3 million)		
11 627	12 233	Non-current assets including property, plant and equipment of R0,2 million (2016: R0,36 million) and intangibles (2016: R11,4 million)		
–	(597)	Non-current liabilities including deferred tax Rnil million (2016: R0,6 million)		
(6 107)	(6 925)	Current liabilities including trade and other payables of R6,1 million (2016: R6,9 million)		
(9 125)	(13 976)	Equity (Net asset value)		
100%	51%	Portion of the Group's ownership		
9 125	7 128	Net asset value of the investment		
		Subsidiary's revenue and profit		
18 932	20 568	Revenue		
(14 290)	(9 864)	Cost of sales		
(8 615)	(8 976)	Sales, marketing, distribution and administrative expenses		
(475)	(262)	Net finance cost		
(4 448)	1 466	Profit before taxation		
597	(450)	Income tax expense		
(3 851)	1 016	**Profit for the year**		
100%	51%	Portion of the Group's ownership		
(3 117)	518	Group's share of (loss)/profit for the year		
5 624		Acquisition of non-controlling interest in subsidiary - Refer to note 3.2 for more details		
(510)	–	Dividend received		

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Clover Good Hope		
		Subsidiary's statement of financial position		
29 878	27 302	Current assets including cash and cash equivalents of R9,7 million (2016: R3,6 million) and inventory of R7,7 million (2016: R8,7 million)		
6 959	7 329	Non-current assets including property, plant and equipment of Rnil million (2016: Rnil million) and intangibles of R7,0 million (2016: R7,3 million)		
(508)	(657)	Non-current liabilities including deferred tax R0,5 million		
(25 034)	(26 265)	Current liabilities including trade and other payables of R25 million		
(11 295)	(7 709)	Equity (Net asset value)		
51%	51%	Portion of the Group's ownership		
5 760	3 932	Net asset value of the investment		
		Subsidiary's revenue and profit		
90 405	16 206	Revenue		
(73 663)	(13 480)	Cost of sales		
(10 372)	(1 293)	Sales, marketing, distribution and administrative expenses		
(283)	1 721	Other operating (expenses)/income		
(1 090)	(65)	Net finance cost		
4 997	3 089	Profit before taxation		
(1 411)	(383)	Income tax expense		
3 586	2 706	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
1 829	1 380	Group's share of profit for the year		
–	–	Dividend received		

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Clover Waters		
		Subsidiary's statement of financial position		
53 894	58 049	Current assets including cash and cash equivalents R2,6 million (2016: Rnil) and inventory R24,5 million (2016: R27,95 million)		
150 236	132 674	Non-current assets including property, plant and equipment R112 million (2016: R97,8 million) and deferred tax asset of R4.9 million (2016:Rnil million)		
–	(9 866)	Non-current liabilities including deferred tax Rnil million (2016: R2,7 million)		
(166 916)	(138 729)	Current liabilities including trade and other payables of R138,2 million (2016: R138,2 million)		
(37 214)	(42 128)	Equity (Net asset value)		
70%	70%	Portion of the Group's ownership		
26 050	29 490	Net asset value of the investment		
		Subsidiary's revenue and profit		
252 564	306 672	Revenue		
(163 763)	(195 972)	Cost of sales		
(74 626)	(87 740)	Sales, marketing, distribution and administrative expenses		
(14 140)	(21 011)	Other operating expenses		
(12 605)	(5 992)	Net finance cost		
(12 570)	(4 043)	Loss before taxation		
7 518	1 279	Income tax		
(5 052)	(2 764)	**Loss for the year**		
70%	70%	Portion of the Group's ownership		
(3 536)	(1 935)	Group's share of loss for the year		
–	–	Dividend received		

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000
		Clover Pride (inclusive of the purchase price allocation per note 3.1)		
		Subsidiary's statement of financial position		
23 096		Current assets including cash and cash equivalents of R0,4 million and inventory R13,9 million		
59 493		Non-current assets including property, plant and equipment of R0,5 million and intangibles R59,0 million		
(117)		Non-current liabilities including deferred tax R0,1 million		
(20 563)		Current liabilities including trade and other payables of R20,4 million		
(61 909)		Equity (Net asset value)		
51%		Portion of the Group's ownership		
31 574		Net asset value of the investment		
		Subsidiary's revenue and profit		
22 358		Revenue		
(15 016)		Cost of sales		
(3 562)		Sales, marketing, distribution and administrative expenses		
(797)		Other operating (expense)/income		
(241)		Net finance cost		
2 742		Profit before taxation		
(767)		Income tax expense		
1 975		**Profit for the year**		
51%		Portion of the Group's ownership		
1 007		Group's share of profit for the year		
–		Dividend received		

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

32 SHARE-BASED PAYMENTS

32.1 Equity-settled share appreciation rights scheme

– Clover Share Appreciation Rights Plan (2010) (ordinary shares in CIL)

On 31 May 2010 the ordinary and preference shareholders approved the Clover Share Appreciation Rights Plan (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 77 to 88.

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%.

Ninth allocation - Expected volatility of 26,7%, risk free rate of 7,98% and a dividend yield of 3,48%.

32 SHARE-BASED PAYMENTS (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)	Vesting period
Clover's Share Appreciation Rights Plan (2010) – Initial allocation	31 May 2010	Till employment terminates	R4,67	1 808 459 (2016: 1 808 459)	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	Two years	R11,00	57 778 (2016: 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	Three years	R13,50	953 620 (2016: 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	Three years	R13,73	1 474 962 (2016: 1 474 962)	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	Three years	R14,15	925 500 (2016: 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	Four years	R16,83	2 256 153 (2016: 2 588 288)	R4,97	Full allocation vests on 1 July 2016
Clover's Share Appreciation Rights Plan (2010) – Sixth allocation	20 June 2014	Five years	R17,31	697 562 (2016: 2 325 208)	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	Three years	R17,55	501 425 (2016: 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	Five years	R17,34	2 779 769 (2016: 2 779 769)	R5,38	Full allocation vests on 30 June 2018
Clover's Share Appreciation Rights Plan (2010) – Eighth allocation	30 June 2016	Four years	R18,44	2 679 262 (2016: 2 679 262)	R5,58	Full allocation vests on 30 June 2019
Clovers Share Appreciation Rights Plan (2010) - Ninth allocation	30 June 2017	Five years	R16,75	3 108 839	R 4.40	Full allocation vest on 30 June 2020

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Provision against income		
5 865	12 697	Share-based payment expense		

There were no changes made to the share appreciation rights or the executives' interests therein after 30 June 2017 up to the approval of the annual financial statements.

33 DIRECTORS' REMUNERATION AND INTERESTS

33.1 Directors' remuneration

	2017							
	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	–	–	–	628	–	283	6 411
ER Bosch	3 397	–	–	–	452	–	132	3 981
Total remuneration of Executive Directors	8 897	–	–	–	1 080	–	415	10 392
Non-Executive Directors								
WI Büchner	–	1 191	–	–	–	–	–	1 191
TA Wixley (resigned 28 November 2016)	–	374	–	–	–	–	–	374
SF Booysen (Dr)	–	840	–	–	–	–	–	840
JNS Du Plessis (resigned 11 January 2017)	–	249	–	–	–	8	–	257
NA Smith	–	414	–	–	–	–	–	414
N Mokhesi	–	637	–	–	–	–	–	637
B Ngonyama	–	539	–	–	–	–	–	539
PR Griffin (resigned 28 November 2016)	–	134	–	–	–	18	–	152
Total remuneration of Non-Executive Directors	–	4 378	–	–	–	26	–	4 404
Total Directors' remuneration	8 897	4 378	–	–	1 080	26	415	14 796
Other executives (prescribed officers)								
H Lubbe	3 285	–	–	–	409	–	170	3 864
JHF Botes (Dr)	3 300	–	–	–	430	–	169	3 899
MM Palmeiro	2 708	–	–	–	340	–	760	3 808
J van Heerden	2 635	–	–	–	324	–	241	3 200
Total remuneration of other executives	11 928	–	–	–	1 503	–	1 340	14 771

* *Other benefits include long service award payouts, leave payouts on retirement, housing allowances for expatriates, travel and accommodation expenses.*

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	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	3 767	–	636	–	465	–	362	5 230
CP Lerm (Dr)	3 296	–	1 120	1 878	715	–	860	7 869
ER Bosch	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.*

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	2017 R'000	2016 R'000
Share appreciation rights exercised and settled by the issue of shares		
Executive directors		
JH Vorster	–	19 892
LJ Botha (Resigned 2 January 2016)	–	11 234
CP Lerm (Dr)*	**332 135**	13 414
Executives (Prescribed officers)		
	332 135	44 540

All share appreciation rights exercised by Executives as part of the MPCRE (refer to page 87: – legacy scheme SARS issues) were settled in shares.

** Retired 30 June 2016*

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

33.2 Interest of Directors and other executives in share appreciation rights

The interest of Executive and Non-Executive Directors in the shares of the Company provided for in the form of share appreciation rights are set out in the table below:

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2016	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2017	Number of rights that have vested as at 30 June 2017	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	Fourth	1 036 716	696 716			**696 716**	696 716	18.72	13.73	All on 1 July 2015.
	Fifth	879 589	879 589			**879 589**	879 589		16.83	All on 1 July 2016.
	Sixth	906 510	906 510		634 557^	**271 953**	271 953		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.
	Ninth	1 087 427		1 087 427		**1 087 427**			16.75	All on 30 June 2020.
CP Lerm (Dr) (retired 30 June 2016)	Fifth	332 135	332 135		332 135*	**–**		19.03	16.83	All on 1 July 2016.
ER Bosch	Allocation of newly appointed	953 620	953 620			**953 620**	953 620		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**	332 135		16.83	All on 1 July 2016.
	Sixth	342 301	342 301		239 611^	**102 690**	102 690		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.
	Ninth	426 302		426 302		**426 302**			16.75	
Total Executive Directors		8 926 659	7 072 930	1 513 729	1 206 303	**7 380 356**	3 236 703			

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2016	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2017	Number of rights that have vested as at 30 June 2017	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**	332 135		16.83	All on 1 July 2016.
	Sixth	342 301	342 301		239 611^	**102 690**	102 690		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.
	Ninth	413 886		413 886		**413 886**			16.75	All on 30 June 2020.
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**	332 135		16.83	All on 1 July 2016.
	Sixth	342 301	342 301		239 611^	**102 690**	102 690		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.
	Ninth	417 645		417 645		**417 645**			16.75	All on 30 June 2020.

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2016	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2017	Number of rights that have vested as at 30 June 2017	Share price on date exercised	Grant price	Date from which exercisable
MM Palmeiro	Allocation of newly appointed	925 500	925 500			**925 500**	617 000		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**	380 159		16.83	All on 1 July 2016.
	Sixth	391 795	391 795		274 257^	**117 538**	117 538		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.
	Ninth	423 249		423 249		**423 249**			16.75	All on 30 June 2020.
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.
	Ninth	340 330		340 330		**340 330**			16.75	All on 30 June 2020.
Total other executives		12 206 132	9 021 341	1 595 110	753 478^	**9 862 973**	4 628 831			
Total		21 132 791	16 094 271	3 108 839	1 959 781	**17 243 329**	7 865 534			

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 2017, a total of 11 240 883 (30 June 2016: 11 202 483 ordinary shares) have been issued to Executives, with the balance of 4 759 117 ordinary shares remaining available for issue.

* Exercised

^ Cancelled

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

33.3 Interest of Directors and other executives of the Company in ordinary share capital

Number of shares at 30 June 2017				Number of shares at 30 June 2016		
Direct	Indirect	Associates		Direct	Indirect	Associates
			Executive Directors			
4 583 334	4 500 000	403 364	JH Vorster	5 254 846	4 500 000	398 315
–	–	–	CP Lerm (Dr) (retired 30 June 2016)	3 574 220	–	–
4 583 334	4 500 000	403 364		8 829 066	4 500 000	398 315
			Non-Executive Directors			
–	591 492	–	WI Büchner*	–	480 400	–
–	900 085	–	NA Smith	–	888 814	–
48 222	–	–	TA Wixley^	47 619	–	–
15 245	–	–	PR Griffin^	15 245	–	–
63 467	1 491 577	–		62 864	1 369 214	–
4 646 801	5 991 577	403 364	**Total Directors' interests in ordinary share capital**	8 891 930	5 869 214	398 315
			Other executives (prescribed officers)			
242 222	–	–	H Lubbe	342 222	–	–
951 998	–	–	JHF Botes (Dr)	951 998	–	–
1 194 220	–	–	**Total interest of other Executives in ordinary share capital**	1 294 220	–	–

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 23 700 000 (2016: 23 100 000) ordinary shares in the Company.*

^ *Resigned 28 November 2016*

GROUP 2017 R'000	GROUP 2016 R'000		COMPANY 2017 R'000	COMPANY 2016 R'000

34 LONG-SERVICE BONUS

34.1 Introduction

The Group rewards employees with long service by remunerating them with a lump sum after a specific number of service years. Assumptions and valuation methods are as follows:

34.2 Background

The long-service bonuses which employees receive differ between employees whose employment date were before 1 January 2001 and employees whose employment date was after 1 January 2001.

The benefit is as follows:

Employees with an employment date before 1 January 2001

Employees receive a bonus of three times their monthly basic salary after 15 years service and one time their monthly basic salary every five years thereafter.

Employees with an employment date after 1 January 2001

Employees receive a bonus of 10% of their monthly basic salary after 10 years' service, 15% after 15 years' service, 20% after 20 years' service, 25% after 25 years' service, etc.

34.3 Valuation method

The projected unit credit method is used in the calculations. The values of the past service liabilities and the future service liabilities are given separately. The past service liability is the value of the accumulated liability as at the calculation date in respect of service already rendered. The future service liability is the value of the liability from service after the calculation date until the next date the employee is entitled to receive a bonus payment. The total liability is evenly distributed over the period since service inception until the date when the benefit is payable.

34.4 Valuation results

Past service liability

The total past service liability in respect of long-service bonuses is set out as follows:

18 497	19 420	Employees with employment date before 01/01/2001
2 928	2 426	Employees with employment date after 01/01/2001
21 425	21 846	**Total past service liability**

The valuation results as at 30 June 2017 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 R470 000. The results as at 30 June 2016 are based on the previous best estimates.

34 LONG-SERVICE BONUS (continued)

GROUP 2017 %	GROUP 2016 %		COMPANY 2017 %	COMPANY 2016 %
		34.5 Past service liability build-up		
		The build-up of the total past service liability for the past year, using the best estimate assumptions are as follows:		
7.50	8.42	a) The following discount rate per annum was used for the calculation of interest cost		
6.30	7.46	b) The following salary escalation rate per annum and merit increases were used		
		c) For current service cost an assumption is made that there are no withdrawals during the financial year		
		d) For benefits paid it is assumed that all benefits were paid as estimated by Clover		

R'000	R'000		R'000	R'000
		The increase in the past service liability is summarised as follows:		
		Past services liability build-up		
21 847	24 869	Opening balance		
1 870	1 782	*Plus:* Interest cost		
1 083	1 099	Current service cost		
(5 032)	(8 785)	*Less:* Benefits paid		
1 658	2 882	Actuarial loss		
21 426	21 847	**Closing balance**		

35 EVENTS AFTER THE REPORTING PERIOD

As communicated on the SENS Clover transferred the non-value added dairy business to its wholly owned subsidiary, Dairy Farmers of South Africa (Pty) Ltd. ("DFSA"), under a written transfer of business agreement with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover, shares in DFSA. The board of directors of Clover announced that the issue and allotment of the B shares in DFSA to the milk producers has been implemented with effect from 1 July 2017 and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

Except for the above no significant events occurred subsequent to the year-end that would require disclosure or amendment to 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
Clover Pride (Pty) Limited	Clover Pride
Dairy Farmers of South Africa (Pty) Limited	DFSA

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.

ANNEXURE TO THE RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

PRO FORMA REGARDING THE EFFECT OF THE OPERATIONAL RESTRUCTURING OF DFSA ON THE CONSOLIDATED RESULTS OF CLOVER INDUSTRIES LIMITED ("Clover")

Introduction

On the 1st of July 2017 Clover concluded a corporate action that will have an impact on the 2018 financial year.

A recent strategic review of our product portfolio highlighted new trends in the milk business model where owner-producers supply the trade directly, as opposed to traditional intermediary companies like Clover. This means that commodity products like Fresh, Ultra High Temperature ('UHT') and Ultra Pasteurised ('UP') milk ('non-value-added drinking milk') has drifted outside of our core product portfolio.

Since our strategic focus is on value-added product categories, it made strategic sense to transfer the supply and demand side of the volume driven business to a new entity and invest our future funds in products and businesses that will suit our future business model better, whilst remaining a substantial service provider to non-value added drinking milk industry.

As communicated on the Stock Exchange News Service on 6 July 2017 and earlier, Clover has formed a wholly owned subsidiary (called Dairy Farmers of South Africa (Pty) Ltd ('DFSA')). Clover transferred the non-value added dairy business and sold the related finished goods, packaging material and ingredients inventory, to DFSA with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover A shares (which constituted the entire issued share capital of DFSA at the time) for a nominal amount, and a loan account for the inventory.

With effect from 1 July 2017, DFSA issued and allotted B shares in to the milk producers for a nominal amount and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

With effect from 1 July 2017 Clover relinquished its control of DFSA and will for accounting purposes treat it as an investment in an associate going forward.

DFSA houses the non-value added drinking milk business and is responsible for the procurement of raw milk as well as the selling, marketing and distribution of the non-value-added drinking milk referred to above.

DFSA will subsequently become Clover's largest principal, where all its related requirements such as distribution, production, administration (invoicing, debt collection, marketing), IT services, payroll administration, central services, sales and merchandising are outsourced to Clover for an initial period of 20 years. In exchange for these services, Clover will earn service income.

This Annexure to the results announcement includes the 30 June 2017 audited results which have been adjusted to reflect the loss of control of DFSA ("*Pro Forma* Adjustments") as if the loss of control of DFSA had occurred (a) on 1 July 2016 for purposes of the *Pro Forma* Adjustments made to the *pro forma* consolidated statement of comprehensive income and (b) as at 30 June 2017 for purposes of the *Pro Forma* Adjustments made to the *pro forma* consolidated statement of financial position.

The *pro forma* financial information has been prepared for illustrative purposes only, to provide information about how the *Pro Forma* Adjustments might have affected the financial information presented by Clover had the unbundling of DFSA occurred on 1 July 2016 for statement of comprehensive income purposes and as at 30 June 2017 for statement of financial position purposes. Because of its *pro forma* nature, the *pro forma* financial information may not fairly present Clover's financial position, changes in equity, results of operation or cash flows. It does not purport to be indicative of what the financial results would have been, had the loss of control of DFSA been implemented on a different date.

The Clover Directors are responsible for the preparation of the *pro forma* financial information. The *pro forma* financial information has been prepared using accounting policies that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies of Clover. The *pro forma* financial information has been prepared in accordance with the Listings Requirements and the revised Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants.

These *pro forma* financial effects have been prepared to assist Clover's shareholders in assessing the impact of the loss of control of DFSA on the Clover consolidated statement of comprehensive income and statement of financial position.

This *pro forma* financial information has been reported on by the independent external auditors, Ernst & Young Inc., in terms of International Standards on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus. Their unmodified limited assurance report is available for inspection at the Company's registered office.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2017 Audited [1] R'000	Exclusion of the revenue and cost of sales of the DFSA business [2] *Pro forma* adjustment R'000	Income from services rendered to DFSA [3] *Pro forma* adjustment R'000	Packaging material procured and sold to DFSA [4] *Pro forma* adjustment R'000	Interest charged on working capital facility [5] *Pro forma* adjustment R'000	After *Pro Forma* Adjustments R'000
Sales of products	**9 401 842**	(3 549 806)		517 499		**6 369 535**
Rendering of services	**641 499**		1 192 922			**1 834 321**
Sale of raw milk	**11 907**					**11 907**
Rental income	**3 351**					**3 351**
Revenue	**10 058 599**	**(3 549 806)**	**1 192 922**	**517 499**		**8 219 214**
Cost of sales	**(7 333 041)**	2 321 032		(517 499)		**(5 529 508)**
Gross profit	**2 725 558**	**(1 228 774)**	**1 192 922**			**2 689 706**
Other operating income	**60 040**					**60 040**
Selling and distribution costs	**(2 089 364)**					**(2 089 364)**
Administrative expenses	**(284 721)**					**(296 760)**
Restructuring expenses	**(48 098)**					**(48 098)**
Other operating expenses	**(48 936)**					**(48 936)**
Operating profit	**314 479**	**(1 228 774)**	**1 192 922**			**278 627**
Finance income	**12 647**				35 852	**48 499**
Finance costs	**(145 765)**					**(145 765)**
Share of profit in a joint venture	**18 486**					**18 486**
Profit before tax	**199 847**	**(1 228 774)**	**1 192 922**		**35 852**	**199 847**
Taxation	**(41 105)**	344 057	(334 018)		(10 039)	**(41 105)**
Profit for the year	**158 742**	**(884 717)**	**858 904**		**25 813**	**158 742**

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2017 Audited [1] R'000	Sale of inventory [6] *Pro forma* adjustment R'000	After *Pro Forma* Adjustments R'000
Assets			
Non-Current assets			
Property, plant and equipment	**2 427 444**		**2 4727 444**
Investment properties	**9**		**9**
Intangibles assets	**650 663**		**650 663**
Investment in joint ventures	**38 946**		**38 946**
Other non-current financial assets	**3 165**		**3 165**
Deferred tax assets	**45 496**		**445 496**
	3 165 723		**3 165 723**
Current assets			
Inventories	**964 630**	(244 076)	**720 554**
Trade and other receivables	**1 341 311**	244 076	**1 585 387**
Prepayments	**19 844**		**19 844**
Income tax receivable	**7 165**		**7 165**
Cash and short term deposits	**544 863**		**544 863**
	2 877 813		**2 877 813**
Assets classified as held for sale	**4 607**		**4 607**
Total assets	**6 048 143**		**6 048 143**

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 June 2017 Audited [1] R'000	Sale of inventory [6] *Pro forma* adjustment R'000	After *Pro Forma* adjustments R'000
Equity and liabilities			
Equity			
Issued share capital	9 542		9 543
Share premium	892 692		892 692
Other capital reserves	78 642		78 642
Foreign currency translation reserve	9 637		9 637
Retained earnings	1 904 349		1 904 349
Equity attributable to holders of the parent	2 894 862		2 894 862
Non-controlling interests	(15 179)		(15 179
Total equity	2 879 683		2 879 683
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	767 621		767 621
Non-controlling put liability	57 088		57 088
Employee-related obligations	82 595		82 595
Deferred tax liability	221 065		221 065
Trade and other payables	25 492		25 492
Other non-current financial liabilities	9 683		9 683
	1 163 544		1 163 544
Current liabilities			
Trade and other payables	1 274 700		1 274 700
Interest-bearing loans and borrowings	714 304		714 304
Other current financial liabilities	6 141		6 141
Employee-related obligations	9 771		9 771
	2 004 916		2 004 916
Total liabilities	3 168 460		3 168 460
Total equity and liabilities	6 048 143		6 048 143

Notes:

1. As per the consolidated statement of comprehensive income and the consolidated statement of financial position for the year ended 30 June 2017 with reference to the Audited Annual Financial Statements.
2. The sale of products relating to the non-value added drinking milk, namely Fresh, UHT and UP milk that will be excluded from Clover and be part of DFSA in future. The *Pro Forma* Adjustment was determined with reference to actual volumes sold and realised. The tax effect was determined using the corporate tax rate of 28%.
3. Clover provided all the production, distribution, sales and merchandising, marketing and certain administrative service to DFSA at a contracted fee. The *pro forma* adjustment was determined with reference to actual volumes produced. The contracted fee was calculated based on the actual costs for the period 1 July 2016 to 31 December 2016. The tax effect was determined using the corporate tax rate of 28%.
4. Clover procured the packaging material from third party suppliers and on-sold the packaging material to DFSA at no margin.
5. Clover provided the working capital funding to DFSA in the form of an interest bearing facility on which Clover earned interest at a rate equal to the average rate Clover pays to its interest bearing debt funders. The tax effect was determined using the corporate tax rate of 28%.
6. All the finished goods, packaging material and ingredients inventory related to Fresh, UHT and UP milk were sold to DFSA on loan account on 1 April 2017. It was assumed that the inventory was sold in the same manner on 30 June 2017 to give effect to the *Pro Forma* Adjustment.
7. The loss of control of DFSA was structured in such a way that the non-value-added drinking milk business broke even and therefore there was no equity accounted earnings or Investment in Associate in terms of IAS28.
8. IFRS 10 *Consolidated Financial Statements* paragraph 25 requires the calculation of a gain / (loss) on the deemed sale of the investment in DFSA when control is lost. On 1 July 2016 this gain / (loss) on the deemed sale would however equal the nominal amount received as consideration for the B shares issued by DFSA. It was assumed that the inventory, the only asset of DFSA on 1 July 2016, was sold in the same manner on this date as it was on 1 April 2017. Therefore, the fair value of any retained interest is zero.