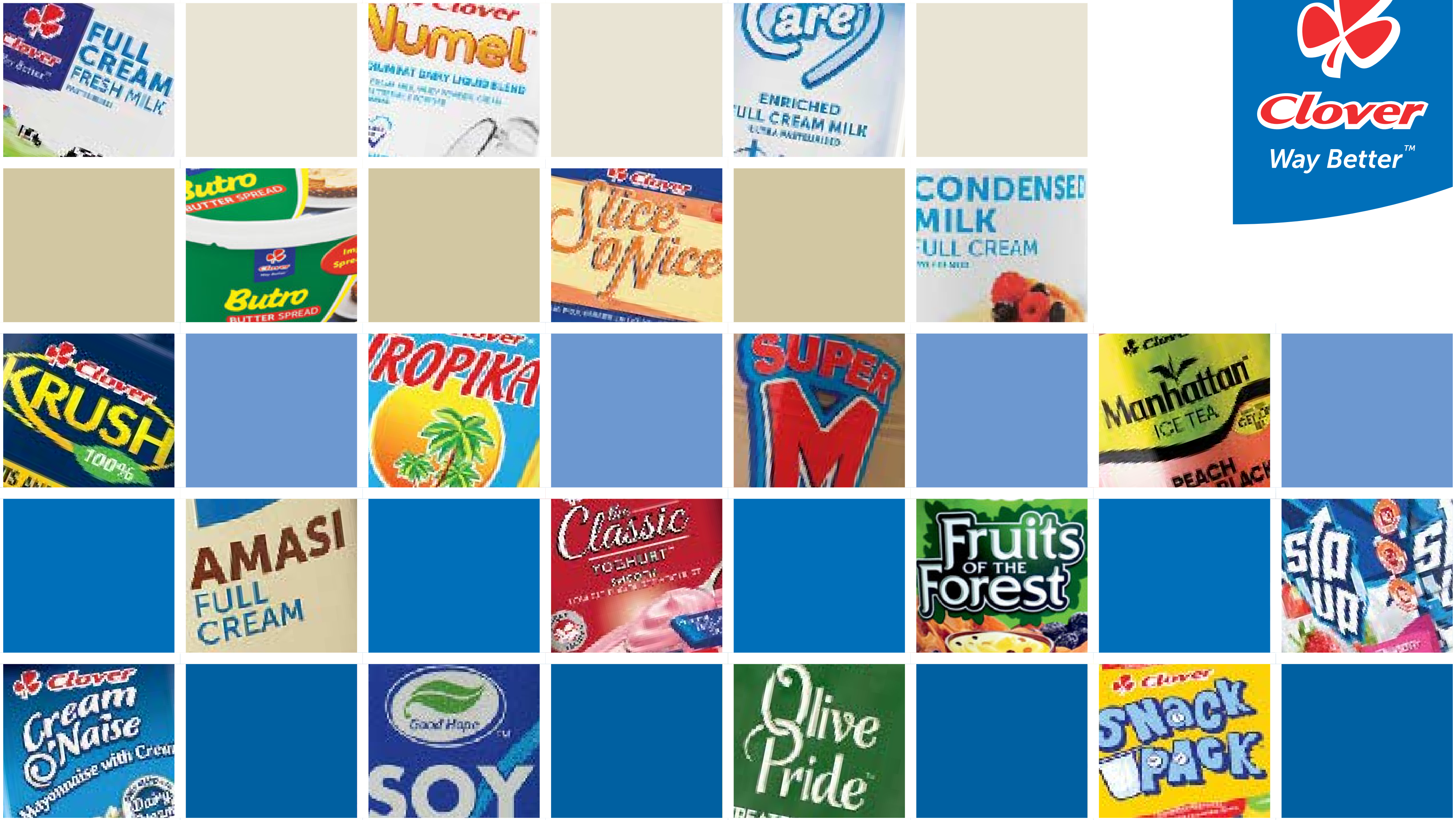
Clover
Way Better™



Clover

Clover Industries Limited

Integrated Report for the year ended 30 June 2018

OUR JOURNEY

1898

AS THE 19TH CENTURY DREW TO A CLOSE, A GROUP OF DAIRY FARMERS SPREAD ACROSS THE FERTILE NATAL MIDLANDS DECIDED TO ORGANISE THEMSELVES BY FOUNDING A DAIRY CO-OPERATIVE. THROUGH ASTUTE VISION AND LEADERSHIP, THEIR HUMBLE CO-OPERATIVE GREW INTO SOUTH AFRICA'S LEADING DAIRY BUSINESS.

Some 112 years later Clover's shareholders took a giant visionary stride into the future by listing on the JSE on 14 December 2010 to raise the capital needed to grow a Way Better Clover upon its fundamental dairy base. Clover has since embarked on a value creation journey that in 2018 saw Clover being acclaimed as South Africa's most reputable company for a third time in the Reputation Institutes RepTrak® South Africa 2018 survey.

2010

CLOVER SELLS ITS 45% SHAREHOLDING IN DANONE CLOVER (PTY) LTD TO GROUP DANONE.

Clover Industries Limited undergoes a capital restructuring – removes condition that only milk producers may hold ordinary shares. De-link-S ordinary share from milk supply. Repurchase 34.9% ordinary shares from Hosken Consolidated Investments Ltd. Convert preference shares to debt-only instruments.

2010

CLOVER INDUSTRIES LIMITED LISTED ON MAIN BOARD of the JSE Limited on 14 December.

2013

THE CLOVER WATERS JOINT VENTURE (IN TERMS OF WHICH CLOVER OWNS 70% AND NESTLÉ OWNS 30%) IS FORMED, expanding Clover's portfolio of value added and branded beverage products. Clover is associated with global brands such as Nestlé Purelife which opens up opportunities in the sub-Saharan market.

2014

THE REAL BEVERAGES COMPANY (PTY) LTD, a wholly-owned subsidiary of Clover SA (Pty) Ltd, was acquired from Dairybelle (Pty) Ltd with effect from 1 December.

2015

CLOVER AND FRANKIES OLDE SOFT DRINK COMPANY FORMED A NEW COMPANY CALLED CLOVER FRANKIES (PTY) LTD, which acquired the entire soft drink business from Frankies Olde Soft Drink Company (Pty) Ltd with effect from 1 November.

2016

CLOVER SA (PTY) LTD AND GOOD HOPE INTERNATIONAL BEVERAGES SA (PTY) LTD FORMED A NEW COMPANY CALLED CLOVER GOOD HOPE (PTY) LTD, which acquired the entire soya milk business from Good Hope International Beverages SA (Pty) Ltd. Clover SA (Pty) Ltd owns 51% of Clover Good Hope (Pty) Ltd with effect from 1 May.

2017

CLOVER ESTABLISHES CLOVER PRIDE (PTY) LTD, which provides the Company with an entry into the olive and olive oil business.

CLOVER ESTABLISHES DAIRY FARMERS OF SOUTH AFRICA (PTY) LTD to allow Clover to continue its strategy of developing higher margin, value added products, while continuing to support its producers' volume growth goals.

CONTENTS

This section of the report provides **a summarised review of the year's performance** and a snapshot of the highlights and risks of 2018.

If you want to **get to know Clover as an organisation**, read this section to gain insight into the fundamentals of our business: Who we are, what we do, how we create value and how we are governed. This is an analysis of Clover's internal operating environment.

In this section we take you through **the process that we follow in analysing our ability to create value.** We unpack the external variables that impact on our ability to deliver value; we present the findings from a process of stakeholder engagement; we define the material issues and we analyse the top risks and opportunities. We then use this information to help us determine and evaluate a strategy that will ensure sustainable value creation.

Using the analysis from the section above, our CEO and CFO provide a review of the Group's performance by taking a closer look at **how the operational, strategic and financial performance have translated into value-enhancing outcomes.** This section also provides a summary of the board's milestone achievements for 2018.

This section of the report provides **a detailed account of the outcomes achieved as a result of our strategic initiatives in 2018.** We unpack the inputs and outcomes for each of the six capitals.

This section of the report presents our remuneration report and remuneration policy for the year ended 30 June 2018.

The annual financial statements provide a touchstone to Clover's ability to perform and create value. This section provides the **audited financial statements** for the 12-month reporting period from the 1st of July 2017 to the 30th of June 2018.

This section provides **insight into our shareholder base** as well as our share price performance for the year ended 30 June 2018.

ABOUT THIS REPORT

SCOPE AND BOUNDARY

THIS INTEGRATED REPORT IS A CONCISE ACCOUNT OF THE OPERATIONAL AND FINANCIAL AFFAIRS OF CLOVER INDUSTRIES LIMITED ("CLOVER" OR THE "COMPANY" OR THE "GROUP") FOR THE FINANCIAL PERIOD 1 JULY 2017 TO 30 JUNE 2018.

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.

It deals with how Clover delivered against stated objectives and the way it executed its strategies. Throughout this integrated report we address Clover's challenges, opportunities and the external factors that impact our operations and the broader communities we serve.

This report also covers the processes through which Clover interacts and communicates with its stakeholders, as well as how the Group has adopted and applied the principles and practices of sound corporate governance to safeguard the interests of all our stakeholders.

COMPLIANCE

The board has satisfied itself that Clover has conformed to the requirements of the Companies Act, 71 of 2008 (Regulation 43), the JSE Listings Requirements and IFRS. The integrated reporting process, as well as the content of this report has been guided by the recommended principles and practices of the International Integrated Reporting Framework and King IV™ (copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved).

A detailed application register of the King IV™ principles can be found on the Group's website at www.clover.co.za.

MATERIALITY

Only matters considered by the board and executive management as material to the business and its sustainability have been included in this integrated report.

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

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that reflect the Group's expectations at year-end. Whilst due care has been applied in the preparation of this report, readers are cautioned not to place undue reliance on these statements as forecasts are subject to uncertainty and contingencies outside Clover's control. Actual results may vary materially from the Group's expectations.

INTEGRATED COMBINED ASSURANCE

All disclosures included in this report are intended to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. Page 83 elaborates on the combined assurance on the six capitals.

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

More information on the Company, its operations and impact on the environment and communities it serves is available at www.clover.co.za.

BOARD APPROVAL AND RESPONSIBILITY STATEMENT

Clover's Board of Directors (the board) acknowledge their responsibility for ensuring the accuracy of this 2018 integrated report. The board has applied its collective expertise to this report and, in their opinion, this report addresses all material issues and presents an integrated and accurate view of Clover's performance in the year under review.

Based on the recommendations of the board committees, the board approved this integrated report on 26 September 2018 for release prior to 30 September 2018.

W Basson	**S Booysen**	**W Buchner**
N Mokhesi	**F Morgan**	**B Ngonyama**
F Scheepers	**N Smith**	**J Vorster**

NAVIGATION BAR

SIX CAPITALS

- FINANCIAL CAPITAL
- NATURAL CAPITAL
- HUMAN CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- INTELLECTUAL CAPITAL
- MANUFACTURED CAPITAL

STRATEGIC FOCUS AREAS

- SFA **1** GROWTH THROUGH PRODUCT AND BRAND DEVELOPMENT
- SFA **2** VOLUME GROWTH AND MARKET SHARE RECOVERY
- SFA **3** DISTRIBUTION EFFECTIVENESS AND REACH (INCLUDING AFRICA EXPANSION)
- SFA **4** COST MANAGEMENT AND PRODUCTION EFFICIENCIES
- SFA **5** WIN-WIN STAKEHOLDER RELATIONSHIPS

FURTHER REFERENCES

- 92 PAGE REFERENCE
- WEBSITE REFERENCE

VALUE ADDED DAIRY FLUIDS CONTRIBUTED

19,1%

TO CLOVER'S TOTAL SALE OF PRODUCT FOR THE YEAR

VALUE ADDED DAIRY PRODUCTS REVENUE INCREASED

12,5%

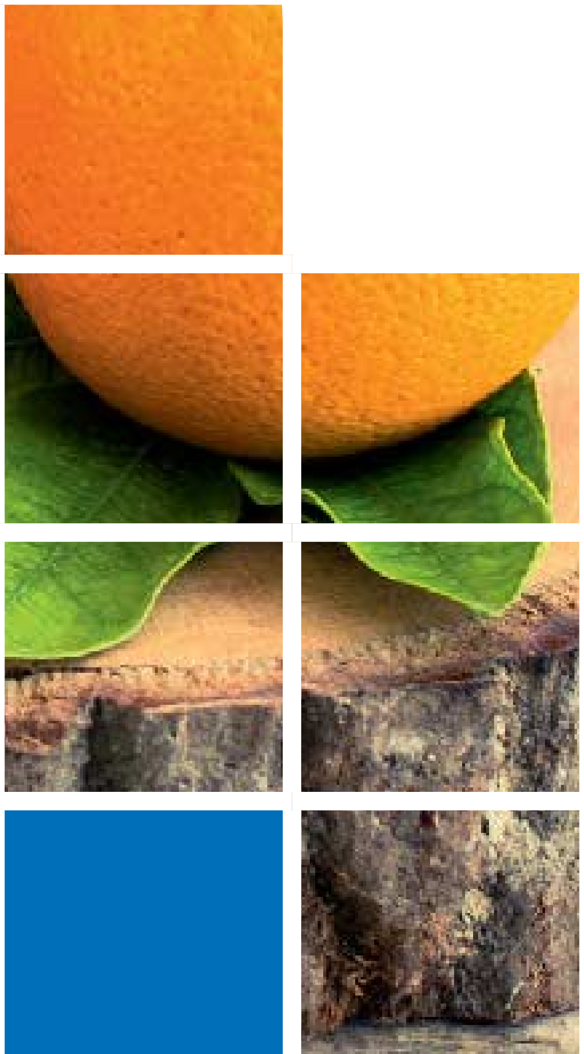
FROM THE PRIOR YEAR

**Normalised revenue*

THE MOM FROM VALUE ADDED DAIRY FLUIDS WAS

39,6%

FOR THE YEAR



IN THE SPOTLIGHT FOR 2018

2018 HIGHLIGHTS AND RISKS

DESPITE EXTERNAL MACRO CHALLENGES BEYOND OUR CONTROL, CLOVER ACHIEVED SOME REMARKABLE RESULTS IN 2018.

HIGHLIGHTS

1 EXECUTION OF EFFICIENCY DRIVE

MANUFACTURING COSTS CONTAINED AT

↑ 1.9%

*COST OF SALES CONTAINED AT

↑ 6.9%

- Consolidation of factories
- Retendering led to better prices and terms from suppliers
- Reduce complexities in the business
- Reduced impact of sugar taxes by re-formulating recipes

** Normalised, referring to the comparative numbers adjusted for the unbundling of DFSA in the current year*

2 SUCCESSFUL LAUNCHES OF NEW PRODUCTS AND GROWTH IN VOLUMES OF VALUE ADDED PRODUCT PORTFOLIO

NEW LAUNCHES

Krush Cranberry (April 2018)

Rooibos Ice Tea (April 2018)

Cream O'Naise (August 2017)

Whistling Chef (June 2018)

GROWTH IN VOLUMES OF VALUE-ADDED PRODUCT PORTFOLIO

- Yoghurt ▲ 23,2%
- Numel ▲ 93,4%

3 RECLAIMED MARKET SHARES IN SELECTED CATEGORIES

MARKET SHARE FOR PROCESSED CHEESE

↑ 5.6%

MARKET SHARE FOR MAAS

↑ 3.7%

MARKET SHARE FOR FETA CHEESE

↑ 3.3%

4 SUCCESSFUL ROLL-OUT OF WIDER DISTRIBUTION REACH (MASAKHANE)

SECONDARY DISTRIBUTION COSTS

↓ 3.6%

AN INCREASE IN OUR DELIVERY POINTS TO

↑ 46 810

FROM 30 887 IN THE PREVIOUS YEAR

- Africa expansion is gaining traction
- Increased our reach to smaller customers

FINANCIAL PERFORMANCE RETURNED TO HISTORIC PROFITABILITY LEVELS (BASED ON NORMALISED PROFITABILITY

HEPS AS REPORTED

↓ **136.2%**

TO (23.1 CENTS)

NORMALISED HEPS*

↑ **223.8%**

TO 206.9 CENTS

HEADLINE EARNINGS AS REPORTED

↓ **136.3%**

TO (R44.2 MILLION)

NORMALISED HEADLINE EARNINGS*

↑ **224.7%**

TO R394.9 MILLION

OPERATING PROFIT

↑ **94.3%**

TO R611 MILLION

TOTAL DIVIDEND PER SHARE

↑ **210.8%**

TO 75.24 CENTS

** Refer to Annexure II on page 206*

UPSKILLING AND TRAINING OF OUR PEOPLE AND DEVELOPMENT OF A NEW HR STRATEGY

- Minimisation of job losses during the business restructuring process undertaken during the period under review through upskilling and placement in alternative positions throughout the business.
- Focused implementation of learning interventions resulting in optimisation of funding opportunities whilst contributing to skills development in alignment with the national skills development strategy.
- Development of new HR strategy (refer to page 63)

RISKS

HOW DO WE MITIGATE THESE RISKS

Risks are addressed or mitigated by continuously adapting our strategy and focusing on emerging and material risks faced by the Group.

Governance of risks and actions to mitigate material risks are explained on page 27 to 29.

CHAIRMAN'S REPORT

THE 2018 FINANCIAL YEAR WAS PIVOTAL FOR CLOVER AS IT REBOUNDED FROM A DISAPPOINTING PRIOR PERIOD TO DELIVER AN EXCELLENT PERFORMANCE BY FACING CHALLENGES HEAD ON AND MITIGATING THOSE WITHIN ITS CONTROL

Dear Stakeholder,

The 2018 financial year was pivotal for Clover as it rebounded from a disappointing prior period to deliver an excellent performance by facing challenges head on and mitigating those within its control.

MACRO-ECONOMIC BACKDROP

Global economic growth prospects strengthened during the first half of our financial period with a notable recovery in global trade mainly underpinned by a rebound in commodity exports, investment in developed economies and upbeat growth prospects in several emerging markets. The global operating environment was stable up to a point where we started to see an uptick in oil prices, a critical component and cost in doing business. The global environment gradually deteriorated during the second half of our financial year as protectionist and counter protectionism policies worsened trade relations and resulted in trade imbalances.

After a stagnation in Gross Domestic Product (GDP) growth, South Africa experienced an upturn in the second half of 2017 and while expectations were for this to continue in the short-term, the market was dealt a blow when it was announced that GDP contracted by 2.2% in the first quarter of 2018.

Political uncertainty was rife during the second half of 2017 with the private sector hoarding their resources as corruption and state capture allegations eroded business confidence. The appointment of Mr Cyril Ramaphosa as president in February 2018 with promises of the rooting out of corruption, stabilisation of state owned enterprises and an over R1.2 trillion investment drive brought much needed optimism to the country. This optimism was however overshadowed by poor economic growth, policy uncertainty (especially around an escalating drive to accelerate expropriation of land without compensation), high unemployment figures and increasing fuel and electricity costs. These factors weighed heavily on consumers and businesses alike, fuelling competitive trade activity. Added to this, the health promotion levy (sugar tax) and VAT increase took effect from April 2018.

From a retail perspective, the quarter to December 2017 was marked by sales growth exceeding market expectations specifically due to the volume increase experienced in November 2017 which was driven by consumers taking advantage of Black Friday promotions. Retail sales in the first half of 2018 were however disappointing following increased pressures on consumers and disposable income. While Clover benefitted from the normalisation of weather conditions in terms of lower raw milk and fruit pulp costs, the cooler and rainy weather in some parts of the country during the first part of December impacted volumes.

For context on the global and domestic dairy industry, readers should refer to the Bureau for Food and Agricultural Policy's baseline agricultural outlook for 2018 to 2027. It provides a good perspective and is available at http://www.bfap.co.za/wp-content/uploads/2018/08/BFAPBaseline-2018.pdf.

STRATEGIC DIRECTION

A rigorous series of efficiency improvement initiatives were implemented in the latter part of the 2017 financial year to re-align the business to the new 'normal' described previously. These initiatives include, but are not limited to, the unbundling of the volume- driven side of the business through the establishment of Dairy Farmers South Africa ("DFSA"), the launch of Project Sencillo (asset optimisation program), the ongoing roll-out of Project Masakhane, new product launches, and product reformulations to lower ingredients and sugar costs. Clover's strategic emphasis was centred around consumers, looking at ways to lessen the pressure they faced and to produce products that they value. Accordingly, the decision was taken to plough back savings achieved through the above-mentioned efficiency drives into Clover's selling prices and to launch products that add value to consumers and for which they are willing to pay a premium.

The executive team diligently executed these strategic initiatives which started yielding encouraging results as evidenced in the positive performance.

Last year I unpacked the DFSA restructuring in detail and I provide an update below. The other strategic initiatives are discussed in detail in the CEO section on page 44 of this integrated report while detail on the financial performance can be found in the CFO report on page 49.

DAIRY FARMERS OF SOUTH AFRICA ("DFSA") RESTRUCTURING

Since listing, Clover has followed a strategy of diversifying away from bulk, commoditised food stuffs, to focus more on value-added, branded products. This year saw Clover moving closer to becoming a fully-fledged FMCG business following the exit and transfer of its non-value added dairy business to DFSA, a separate entity in which Clover retained a 26% strategic shareholding. As part of the agreement, Clover provides production, distribution, merchandising and other services to DFSA who became Clover's largest principal.

This being a substantial transaction, and a change from the norm for the past 120 years, some teething problems were experienced. I appreciate the hard work by both Clover management and the board of DFSA in bedding down the restructure. The bulk of DFSA products are exposed to the cyclical nature of the dairy industry and as such, the underlying business performance of DFSA can only be evaluated over time once a full cycle has been completed.

> "A rigorous series of efficiency improvement initiatives were implemented in the latter part of the 2017 financial year to re-align the business to the new 'normal' described previously. These initiatives include, but are not limited to, the unbundling of the volume- driven side of the business through the establishment of Dairy Farmers South Africa ("DFSA"), the launch of Project Sencillo (asset optimisation program), the ongoing roll-out of Project Masakhane, new product launches, and product reformulations to lower ingredients and sugar costs."

Due to the current supply and demand cycle in the dairy industry, DFSA reported a loss during the review period as can be seen on page 133 in the financial section of this report. Clover's exposure to this business lies in the significant principal fee income from DFSA, as well as the supply of working capital. Given the strategic nature of the relationship and the important inter dependencies, Clover has to provide ongoing support to DFSA in the form of subordinating a portion of the working capital revolving facility to DFSA in favour of other creditors until such time that the DFSA assets, fairly valued, exceeds its liabilities. On 11 September 2018, the board received unexpected notification that DFSA's CEO has resigned with effect from 30 April 2019. I understand that the huge conflict between losing market share or losing milk producers during what has been a particularly challenging time for the dairy industry in general played, a large role in his decision.

Subsequently, DFSA's chairman also tendered his resignation, providing the DFSA's producer shareholders an opportunity to appoint their own, independent CEO and chairman. The DFSA board will begin the process to identify replacements and the current CEO will stay on to assist with identifying a suitable replacement and to ensure a seamless handover.

Based on this information, Clover's board deemed it prudent to adopt a conservative approach and provide for the full impairment of the R439 million revolving credit facility it extended to DFSA as at year-end, although the accumulated loss at 30 June 2018 is only R133.2 million.

The impairment of the revolving credit facility will be assessed on a continuous basis, taking into consideration the lien that Clover holds over the DFSA inventory and debtors' balances that is being controlled/managed by Clover as part of Clover's services rendered agreement, as well as the DFSA board approved plans to manage the business through the cycle.

More detail on our decision in this regard is available in the report on governance, risk and compliance, directors' report and note 13 to the annual financial statements.

Due to the fact that Clover sources all its raw milk requirements for its value-added products from DFSA and the fact that DFSA is its largest principal, DFSA and its milk producers will remain an extremely important business partner and stakeholder to Clover.

REGULATORY ENVIRONMENT

The health promotion levy ("sugar tax") was introduced with effect from 1 April 2018. Most significantly, both intrinsic and added sugars will now be included when calculating the tax. In addition, Treasury has implemented a threshold that would make the first 4g of sugar per 100ml beverage exempt from the sugar tax. An important step forward includes the fact that 100% fruit juices and milk products will be considered exempt from the tax. We have been working tirelessly to reduce the impact of the tax by revising the composition of some of our products to ensure that we do not compromise on quality or taste whilst reducing the overall sugar content.

Additionally, the Minister of Finance announced an increase in the VAT rate to 15% with effect from 1 April 2018. This too will add to the pressure being felt by businesses and consumers alike.

TRANSFORMATION AND EMPOWERMENT

Clover's Broad-Based Black Economic Empowerment (B-BBEE) status was assessed in September 2017 and we maintained our rating as a level 4 contributor. New B-BBEE codes for the broader agricultural sector were gazetted and legislated with effect from 8 December 2017. The verification process is underway and based on our internal assessment Clover will temporarily drop to a level 8 given the new minimum requirements for priority elements (ownership, skills development, enterprise and supplier development), however, plans are in place to move to a level 6 within the next 12 months. Clover is fully committed to achieving B-BBEE as outlined by the Department of Trade and Industry and is taking steps to align itself with the new codes as a priority.

For further detail on Clover's transformation journey see page 77 of this report.

THE ENVIRONMENT AND OUR COMMUNITIES

During the reporting period, our industry suffered a regrettable incident with one of the largest outbreaks of listeriosis which resulted in the loss of many lives and brought into question the safety of food in general. This incident emphasised the importance of quality control measures at all stages of the food value chain. Clover takes this very seriously and takes every precaution to ensure that its products are safe for consumers and of the highest quality.

Despite the normalisation of weather patterns across most regions during the reporting period, the drought in the Western Cape proved to be particularly stubborn, giving rise to the prospect of Day Zero – when water would no longer be available in the region. Thankfully Day Zero did not materialise. Clover is however well protected against any future water shortages having made the necessary investments in alternative water supply and identified contingency plans for production at our affected factories.

Throughout our endeavours to create shareholder value and growth, we remain cognisant of our responsibility towards our stakeholders and our operating environment. Our report on six capitals detailing how we interacted as a corporate citizen with our stakeholders is available on page 57 of this report.

GOVERNANCE

King IV™ is the latest code on corporate governance which builds on the principles contained in King III, aligning the approach to integrated thinking across all six capitals, new governance structures, emerging risks and opportunities, from new technologies and new reporting and disclosure requirements.

The new reporting requirements in terms of King IV™ have been adopted for this report as per the JSE Listings Requirements and further details around our compliance can be found on the Company website www.clover.co.za.

This year corporate South Africa experienced a number of governance failures which impacted its reputation. Corporate governance has been under a magnifying glass since, with the market scrutinising every aspect that it involves.

Clover has a strong board with a high emphasis on governance and risk control while allowing sufficient room for innovation and entrepreneurial spirit. Avoiding over-regulation and achieving this balance is important for a growing business, like Clover.

I am pleased to report that Clover's consistency in practicing good corporate governance has paid off. For the third consecutive year, Clover has been acknowledged as the country's most reputable company in the Reputation Institute's Reptrak© South Africa 2018 survey. This accomplishment is testament to the astute leadership of Johann and his executive team. The board commends them for upholding Clover's reputation across all spheres of the business during a particularly challenging number of years.

BOARD CHANGES

Mr Elton Bosch resigned as financial director at the beginning of the period under review to pursue personal interests. He leaves a legacy at Clover, having contributed significantly to the risk and governance areas of the business, over and above his financial acumen. On behalf of the board, I thank Elton for his valued contribution.

Mr Frantz Scheepers was appointed as CFO designate with effect from 1 November 2017 and formally assumed the role of CFO and executive director from 1 January 2018.

We further strengthened the Clover Board of Directors with the appointment of Dr James Wellwood (Whitey) Basson and Mr Flemming Morgan as independent non-executive directors with effect from 1 January 2018.

These gentlemen bring a wealth of experience to the board in their respective fields of expertise.

The fresh insights that these members have brought to the board have been most beneficial.

For more information about our governance structure and processes, please refer to the governance report on pages 24 to 31 of this report.

DIVIDEND

The Company declared and paid an interim dividend of 26,56 cents per share during April 2018. A final dividend of 48,68 cents per share was declared by the board, which will bring the total dividend for the current financial year to 75,24 cents, representing a divided cover of 2,75 times on a normalised basis.

LOOKING TO THE FUTURE

Tough macro-economic and trading conditions are expected to continue for the year ahead and are expected to deteriorate in some respects. Inflationary cost pressures, specifically for sugar, fuel and electricity continue to take their toll while the Rand has significantly depreciated against major currencies and the outlook for economic growth is unclear. Policy uncertainty remains in force locally while threats of trade wars between the US and certain emerging economies have had a knock-on effect on other markets including South Africa.

This environment requires tight cost controls and innovative ways of doing business. Clover's drive to derive value from efficiency improvements and growth through the expansion of its value-added product portfolio continues to be the main focus for the year ahead. Management remains committed to improving on the positive performance this year and the board believes that measures put in place will buffer the business for the future and support sustainable value creation.

APPRECIATION

Thank you to my fellow board members for their support and contribution and to Johann and his executive team for their grit and tenacity in managing the business through the downward cycle to ensure the recovery and stability of the business through achieving significant efficiencies and driving savings throughout the supply chain. I also extend my appreciation to the rest of the Clover employees for their resilience, commitment and incredibly hard work demonstrated during a very trying period. This collective effort demonstrated the spirit of the Clover Way Better philosophy.

Werner Büchner
Chairman of the board

26 September 2018

NON-ALCOHOLIC BEVERAGES CONTRIBUTED

37,4%

TO CLOVERS TOTAL SALE OF PRODUCT FOR THE YEAR

NON-ALCOHOLIC BEVERAGES REVENUE INCREASED

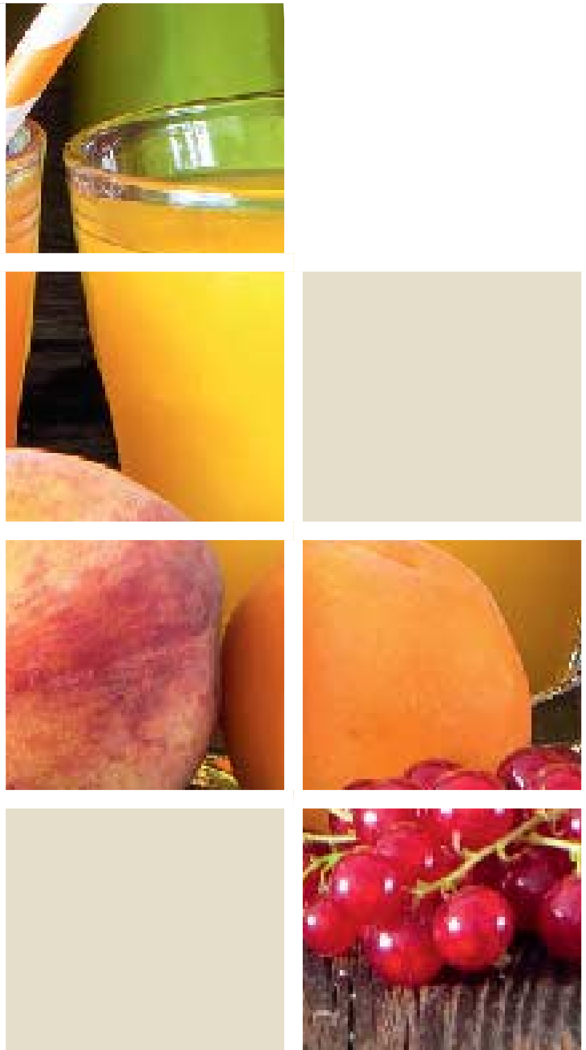
↑ 1,7%

FROM THE PRIOR YEAR

THE MOM MARGIN FROM NON-ALCOHOLIC BEVERAGES WAS

56,6%

FOR THE YEAR



INTRODUCING CLOVER'S STORY

MEET CLOVER

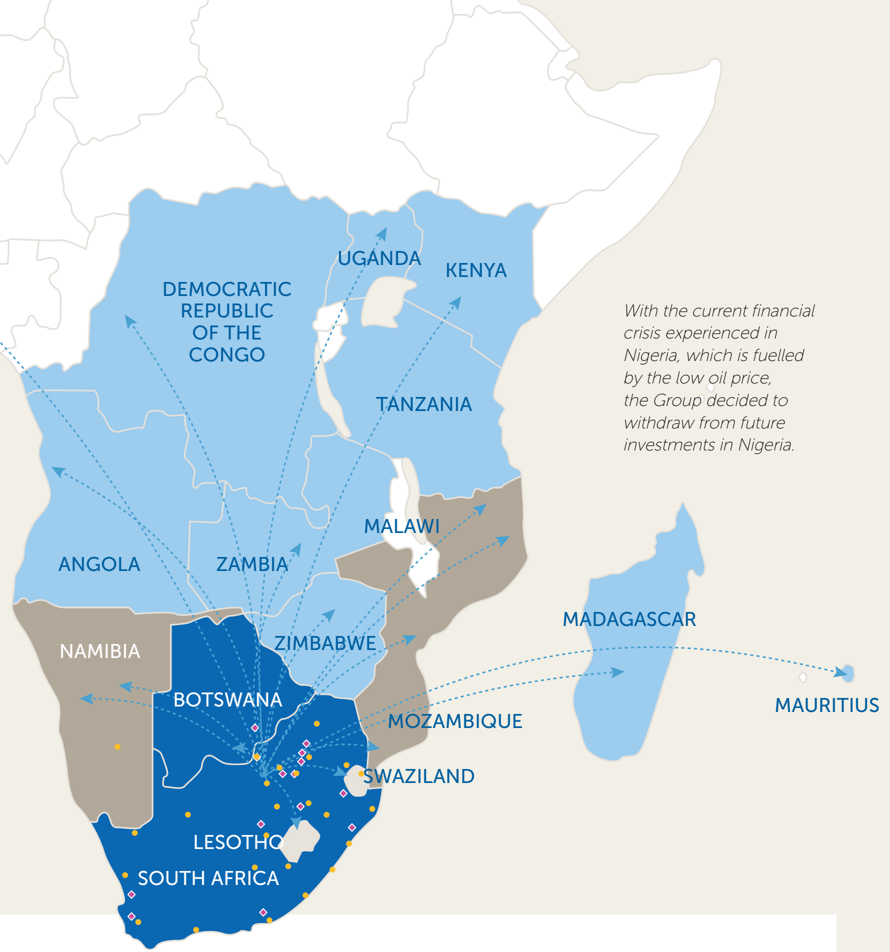
ESTABLISHED IN 1898, AS THE NATAL CREAMERY LIMITED, THE FAST GROWING BUSINESS WAS REORGANISED IN 1934 AS NATIONAL COOPERATIVE DAIRIES (NCD), OPERATING COUNTRY WIDE. CLOVER INDUSTRIES LIMITED EMERGED IN 2003 AND IN 2010 LISTED ON THE JSE.

Today, Clover is a leading branded foods and beverages group operating in South Africa and other selected African countries in:

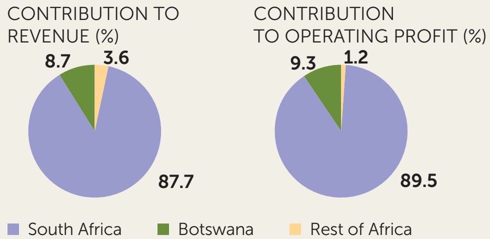
- The production of dairy and non-alcoholic beverages;
- The distribution of chilled and ambient consumer products; and
- The sales and merchandising of fast-moving consumer goods.

GEOGRAPHIC FOOTPRINT

- Clover fully present
- Clover has distribution in these countries
- Export and potential growth opportunities
- Current production centres
- Clover distribution centres

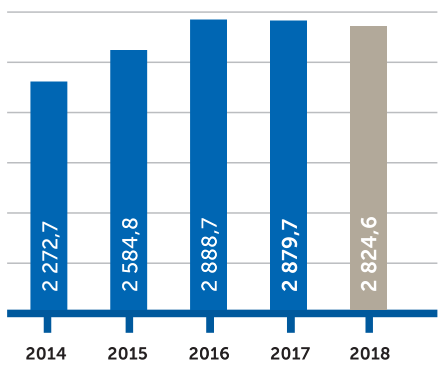


With the current financial crisis experienced in Nigeria, which is fuelled by the low oil price, the Group decided to withdraw from future investments in Nigeria.



CLOVER IN NUMBERS

NET ASSET VALUE (R'm)



OPERATIONS IN **4** COUNTRIES

14 FACTORIES

46 810 DELIVERY POINTS

24 DISTRIBUTION CENTRES

8 044 EMPLOYEES

LEVEL 4 B-BBEE STATUS

120 YEARS OF EXPERIENCE

LISTED ON THE JSE FOR **8** YEARS

RANGE OF **29** PRODUCT CATEGORIES

37 BRANDS

950 TRADEMARKS REGISTERED

GROUP STRUCTURE

Clover Industries Ltd

100%

Clover SA (Pty) Ltd

SINCE ITS ESTABLISHMENT 120 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 complementary 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 SIGNIFICANT COSTS SAVINGS.

- 100% Clover Swaziland (Pty) Ltd
- 100% Clover Dairy (Namibia) (Pty) Ltd
- 100% Clover Botswana (Pty) Ltd
- 100% The Real Beverages Company (Pty) Ltd
- 51% Clover Fonterra Ingredients (Pty) Ltd
- 70% Clover Waters (Pty) Ltd
- 100% Clover MilkyWay (Pty) Ltd
- 50.1% Clover Futurelife (Pty) Ltd
- 26% Dairy Farmers of South Africa (Pty) Ltd
- 51% Clover Pride (Pty) Ltd
- 51% Clover Good Hope (Pty) Ltd

DIVISIONS OFFERING SHARED SERVICES TO THE GROUP:

Production, primary distribution and supply chain management, marketing, sales, secondary distribution and support services.

CLOVER'S BUSINESS MODEL

CLOVER'S VALUE CREATION PROCESS STARTS WITH OUR VISION AND MISSION, AS THE BUSINESS MODEL IS DESIGNED TO PUT THESE INTO EFFECT.

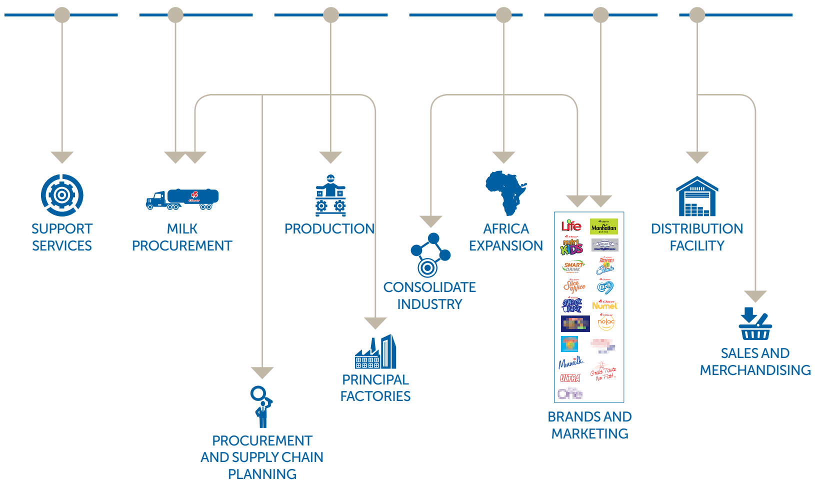
Our business model is the engine of Clover's value creation and is driven by the resources fed through it in accordance with Clover's strategy. Its outputs and outcomes are the short-, medium- and long-term value created in terms of Clover's vision and mission. Clover's leadership, support services and 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.

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



OUR CAPITAL RESOURCES

HUMAN CAPITAL

Human capital refers to our employees, their talent, skills and personal attributes that play a vital role in creating value for all our stakeholders.

NATURAL CAPITAL

Natural capital includes all the environmental resources used by the Company in its value creation process.

MANUFACTURED CAPITAL

Manufactured capital refers to our infrastructure, including our large distribution network, which we use in the production of goods and services.

INTELLECTUAL CAPITAL

Intellectual capital represents the intangible value of the business.

SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital plays an important role in Clover's value creation process. It involves the business itself, our customers and consumers, suppliers, employees and the communities we operate in.

FINANCIAL CAPITAL

Financial capital represent the economic resources used by the business in its value creation process.

RISKS

refer to page 28

PRODUCTION (14 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 FSSC 22000 accredited.

SUPPLIERS

Packaging, transport and other

CONCENTRATE AND INGREDIENT SUPPLIERS

MILK PRODUCERS (DFSA)

Milk producers are contracted through DFSA 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 (DFSA)

Procurement, collection and transport of raw milk.

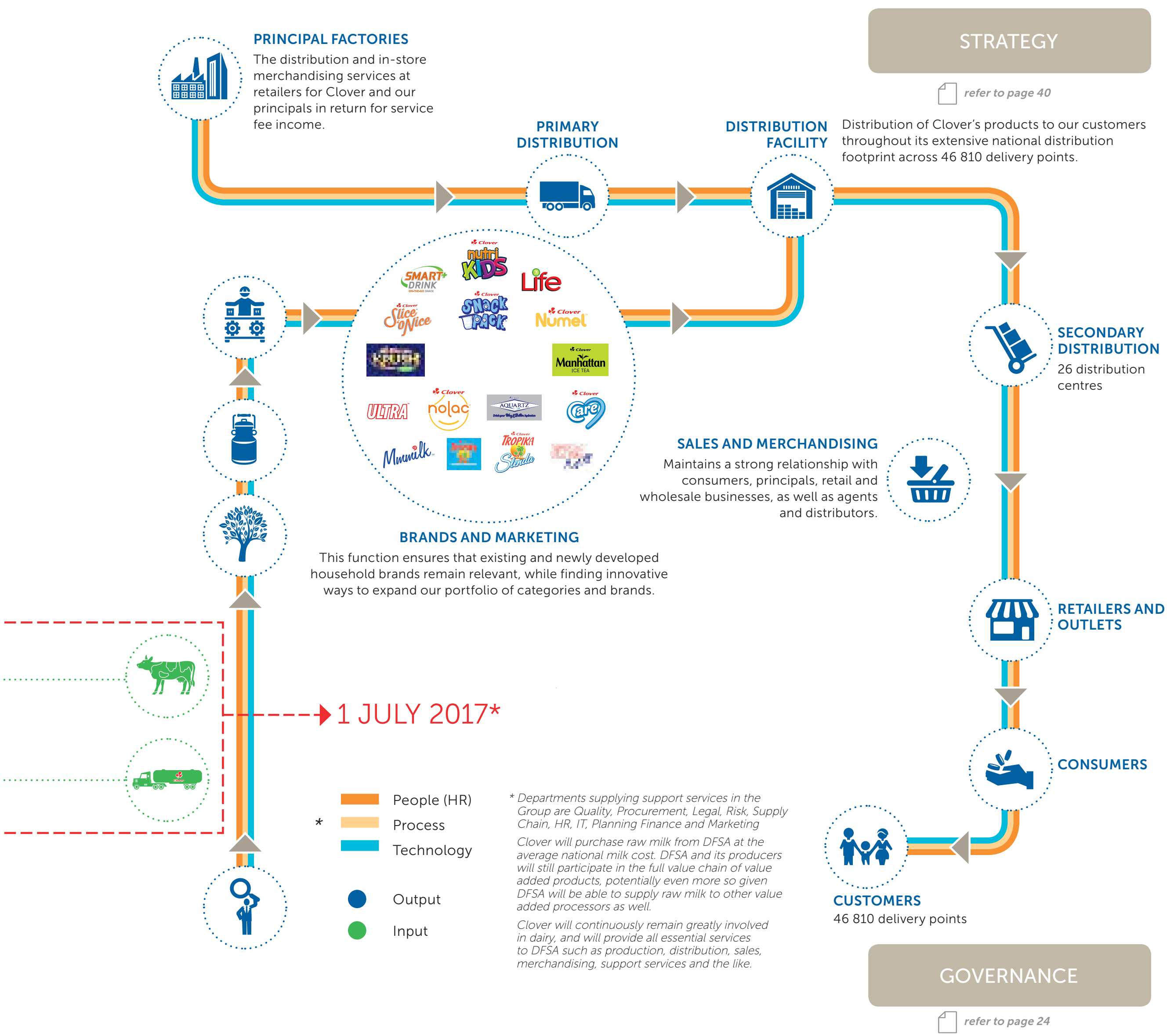
PROCUREMENT AND SUPPLY CHAIN PLANNING

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

STAKEHOLDER RELATIONSHIPS

refer to page 36

THE VALUE CREATION PROCESS



* 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.

OUR OUTPUTS

- A product range with 29 food and beverage product categories
- 37 different brands
- Distribution services for 13 principal companies
- Total carbon emissions decreased to 210 971 tons of CO_2e
- Recyclable waste increased to 20 322 tons
- Direct energy consumption decreased to 900 194 Gigajoules

OUR CAPITAL OUTCOMES

See page 61 for this Capitals Outcomes

See page 65 for this Capitals Outcomes

See page 67 for this Capitals Outcomes

See page 71 for this Capitals Outcomes

See page 73 for this Capitals Outcomes

See page 78 for this Capitals Outcomes

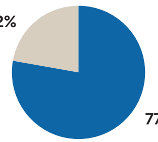
DIRECTORATE AND MANAGEMENT

ATTENDANCE REGISTER OF NON-EXECUTIVE DIRECTORS

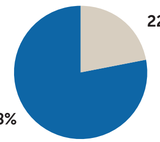
	CIL Clover Industries Limited	REMCO Remuneration Committee	NOMCO Nomination Committee	SEC Social and Ethics Committee	ARC Audit and Risk Committee	INVESTCO Investment Committee
WI Buchner	8/8	4/4	5/5			4/4
NA Smith	8/8			4/4		4/4
SF Booysen	8/8	4/4	5/5	4/4	4/4	4/4
NV Mokhesi	7/8	4/4	5/5	4/4	4/4	
JW Basson (appointed 1 January 2018)	3/3					
JFM Morgan (appointed 1 January 2018)	3/3					
B Ngonyama	8/8				4/4	4/4
JH Vorster	8/8					
ER Bosch (resigned 31 December 2017)	5/5			2/2		
FF Scheepers (appointed 1 January 2018)	3/3			2/2		

BOARD COMPOSITION

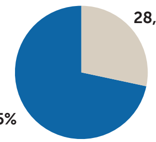
LENGTH OF SERVICE



EXECUTIVES



INDEPENDENCE



BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

WERNER IGNATIUS BÜCHNER (52)

CHAIRMAN
Appointed: 2006
Qualification: BEng
Role at Clover: Member of Remuneration Committee, Nomination Committee and Investment Committee

JORGEN FLEMMING MICHAEL MORGAN (62)

INDEPENDENT NON-EXECUTIVE
Appointed: 2018
Qualification: M.A (Honours) Edinburgh University
INSEAD Advanced Management, London Business School

NEO VIOLET MOKHESI (57)

INDEPENDENT NON-EXECUTIVE
Appointed: 2013
Qualification: BCom, AMP
Role at Clover: Member of Social and Ethics Committee, Audit and Risk Committee, Nomination Committee and Remuneration Committee

BABALWA NGONYAMA (44)

INDEPENDENT NON-EXECUTIVE
Appointed: 2013
Qualification: CA(SA), MBA, Higher Diploma in Banking Law
Role at Clover: Member of Audit and Risk Committee and Investment Committee

EXECUTIVE COMMITTEE

NIGEL ATHOL SMITH (62)

NON-EXECUTIVE

Appointed: 2011

Qualification: Agric Dip

Role at Clover: Member of Investment Committee and Social and Ethics Committee

DR STEFANES FRANCOIS BOOYSEN (55)

LEAD INDEPENDENT DIRECTOR

Appointed: 2010

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

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

DR JAMES WELLWOOD BASSON (72)

INDEPENDENT NON-EXECUTIVE

Appointed: 2018

Qualification: BCom CTA CA(SA) DCom (hc)

EXECUTIVE DIRECTORS

JOHANN HENDRIK VORSTER (54)

CHIEF EXECUTIVE

Appointed: Exco in 2000 and as CE in 2006

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

FRANTZ FREDERIK SCHEEPERS (47)

CHIEF FINANCIAL OFFICER

Appointed: 2018

Qualification: BCom (Hons),CA(SA)

EXECUTIVES

DR JAMES HENRY FERREIRA BOTES (55)

Executive: Commercial

Appointed: 2009

Qualification: DPhil

HENDRIKUS LUBBE (47)

Executive: Supply Chain Distribution

Appointed: 2006

Qualification: MCom (Transport Economics) MBA

MARCELO MARQUES PALMEIRO (52)

Executive: Brands and Corporate Development

Appointed: 2012

Qualification: BA, IME

JACQUES VAN HEERDEN (33)

Executive: Legal, Secretarial and Human Resources

Appointed: 2014

Qualification: LLB (Cum Laude), ACIS

FOUNDATIONS OF GOOD GOVERNANCE

GOVERNANCE STRUCTURE

To efficiently discharge its responsibilities, the board has mandated several sub-committees. Each sub-committee's scope and nature of authority is stipulated in its terms of reference and approved by the board.

BOARD COMMITTEES

BOARD OF DIRECTORS

COMPANY SECRETARY

EXECUTIVE COMMITTEE

Members

- JH Vorster (Chairperson)
- ER Bosch (resigned 31 December 2017)
- FF Scheepers (appointed 1 January 2018)
- H Lubbe
- MM Palmeiro
- J van Heerden
- JHF Botes

Terms of reference

Clover's day-to-day operations are overseen by its Executive Committee. This committee is responsible for the effective implementation of board decisions, in line with its mandates. Directors, executives and operational management have clearly defined responsibilities and levels of authorisation for their respective areas of business. The delegation of these responsibilities is reviewed annually.

AUDIT AND RISK COMMITTEE

Members

- B Ngonyama (Chairperson)
- Dr SF Booysen
- NV Mokhesi

Invitees

- JH Vorster
- ER Bosch (resigned 31 December 2017)
- FF Scheepers (appointed 1 January 2018)
- External auditors, internal auditors and Group Risk Manager

Terms of reference

The report of the Audit and Risk Committee sets out the responsibilities, key focus areas for the year under review and delivery of the committee against these objectives during the year under review.

See page 104 for the report of the Audit and Risk Committee.

REMUNERATION COMMITTEE

Members

- Dr SF Booysen (Chairperson)
- WI Büchner
- NV Mokhesi

Invitees

- JH Vorster
- FF Scheepers (appointed 1 January 2018)
- External advisors

Terms of reference

The Chief Executive and other executives attend meetings of the Remuneration Committee as invitees and are recused from discussions pertaining to their own remuneration and benefits. The report of the Remuneration Committee sets out its responsibilities, key focus areas for the year under review, as well as its delivery against these objectives.

See page 87 for the report of the Remuneration Committee

See https://www.clover.co.za/investors/terms-of-reference/ for the full description of each committees' terms of reference

SOCIAL AND ETHICS COMMITTEE

Members

- NV Mokhesi (Chairperson)
- Dr SF Booysen
- ER Bosch (resigned 31 December 2017)
- FF Scheepers (appointed 1 January 2018)
- NA Smith

Invitees

- General Managers
- Human Resource Management Team
- Training and Development Management Team
- Risk Management Team

Terms of reference

The mandate of this committee is specified in Regulation 43(5) of the Companies Act. Its responsibilities and functions are governed by terms of reference that are regularly reviewed and approved by the board. As a sub-committee of the board, the Social and Ethics Committee is tasked with the monitoring, developing reviewing and improvement of Clover's social, ethical, environmental impact and governance policies against pre-set benchmarks.

In terms of the committee's workplan, the implementation of certain actions has been prioritised over a three-year period. This committee meets four times per year and reports through one of its members to shareholders at the Company's annual general meeting on all sustainable matters within its mandate.

See page 57 for the Report of the Social and Ethics Committee.

NOMINATION COMMITTEE

Members

- Dr SF Booysen (Chairperson)
- WI Büchner
- NV Mokhesi

Terms of reference

The Nomination Committee is tasked with the regular review of the board structure, size and composition and with making recommendations in this regard, taking cognisance of Clover's strategies and operating environments.

The committee will nominate applicant directors to the full board, which will formally and transparently consider these nominations. The committee is furthermore responsible for ensuring that an appropriate balance exists between executive, non-executive and independent non-executive directors, as well as for classifying directors as being independent in line with King IV™ principles.

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

The Nomination Committee assists the Chairman of the Board with the annual performance reviews of board and sub-committee members. It supports the proper and effective functioning of the board including appropriate succession planning. This committee meets as and when required during every financial year.

INVESTMENT COMMITTEE

Members

- Dr SF Booysen (Chairperson)
- WI Büchner
- NA Smith

Invitees

- JH Vorster
- ER Bosch (resigned 31 December 2017)
- FF Scheepers (appointed 1 January 2018)

Terms of reference

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

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

COMPANIES ACT: REGULATION 43
* Social and economic development
* Good corporate citizenship
* Environmental, health and public safety
* Consumer relationship
* Labour and employment

**Dealt with in the report on six capitals.*

REPORT ON GOVERNANCE, RISK AND COMPLIANCE
Ethical leadership and corporate citizenship
Board and directors
Audit committees
The governance of risk
IT governance
Compliance with laws, codes, rules and standards
Internal audit
Integrated reporting

KING IV™ PRINCIPLES	
1	Ethical leadership
2	Organisational ethics
3	Responsible corporate citizenship
4	Strategy and performance
5	Reporting
6	Role and responsibilities of the governing body
7	Composition of the governing body
8	Committees of the governing body
9	Evaluations of the performance of the governing body
10	Appointment and delegation to management
11	Risk governance
12	Technology and information governance
13	Compliance governance
14	Remuneration governance
15	Assurance
16	Stakeholders
17	Responsibility of institutional shareholders

CLOVER VIGILANTLY PROTECTS AND BUILDS ON ITS REPUTATION AND IS EXTREMELY PROUD TO HAVE BEEN VOTED THE MOST REPUTABLE BRAND IN SOUTH AFRICA IN 2018*, AN ACCOLADE IT HAS CONSISTENTLY ACHIEVED SINCE 2016.

**South Africa RepTrak® Study 2016, 2017 and 2018.*

INTRODUCTION

The board was continuously updated on topical matters relevant to and impacting on the business, and new developments in regulatory compliance. This is the first year that Clover has applied the provisions of the King IV Report on Corporate Governance™ (Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved) (King IV™) with additional disclosures, particularly around remuneration assimilated in this integrated report.

RESPONSIBILITY TO ENSURE GOOD GOVERNANCE

Good corporate governance promotes transparency, fairness, integrity and accountability and guides Clover's daily interaction with all stakeholders and its impact on the environment.

The underlying objective of governance is to balance the interests of all stakeholders in a fair and equitable manner.

STATEMENT OF COMPLIANCE

King IV™ was launched in November 2016, and its application is mandatory in terms of the JSE Listings Requirements. The board has familiarised itself with the requirements of King IV™ and has evaluated and benchmarked its governance practices and reporting against the principles of King IV™. For the year under review, the application of the King IV™ principles was a key focus area of the board. The board believes that the Group prescribes to the principles of King IV™ to a material degree. A detailed application register of the King IV™ principles can be found on the Group's website at www.clover.co.za.

Deloitte Touche Tohmatsu Limited (Deloitte) performed the function of internal auditor and assessed the governance structures and processes that executive management has established. Deloitte reported that the internal controls over reviewed operations and related activities are adequate and effective in all significant respects. Governance practices were found to be adequate and effective.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Clover's primary ethical standards of responsibility, integrity, fairness, accountability and respect is defined in a code of ethics as adopted by the board. This code is reviewed and updated on an ongoing basis, as required. The code provides guidelines on what constitutes unethical conduct and disclosure requirements for gifts and outside interests that would require pre-approval.

The importance of ethical behaviour remains top of mind with employees through regular awareness sessions at branch level. During these sessions, Clover's ethics hotline is reinforced as a key platform for feedback and employees are familiarised on how and when it should be used. Management, employees and other stakeholders are encouraged to make use of the ethics hotline as it facilitates reporting of any suspicion and/or awareness of transgression against the Company's code of ethics. Deloitte independently manages Clover's ethics hotline and every incident reported is treated as confidential.

Clover's code of ethics sets a benchmark against which the Company is managed, paying cognisance to the social, political, operating and other environments in which the business conducts itself. As South Africa's most reputable brand, Clover vigilantly protects its reputation. No material ethical leadership or corporate citizenship deficiencies were identified or reported during the year under review.

The board, through the Audit and Risk Committee as well as the Social and Ethics Committee oversees and monitors compliance with the code of ethics through various reporting channels, including:

- Clover's internal audit department, outsourced to Deloitte
- The ethics hotline
- Clover's Competition Law Centre of Excellence

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

The board's terms of reference are formalised in a board charter (Board Charter). The Board Charter sets out responsibilities which are reviewed annually. Ultimately, the board is responsible for effective corporate governance. All board sub-committees operate under board approved mandates and terms of reference. Except for the Executive Committee, all other committees are chaired by an independent non-executive director. During the year under review the board's terms of reference and all committees' terms of reference were updated to align with the principles set out in King IV™.

THE BOARD

The board is accountable to shareholders and ultimately responsible for the management of Clover's business, including the setting of strategies and policies as well as approving the Group's financial objectives and targets.

Shareholders appoint board members, although the board has the authority to appoint directors to fill any vacancy that may arise from time to time. Shareholder ratify these appointments at the subsequent annual general meeting.

Director appointments are based on specific skillsets, industry experience and expertise as well as the overall contribution that an applicant may offer. The Nomination Committee, as a sub-committee of the board, is responsible for identifying and recommending suitable candidates for the board's formal consideration.

Clover's empowerment and transformation objectives are considered as part of the process. The board has adopted a gender and race diversity policy with the objective of guiding and assisting the board in promoting gender and race diversity at board level. The board will use its best endeavours to ensure that at least two female board members serve at all times. This target has been achieved during the year under review.

Notwithstanding these voluntary targets, all appointments to the board are made on merit, taking into account suitability for the role, board balance and composition, the required blend of skills, background, experience and gender.

The board will in addition consider the balance and mix of skills, experience, independence and knowledge and the diversity representation on the board, including gender and race, how the board functions as a unit and any other factors relevant to its effectiveness when considering the appointment of any director.

The Nomination Committee annually considers the adequacy of existing voluntary diversity targets and make the appropriate recommendations to the board for approval and adoption.

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

Clover's Memorandum of Incorporation gives the board the authority to indemnify directors. Deeds of indemnification have been issued to all directors and prescribed officers of Clover, to the extent permitted by the Companies Act. During the year under review, appropriate director and prescribed officer liability insurance was in place.

Board members annually provide a general disclosure of their personal financial interests in terms of Section 75 of the Companies Act 2008, to ensure that conflicts of interest are avoided. Board members are further reminded at the commencement of every board and board committee meeting to declare any material financial interests that they may have in contracts entered into or authorised by the Company or in any matters to be discussed at the meeting, as well as any changes to their interests previously declared.

The board is required to assess its performance against the Board Charter requirements on an annual basis. During the year under review, and following a formal board assessment, it was identified that the board requires additional commercial skills, preferably with exposure to the fast-moving consumer goods (FMCG) industry. Following an extensive recruitment process, Dr Basson and Mr Morgan were appointed. Dr Basson holds a BCom CTA from the University of Stellenbosch and received an honourable doctorate in Commerce (DComm) from the Chancellor of Stellenbosch University. In 1970, he qualified as Chartered Accountant after serving his articles with Ernst & Young Chartered Accountants, at the time known as ER Syfret & Co. Dr Basson has 45 years' experience in retail, having built the Shoprite Group from a small eight-store business to the largest retail chain in Africa, currently with a market capitalisation in excess of c. R135 billion. His vast experience in the retail sector will bring invaluable knowledge to the board. Mr Morgan holds an MA (Hons) Degree from the University of Edinburgh. He was previously a member of the Groupe Danone Executive Committee and CEO of Nutricia, Danone's Medical Nutrition Division. Mr Morgan has a wealth of experience in the FMCG sector having held various senior positions at British American Tobacco, the Coca-Cola Company and Groupe Danone.

The Chairman continuously monitors and manages the participation of board members and considers development requirements of each director, if required.

The Board Charter is available on the Group's website at https://www.clover.co.za/investors/board-charter/

BOARD COMPOSITION

During the year under review, the board consisted of two executive directors and seven non-executive directors, five of whom are independent. Clover's board comprises a majority of independent non-executive directors to achieve a desirable balance of power and authority. No individual director has unfettered powers of decision-making.

During the year under review the following changes to the board occurred:

Resignations:

- Mr ER Bosch resigned as the Company's Chief Financial Officer and stepped down on 31 December 2017.

Appointments:

- Mr F Scheepers was appointed as the Company's Chief Financial Officer effective from 1 January 2018.
- Dr JW Basson was appointed as an independent non-executive director of the Board effective 1 January 2018.
- Mr F Morgan was appointed as an independent non-executive director of the Board effective 1 January 2018.

In terms of the Company's Memorandum of Incorporation and best practice, at least one-third of the board's members retire each year at the annual general meeting. Retiring directors are eligible for re-election.

Details of directors are available on pages 20 and 21 of this report.

COMPANY SECRETARY

Mr J van Heerden has been Clover's appointed Company Secretary since 1 September 2012. He is not a director of Clover, although he serves in such a capacity on numerous subsidiary boards. This relationship does not affect his arm's length relationship with the board.

The Company Secretary is appointed and removed by the board and is responsible to the board for ensuring that procedures and regulations are complied with and that directors are conversant with their duties and responsibilities. Clover's directors have unfettered access to the advice and services of the Company Secretary and may seek independent professional advice on Clover's affairs if they believe such actions will best serve the interests of Clover.

The Company Secretary is responsible for the duties set out in Section 88 of the Companies Act and ensuring compliance with the Listings Requirements of the JSE Limited. The Company Secretary also provides an important communication function to investors and liaises with the Group's transfer secretaries and sponsors on relevant matters. The Company Secretary, along with the Chief Executive and Chief Financial Officer, is the only designated spokesperson on investor matters.

As required by King IV™ the Company Secretary also acts as secretary to the various sub-committees of the board and attends all meetings of the board and its committees. The Company Secretary is also the compliance officer and ensures that the Group complies with all the required legislation and regulations applicable to its various business activities.

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

- A review of qualifications and experience: Mr Van Heerden holds an LLB (*cum laude*) degree from the University of Pretoria and is an associate of the Chartered Secretaries of Southern Africa.
- Assessments by the directors of the competency of the Company Secretary: A formal assessment is done by the board annually, requesting the views of each director on the competence, qualifications and experience of the Company Secretary. No exceptions were noted during any of these assessments conducted since the appointment of Mr Van Heerden.

Having duly considered the above, the board is satisfied that Mr Van Heerden holds the necessary qualifications and has the competence and experience to act as Company Secretary.

Furthermore, the board is satisfied that the Company Secretary maintains an arm's length relationship with the board and individual directors as required by King IV™.

The certificate of Mr Jacques van Heerden, the Company Secretary, appears on page 107 of this Integrated Annual Report.

GOVERNANCE OF RISK

Effective risk management aligns risk and opportunities to Clover's vision and mission. Proactive risk management practices ensure governance mechanisms are effective across the value chain, and focuses on both strategic and operational risks, while aligning enterprise-wide risks and opportunities. Growing shareholder value forms the basis of our risk management strategy and allows Clover to take calculated risks in a manner that does not jeopardise the direct interests of stakeholders. Clover's risk profile stipulates a prudent approach to risks, as shown in decisions on risk tolerance and mitigation.

Clover's board assumes full responsibility for the governance of risk through a formal risk management framework. It effects its duties through the Audit and Risk Committee.

To ensure a consistent approach to risk management throughout Clover, the board annually approves the Enterprise Wide Risk Management ("ERM") Framework and Policy that defines Clover's risk-bearing capacity, risk appetite and risk tolerance. This policy and framework incorporates generally accepted risk management practices and the integrated framework on enterprise risk management disseminated by the Committee of Sponsoring Organisations (COSO), while strengthening the link between risk and strategy. The policy and framework is essential to embed risk management into key decision processes of all subsidiaries, support functions, processes, projects and entities controlled by Clover.

Management continues to mature and integrate risk processes into business processes, and risk limits are reviewed annually. This exercise includes setting authorisation thresholds for pursuing strategies within the predetermined levels of risk appetite, as well as setting risk tolerances for operational functions. These risk limits are used to compile the risk impact categorisation table, which is used for measuring and prioritising risks according to the materiality of the risk's potential impact values.

Management has been charged with the design, implementation and monitoring of Clover's risk management structures. Each business unit conducts quarterly risk assessments to monitor the efficiency of these structures.

Clover records and manages its risk universe on the BarnOwl risk management system, which prioritises material, inherent and residual risks.

The Management Risk Committee meets each quarter to table Clover's key risks as well as the status of mitigating action plans. Key risks and mitigating actions are reported to the Audit and Risk Committee quarterly. On material inherent risks, dependent on effective control measures in keeping residual risks at acceptable levels, Clover annually revises its combined assurance plan for material risks to gain assurance from internal and/or external identified assurance providers in accordance to the five levels of defence.

In the 2016 financial year, Deloitte was appointed by Clover as part of the internal audit coverage plan to review the maturity and effectiveness of risk management function against Clover's Enterprise Wide Risk Management Framework and the principles of the King Code. Deloitte was tasked with providing appropriate recommendations for improving Clover's risk management policy and processes. Deloitte concluded that management had solidly embedded risk management processes across the organisation to establish a well-defined risk function. As part of Clover's rolling three-yearly internal audit plan, Clover will audit its risk management process against best practice, including the principals of King IV™.

Clover has reviewed the principals of King IV™ and amended its risk processes and company policies in adopting the enhancements recommended by King IV™.

Clover runs ongoing fraud awareness campaigns at branch level across all levels of staff to raise awareness of Clover's ethics policy, the use of the ethics hotline and the fact that all calls to this line are treated confidentially by an independent party. Furthermore, new staff are required to sign acceptance of receipt of Clover's ethics policy. Tip-offs received are actively investigated, followed-up on and resolved. The board, assisted by the Audit and Risk Committee, are satisfied with the effectiveness of Clover's risk management function.

MITIGATING ACTIONS

- All South African Clover factories are HACCP certified and accredited by third-party auditors.
- In line with international best practices for quality, hygiene and food safety Clover has accredited systems and processes in place according to which products are produced.
- Clover is a FSSC 22000 accredited manufacturer of food and beverages. Clover's food safety systems comply with international standards.

- Clover established a Competition Law Policy with continuous compliance monitoring and training of personnel.
- Clover established the Competition Law Centre of Excellence and is supported by Herbert Smith Freehills LLP.
- Clover implemented process to ensure compliance to the Health Promotion Levy on sugary beverages.
- Clover is in process to evaluate the impact of upcoming legislation such as POPIA, Carbon Tax and AARTO.

- Communication channels with labour are being enhanced to address business risks.
- Business continuity plans have been updated to mitigate potential industrial action.
- Arbitration channels employed to amicably settle wage disputes.

RISKS

MITIGATING ACTIONS

- Following a thorough strategic review of the business environment and the expected continued muted economic environment, efficiency drives in Clover's infrastructure have been introduced to adapt to changes in the competitive landscape, which will bode well for future cost savings.
- Clover embarked on continued cost savings through various initiatives including Project Sencillo to improve efficiencies in the supply chain and Project Meglio to reduce product unit cost from recipe reformulations. PIT is considering further product reformulations.
- Re-strategise and optimise costs for specific retailer changes in distribution model to ensure Clover remains cost competitive in each of the distribution channels affected.

- Management will continue to identify new principals and alternative distribution opportunities.
- Clover is focused on enhancing its distribution model to extract efficiencies.
- Expansion opportunities of Clover's merchandising services is currently being considered as a growth area.

DFSA'S SUSTAINAIBILITY IMPACTING CLOVER'S SERVICES RENDERED INCOME AND RECOVERABILITY OF REVOLVING CREDIT FACILITY

DFSA incurred a loss of R128,8 million for the financial year ended 30 June 2018 mainly as a result of national milk surpluses which were stimulated by higher than normal milk prices paid to producers from July 2017 through to December 2017 as well as favourable weather conditions over most parts of the country during the summer months.

The above mentioned was compounded by favourable exchange rates which created room for cheap imports of UHT milk has put tremendous pressure on the recovery of sustainable pricing on non-value-added milk and commodity related milk products in the market. These conditions have put strain on the local milk industry and DFSA in particular.

At current market pricing some of DFSA's volumes could be at risk, which also impact service fees Clover generates through DFSA on volumes processed through Clover's factories and distribution channel. However, the volumes from the non-value-added drinking milk business have been relatively stable over last 5 years.

MITIGATING ACTIONS

Cyclicality is not uncommon in the dairy industry and experience showed that surplus years, which leads to a reduction in the milk price paid to producers are followed by a recovery of the industry as normal market forces lead to a natural decrease in raw milk availability and consequential recovery of sustainable pricing in the market as well as prices paid to milk producers.

Historically, the dairy business transferred to DFSA has been exposed to seasonal cyclicality, from time to time, and therefore it will not be possible to synchronise prices paid to producers with prices recouped in the market within a specific financial year or cycle. A longer investment horizon is required to establish a trendline. The below sets out the historical performance of the non-value added dairy business when it was part of Clover's product portfolio:

- 2012/2013 – Operating loss of R62,7 million;
- 2013/2014 – Operating loss of R126,4 million;
- 2014/2015 – Operating profit R60,5 million;
- 2015/2016 – Operating profit R77,0 million; and
- 2016/2017 – Operating profit R23,8 million.

Based on the above, it is not unexpected that DFSA may make losses, however, as market forces align (i.e. supply and demand), it is expected that profits and losses will balance out.

In view of future sustainability, DFSA implemented a strategy to navigate through the current down cycle by introducing a new system whereby it will adjust the milk price paid to producers on a more frequent basis, depending on the market conditions that influence DFSA's financial performance against budget.

The above has been put into practice and DFSA announced a milk price reduction to producers effective 1 August 2018. The board of DFSA decided that a portion of the aforementioned reduction will be used to build up a restricted reserve of R90 million to assist DFSA to strengthen its balance sheet.

As a result of continued strong milk flow and the muted economy, selling prices in the trade remained under pressure and DFSA announced a further milk price reduction of on 31 August, which will be effective 1 October 2018.

The above confirms the implementation of DFSA's board decision and the subsequent communication to milk producers that DFSA would adjust the milk price, depending on DFSA's actual financial performance against its budgeted financial performance.

Clover has an interest in the stability and growth of DFSA, as growth in volumes will directly benefit services income and the dilapidation of volumes will negatively affect Clover's services income and profitability.

Following DFSA's intention to build up a restricted reserve as alluded to above, Clover also made a R 90 million cash injection in DFSA that will be capitalized once shareholder approval is obtained as required by DFSA's Memorandum of Incorporation. This will not increase Clover's voting rights or shareholding and underpins Clover's ongoing commitment to support its milk source, service fees and the sustainability of DFSA.

The build-up of the aforementioned reserve by DFSA and Clover's capitalisation will add stability to DFSA to navigate through future cycles.

Clover has granted DFSA two 20 year revolving credit facilities (RCF) of R450 million and R100 million respectively. Given the loss situation, management tested the revolving credit facility for impairment in terms of IAS39 and other recognised impairment tests.

Following the unexpected resignation of DFSA's CEO and Chairman on 11 September 2018, Clover's Board deemed it prudent to adopt a conservative approach and provide for a full impairment of the R439 million revolving credit facility extended to DFSA to date.

As the revolving credit facility was granted over a period of 20 years, repayment is not expected over the short-term.

GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

Information technology is fundamental to the sustainable functioning of operations. Considering the strategic importance of IT, Clover's business requirements are aligned to available resources and technology that support the formulation of an appropriate IT strategy to improve Clover's competitiveness and sustainability.

Clover's IT department has developed an IT governance framework that considers relevant structures and processes for meeting Clover's business requirements. Applicable IT best practice, including those in the COBIT framework, have been adopted to ensure appropriate mitigation of IT risks.

IT governance imposes management and control disciplines on IT activities to help ensure the integrity and protection of IT operations, whilst achieving business goals. This is achieved with input from all stakeholders, including the board, internal customers and particular departments, such as finance.

The board, through the Audit and Risk Committee is ultimately responsible for IT governance, which is included in the board's workplan. The Audit and Risk Committee oversees and manages the implementation of the IT governance framework, taking into account the major IT risks and opportunities on a quarterly basis.

In the year under review, as part of the combined assurance plan Clover implemented a test plan to verify its security footprint, cyber maturity and processes to ensure that the level of security is maintained and continuously improved. This plan also covers regular penetrations tests by accredited institutions like Ernst & Young to proactively identify possible security vulnerabilities that need remediation.

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

The Company Secretary is responsible for facilitating compliance throughout Clover and an analysis of current and pending legislation and regulation relevant to the Group is presented at board meetings.

All employees are inducted and are continuously updated to ensure a consistent understanding of compliance policies and procedures.

Clover subscribes to various alerts, licenses and key sources of regulatory information and the Group's legal and compliance department reviews compliance alerts on an ongoing basis. Regulatory changes applicable to Clover are communicated to all relevant internal stakeholders on an ongoing basis. Changes are also incorporated into the Group's risk management framework as and when required.

Clover's regulatory universe is reviewed annually and includes assessing the completeness and accuracy of those regulatory requirements identified by management and industry experts.

During the year under review, the following acts and other regulations have been identified as priority areas:

- Competition Act, 89 of 1998
- National Building Regulations and Building Standards Act, 49 of 1995
- Consumer Protection Act, 68 of 2008
- Foodstuffs, Cosmetics and Disinfectants Act, No 54 of 1972
- Income Tax Act, 58 of 1962 (as amended)
- JSE Listings Requirements
- Occupational Health and Safety Act, 85 of 1993
- Value-Added Tax Act, 89 of 1991 (as amended)
- Tax Administration Act, 28 of 2011 (as amended)
- Employment Equity Act, 47 of 2013
- Labour Relations Amendment Act 2014
- Companies Act, 71 of 2008
- Agricultural Product Standards Act, No 119 of 1990
- Protection of Personal Information Act, (POPIA)
- Rates and Monetary Amounts and Revenue Laws Amendment Act, No 14 of 2017 (Sugar Beverages Levy)

COMPLIANCE WITH PROVISIONS OF THE PROTECTION OF PERSONAL INFORMATION ACT (POPIA)

Following the recent publication of the draft regulations to POPIA, Clover has retained Deloitte's to assist with identifying Clover's high-risk privacy gaps and implementation of the required remedial actions. Clover has elected to implement a phased approach towards compliance and focus on the high-risk areas. Clover believes that the focus on these high-risk privacy gaps will go a long way towards full compliance with the POPIA taking into consideration that the regulations have not yet been finalised.

Clover has appointed a Privacy Officer and privacy champions from various departments to, in conjunction with Deloitte, assist with addressing the gaps identified.

COMPLIANCE WITH PROVISIONS OF THE CONSUMER PROTECTION ACT AND COMPETITION ACT

Clover has established a Competition Law Centre of Excellence (CLCE) in conjunction with its competition law advisors. The primary function of the CLCE is to ensure proper standards of competition law compliance are maintained within Clover.

All staff are trained on compliance and this culture is entrenched through ongoing online educational campaigns and updates on the requirements of the Competition Act and the Consumer Protection Act. It is compulsory for all incumbents in managerial positions to those who may be exposed to anti-competitive or collusive behaviour to complete the training.

Herbert Smith Freehills LLP is retained as Clover's competition law advisors. A full review of Clover's compliance with the Competition Act did not identify any contravention of the Act.

LEGACY COMPETITION COMMISSION CASES PENDING

Complaint initiated 13 March 2014: Possible alleged contravention of Section 4(1)(b)(1) (i) of the Competition Act, 89 of 1998 (as amended) (the "Competition Act"):

- On 13 March 2014 the acting commissioner of the Competition Commission initiated a complaint against Clover Industries Limited, Parmalat (Pty) Ltd and Midlands Milk (Pty) Ltd, alleging that the three parties agreed, at some stage in or around 2012, to fix the purchase price of raw milk or trading conditions in terms of which raw milk is purchased.
- The complaint only came to Clover's attention in March 2015 and the Company immediately conducted an internal investigation, assisted by Bowman Gilfillan Inc. Bowman Gilfillan Inc's investigation did not reveal any conduct on Clover's part that suggests that in 2012 it directly or indirectly co-ordinated with Parmalat and Midlands Milk to fix the purchase price of raw milk or trading conditions in terms of which raw milk is purchased, as alleged by the commission.
- At the time of writing, no further communication from the Commission about regarding the above complaint has been received.

Complaint initiated 20 June 2017: Possible alleged contravention of Section 9(c)(i) of the Competition Act, 89 of 1998:

- On the above date, Mr Frank Wilcox, a director of Ndlovu Corporate Suppliers, filed a complaint with the Competition Commission against an employee of Clover in his capacity as Food Safety Initiative Manager. The complainant alleges that Clover offers more favourable prices for its UHT milk to wholesalers and retailers than to the complainant.

- Clover immediately investigated the complaint with the assistance of Herbert Smith Freehills South Africa LLP, which did not reveal any conduct on Clover's part that suggests its employees contravened Section 9(c)(i) of the Competition Act.
- At the time of writing, Clover has received no further communication from the commission regarding the above complaint.

Complaint initiated on 6 September 2017: Alleged contravention of Section 8(c) of the Competition Act:

- On the above date, Ravhudzulo Makhuva Tshidimaki CC filed a complaint with the Competition Commission against Clover alleging that Clover's conduct of refusing and/or delaying its application to open an account, *inter alia,* prevents it from participating in the market.
- The matter was non-referred on the basis that the commission was of the view that the conduct complained of did not contravene the Competition Act.

During the year under review, Clover complied in all material aspects with all relevant legislation. Apart from a number of legal proceedings arising as part of the normal course of business, the board is satisfied that Clover does not face any material pending or threatening legal actions.

INSIDER TRADING

The board has approved a price-sensitive information policy and an insider trading policy for Clover. Directors, officers, relevant employees and service providers have been informed that they are compelled to comply with these policies.

Salient features of these policies include:

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

Closed periods are effective from:

- The end of the first six-month results period to the time of publication of the interim financial results on the JSE's Securities Exchange News Service (SENS).
- The financial year-end date to the time of the publication of the annual financial results on the JSE's Securities Exchange News Service (SENS).

Any director wishing to trade in Clover's shares must obtain clearance from the Chairman of the Board or the designated director prior to trading in these shares.

CONSUMER GOODS AND SERVICES OMBUD (CGSO) AND CODE

Clover is a committed participating member of the CGSO Ombud. The objective of the Ombud's office is to operate as an alternative dispute resolution mechanism, aimed at safeguarding the interests of consumers.

No disputes were referred to or filed with the CGSO during the year under review.

INVESTOR RELATIONS

The objective of Clover's investor relations policy is compliance with all legislation, regulation and voluntary codes pertaining to disclosure, communication and dissemination of information, while simultaneously safeguarding management and limiting Clover's reputational risk.

Management is committed to engaging with local and international fund managers and analyst to support informed investment decision-making.

The board also engaged with shareholders whom voted against the Remuneration Policy and the implementation of the Remuneration Policy at the AGM and formally tabled all concerns raised by its shareholders at its Remuneration Committee meeting.

The CE, CFO and Company Secretary are the only designated investor spokespersons. An investor relations consultant is retained to advise the Group on its investor relations strategy and activities.

Clover aims to ensure proactive and timely communication with the investment community.

INTERNAL AUDIT

Deloitte has been tasked with implementing the annual internal audit plan approved by Clover's Audit and Risk Committee. The board recognises that an effective internal control system can only provide reasonable assurance with regards to preparing financial statements and safeguarding assets. As with any policy or protocol, there are inherent limitations to the effectiveness of any system due to human error or a deliberate circumnavigation or overriding of controls.

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

Internal control systems are managed by way of a documented organisational structure with segregated responsibilities and established policies and procedures which are communicated throughout the business. Internal audit personnel are carefully selected, trained and developed to effectively execute their duties. Significant findings are reported to the Executive Committee as well as the Audit and Risk Committee, which will take corrective actions to address identified deficiencies in internal control.

During the year under review, recommendations were made to enhance certain aspects of the internal control environment, although no material breakdowns in internal controls were reported within the overall environment. These valuations were the main input considered by the board in reporting on internal control effectiveness.

A limited assurance review of management's assessments of internal controls for financial reporting was conducted by Clover's external auditors, Ernst & Young Incorporated. This was a separate exercise in addition to the internal audit conducted by Deloitte. No material findings were reported to the Audit and Risk Committee and nothing has been brought to the attention of the directors or the auditors that indicates any material breakdown in the effectiveness of the internal controls during the year under review.

DISCLOSURE OF COMPLIANCE WITH CODE

The board has satisfied itself that Clover has conformed throughout the reporting period to all principles of King IV™ and the JSE Listings Requirements.

Jacques van Heerden

Company Secretary

26 September 2018

REPUTATION AS A VALUE DRIVER

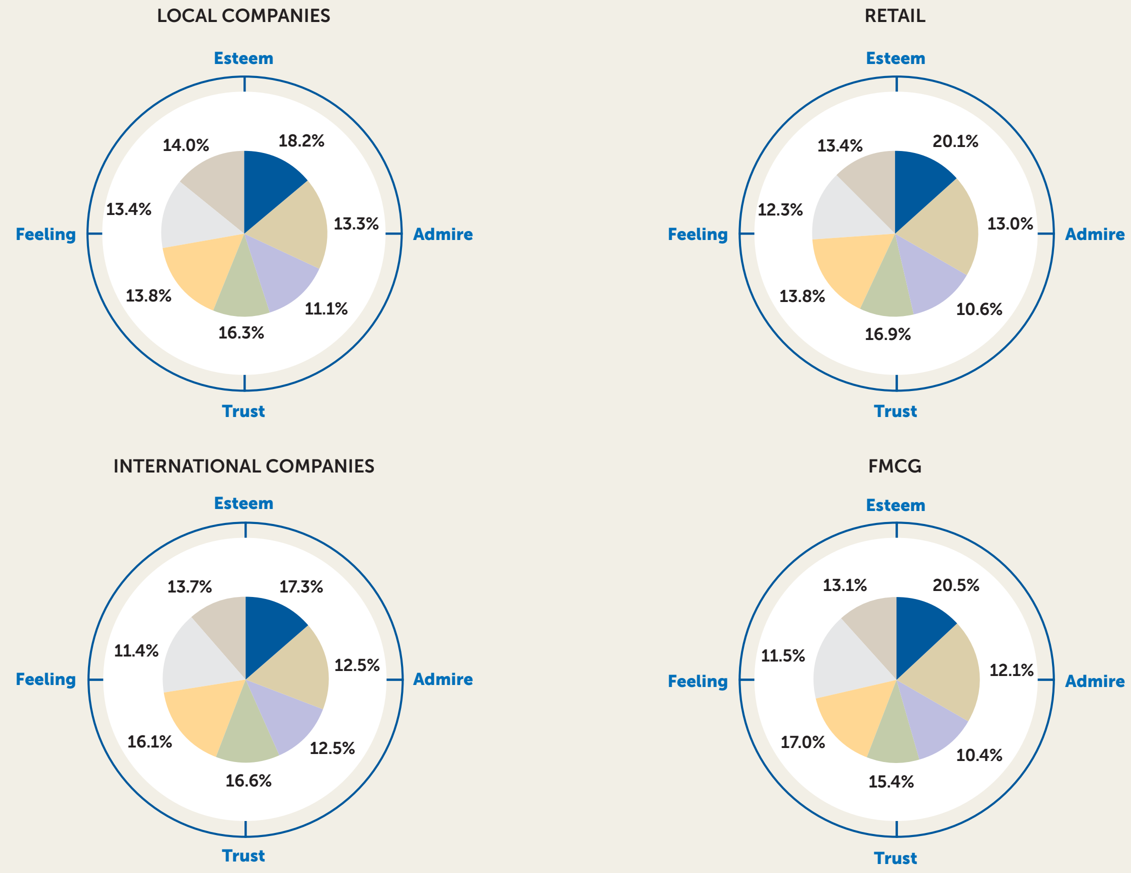
CLOVER WAS AWARDED THE PRESTIGIOUS ACCOLADE AS "MOST REPUTABLE COMPANY IN SOUTH AFRICA" FOR THE THIRD CONSECUTIVE YEAR IN THE REPUTATION INSTITUTE'S REPTRAK® STUDY.

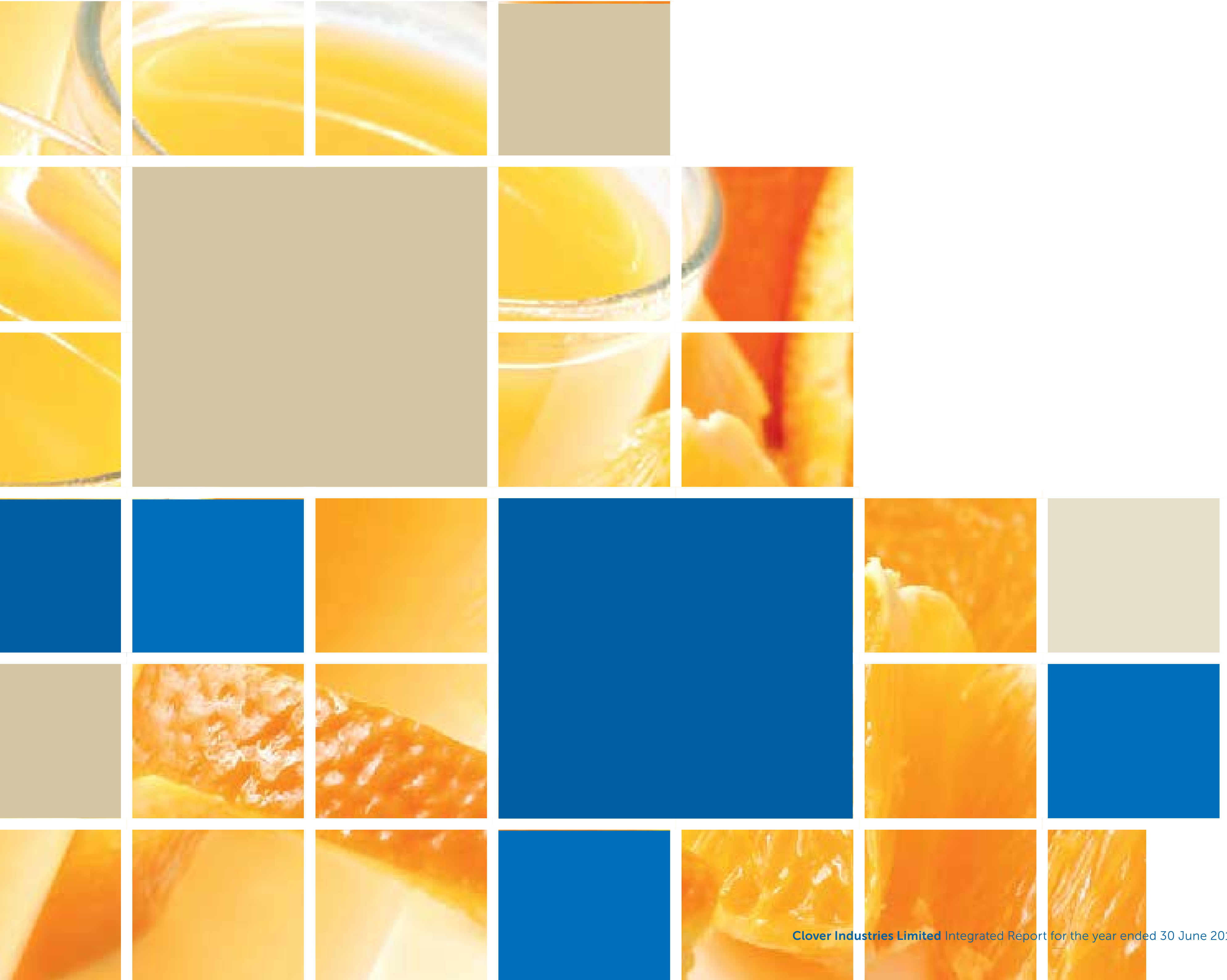
In the context of numerous corporate and political scandals during the year under review, the study showed a decline in South Africa's reputation (down 0.5%) and an even deeper subsequent decline in South African-focused companies' reputation (down 2.0% on average). The South African retail sector reported a year-on-year decline in reputation of 0.6% and the FMCG sector was down 2.3% on the prior year comparable.

The FMCG sector still leads as far as ratings in the "products/services", "innovation" and "performance" dimensions are concerned, followed by retail and diversified financials respectively. FMCG, however, scores average on "citizenship" and "governance" and only slightly better on "leadership."

The study, conducted by Reputation House, measures reputation against four themes, namely esteem, admire, trust and feeling. It also includes seven reputation drivers:

- Performance
- Products/Services
- Innovation
- Workplace
- Governance
- Citizenship
- Leadership





OLIVE OIL AND SOYA CONTRIBUTED

2,0%

TO CLOVER'S TOTAL SALE OF PRODUCT FOR THE YEAR

OLIVE OIL AND SOYA REVENUE INCREASED

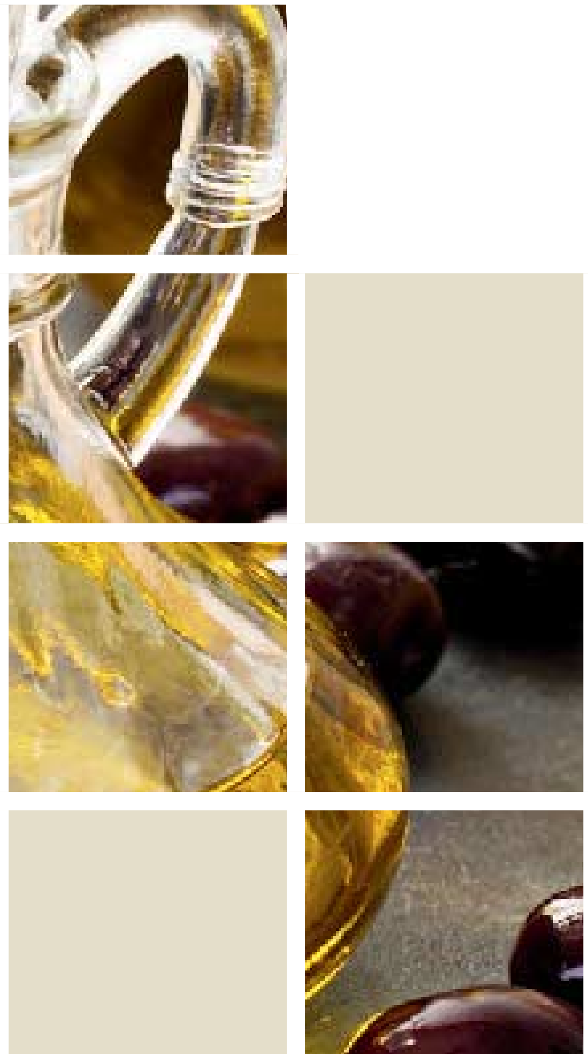
↑ **93,0%**

FROM THE PRIOR YEAR

THE MOM FROM OLIVE OIL AND SOYA WAS

30,4%

FOR THE YEAR



ANALYSING CLOVER'S VALUE CREATION

HOW OUR STAKEHOLDERS' NEEDS INFORM OUR REALITY

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 processes can materially impact on Clover's business.

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

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

COMMUNITIES, TRADITIONAL AND CIVIC SOCIETY

How Clover supports our stakeholders' needs

- Ongoing commitment to our core strategic social investment initiatives
- Employment opportunities across South Africa

Means of engagement

Direct interaction through various corporate social investment initiatives, such as:

- Clover Mama Afrika
- Food donation after Clover's successful world record attempt at the longest sandwich
- Choc foundation

Benefits to Clover through support and engagement with our stakeholders

Engagement with our communities helps us determine our impact on the communities and gives Clover the opportunity to develop new product offerings

Reality

High unemployment rates, rising inflation and poverty in the communities we serve

Clover's response/strategy

SFA **5** Clover Mama Afrika programme, supporting over 15 000 people in various communities

SFA **3** Clover Masakhane distribution model, which increases our reach into rural communities, providing access to our quality products

SUPPLIERS

How Clover supports our stakeholders' needs

- Timely payment and fair terms
- Long-term sustainable contracts

Means of engagement

Supplier meetings, site visits and performance evaluations

Benefits to Clover through support and engagement with our stakeholders

- High-quality raw materials or services that enable us to produce quality products for our consumers
- Reliability of supply

Reality

Weakening/volatile Rand increases costs and uncertainty of supply

Clover's response/strategy

SFA **5** Clover makes timely payments to our suppliers and offers equitable opportunities to all suppliers

SFA **5** Clover builds strategic relationships with key suppliers

MILK PRODUCERS

How Clover supports our stakeholders' needs

- Long-term service agreements to provide stability
- A stable market for the milk produced

Means of engagement

- Monthly milk source meetings with DFSA
- Through DFSA's producer roadshow

Benefits to Clover through support and engagement with our stakeholders

- High-quality raw milk to be used in the manufacturing of our dairy products, at the right price
- Consistency of the milk supply and price

Reality

Oversupply of raw milk and cheap imports increase the cost to balance excess milk

Clover's response/strategy

SFA **4** SFA **5** Balancing facilities are available. We have always and will continue to support our milk producers

EMPLOYEES

How Clover supports our stakeholders' needs

- A stimulating and gratifying work environment
- Competitive remuneration
- Safe working conditions

Means of engagement

- CE briefs and strategic conferences
- Training programmes
- Formal performance reviews against agreed objectives
- Regular meetings with trade unions

Benefits to Clover through support and engagement with our stakeholders

Employees acting in accordance with Clover's values of respect, integrity, fairness and responsibility

Reality

Wage increases are greater than inflation and the price recoveries from the market

Struggling to retain qualified individuals as a result of approaches by multi-nationals

Clover's response/strategy

SFA **5** Clover's staff are remunerated fairly, as the recent benchmarking study has proven

Various employee development and training programmes

RETAILERS/TRADE

How Clover supports our stakeholders' needs

- High-quality products that are priced competitively, without compromising on quality or service delivery to their stores, that service the needs of their consumers

Means of engagement

- Through orders placed by the retailers through the customer service centre
- Clover sales representatives meet with retail representatives

Benefits to Clover through support and engagement with our stakeholders

- Clover's brand expansion through retail growth, increasing revenue in the medium- to long-term
- Consistently high volumes

Reality

Pressure on selling prices, volumes and margins

Clover's response/Strategy

SFA **5** Ethical, fair and supportive business practices

SFA **3** Clover makes timeous deliveries and provides quality affordable products

CONSUMERS

How Clover supports our stakeholders' needs

High-quality and trusted branded products, at competitive prices that are easily accessible

Means of engagement

In-store promotions, TV advertising, our Tropika island of treasure TV show as well as through our interactions on our social media pages

Benefits to Clover through support and engagement with our stakeholders

To increase our market share and improve brand loyalty by providing high-quality products at an affordable price to our consumers

Reality

Consumers are under pressure due to taxes and the rising fuel price

Consumers want the right quality product to be always available at the right price, and will buy on promotion to get value for money

Clover's response/Strategy

SFA **3** SFA **4** Clover's extensive distribution network means that our products and those of our principals are widely available. Our products are fairly priced, as we consider the needs of our consumers in determining our price points

PROVIDERS OF FINANCIAL CAPITAL (CREDIT FACILITIES)

How Clover supports our stakeholders' needs

- A sustainable business
- Timeous interest/capital repayment

Means of engagement

Contract/agreements with providers of credit

Benefits to Clover through support and engagement with our stakeholders

Access to capital at a fair price/terms

Reality

Good access to credit facilities

Good relationships with providers of finance facilities

Clover's response/strategy

SFA 4 SFA 5 Clover manages its gearing levels low, and always ensures that payments are made timeously

SHAREHOLDERS/INVESTORS

How Clover supports our stakeholders' needs

- Sustained returns on investment by the business achieving its objectives
- Sound corporate governance processes and ethics embedded
- Strategy to ensure sustained financial performance

Means of engagement

- Shareholders to attend and vote on resolutions at the annual general meeting
- Integrated report
- Investor presentation and roadshows

Benefits to Clover through support and engagement with our stakeholders

- Investors to provide equity capital necessary to sustain growth
- Owners aligned to business strategy

Reality

Provide a sustainable return to our shareholders/investors whilst balancing the needs of all stakeholders

Clover's response/strategy

SFA 1 SFA 2 SFA 5 Clover aims to constantly increase profitability, and offers competitive dividends, We communicate regularly with our shareholders

GOVERNMENT

How Clover supports our stakeholders' needs

- Timeous payment of taxes
- Job creation and youth development
- Regulatory compliance to material legislation

Means of engagement

Personal meetings, written and verbal communications

Benefits to Clover through support and engagement with our stakeholders

- A growing economy
- Infrastructure to operate in
- Incentives supporting growth
- Protection of the industry
- A stable political landscape

Reality

- An unstable economy (but one with potential)
- Pressure on road and energy infrastructure
- Government provides access to incentives
- Unstable political landscape (due to land reform, politics)
- Long process to get industry protection

Clover's response/strategy

SFA 5 Clover is a good corporate citizen and always pay our taxes accurately and timeously. As the most reputable company in South Africa, we follow high ethical standards

PRINCIPALS

How Clover supports our stakeholders' needs

- Timely delivery of ordered product with professional in-store merchandising
- Clover meeting the agreed upon service levels in distribution and merchandising activities

Means of engagement

- Contract and service level agreements
- Regular feedback on product performance and new opportunities in the distribution network

Benefits to Clover through support and engagement with our stakeholders

- Growing volumes of Principal's product support growth in revenue for Clover

Reality

Reduced income from principals particularly due to listeria outbreak that impacted the industry.

The loss of service income from Remgro margarine and spreads business from the 4 March 2019

Clover's response/strategy

SFA 3 We treat our principals products as our own as this is a vital part of our business

SFA 5 We communicate often with our principals and will always aim to offer superior service

OUR STRATEGY

STRATEGIC FOCUS AREAS	SHORT-TERM ACTION POINTS	KEY PERFORMANCE INDICATORS
To ensure strategic alignment across the Group we have created five strategic focus areas:	**To orientate ourselves with a plan of action, each strategic focus area has a list of key action points that guide the decisions we make in our day-to-day activities and operations:**	**These are the indicators that we monitor and evaluate our performance against:**
GROWTH THROUGH PRODUCT AND BRAND DEVELOPMENT SFA **1**	• Increased investment in product development • Accelerated growth through innovations • Continue expansion into new categories • Addition of alternative products to satisfy our consumers' needs	New product launches Accelerated growth of new categories Successful positioning of products as premium
VOLUME GROWTH AND MARKET SHARE RECOVERY SFA **2**	• Increased marketing support • Reinvest value chain savings to contain product pricing • Reallocate investment in sales activities	Volume growth in selected categories Market share increases in chosen product categories Profitable revenue growth
DISTRIBUTION EFFECTIVENESS AND REACH (INCLUDING AFRICA EXPANSION) SFA **3**	• Continued controlled expansion into rest of Africa • Accelerated distribution investment into informal trade (Masakhane)	New products introduced to rest of Africa Addition of export countries Number of distribution points
COST MANAGEMENT AND PRODUCTION EFFICIENCIES SFA **4**	• Continued focus on cost saving initiatives and efficiencies across the value chain • Identify further production line consolidation • Recipe enhancements	Alignment of production activities with product profitability Improve margin on material through recipe enhancements
WIN-WIN STAKEHOLDER RELATIONSHIPS SFA **5**	• Create a culture of acting as one and reaching goals together • Drive consumer-centric behaviours • Revise human capital strategy • Improve supply chain efficiencies through co-operation with the trade • Return to traditional profitability levels	Effective stakeholder engagement Response to consumer needs and feedback Workforce well-being Positive feedback from trade/trade fill rates Improved financial results

Please refer to pages 57 to 83 to read more about the capital outcomes.

2018 PERFORMANCE UPDATE		LONG-TERM INTENTIONS FOR CAPITAL OUTCOMES
The strategy was launched at the beginning of the 2018 financial year, making this the benchmark year:	**To evaluate our strategic performance, we look at the performance against our KPIs and determine whether we are on track to implement our strategy:**	**Our strategy has been dictated by the value that we intend to create in the long-term:**
Launch new projects successfully Acquire high potential products/categories	✓	Our ability to create shared value depends heavily on our ability to deliver quality outputs at low prices that satisfy the needs of our consumers. We prioritise the quality of our products and services, and the reputation of our brands. We must ensure that we continue to maintain or increase the value of our intellectual capital as this will translate into long-term value for the other capitals.
Optimise trade spend vs revenue growth Implement and roll out Project Kolabo (big data analytics) Improve/maintain market shares in key categories	✓	By managing the efficiency of our financial capital inputs, manufactured capital inputs and our human capital inputs, we aim to produce outputs that result in positive financial capital outcomes. Although it is important to manage the cost of production, it is imperative that we maintain high quality standards. We therefore invest in our intellectual capital to help us balance cost savings with quality outputs for the long-term.
Reduced supply chain costs Increase reach of Masakhane project Increase sales volumes into rest of Africa Reach agreed or targeted service levels Optimise efficiencies between traditional and Masakhane distribution	✓	To increase financial capital, we need to increase the sales volume and profitability of our outputs. By investing in our manufactured capital and our intellectual capital we aim to expand our distribution footprint in order to diversify our social and relationship capital inputs and our financial capital outcomes.
Improved profitability per brand or product group Reduced supply chain costs Redesign and consolidation of factories	✓	By managing the volume of natural capital inputs efficiently, we aim to reduce the financial capital needed to conduct our operations in order to protect the financial capital of our consumers and employees. Downstream, we intend to enhance investors cost savings in a way that results in positive outcomes for our natural capital.
Restructure commercially to maximise sales and merchandising efficiencies Implement and roll out Project Kolabo (big data analytics) Implement joint business plans for major customers and principals Identify new merger and acquisition opportunities	✓	Creating shared value sustainably and successfully requires a strategic approach to balancing the needs and expectations of our stakeholders. Although trade-offs amongst the different stakeholder groups are inevitable, we strive to carry out our operations in a way that creates mutually beneficial value for all stakeholders.

Please refer to the CEO's Report and the CFO's Report for more information about our strategic performance.

FERMENTED PRODUCTS AND DESSERTS CONTRIBUTED

15,5%

TO CLOVER'S SALE OF PRODUCTS FOR THE YEAR

FERMENTED PRODUCTS AND DESSERTS REVENUE INCREASED

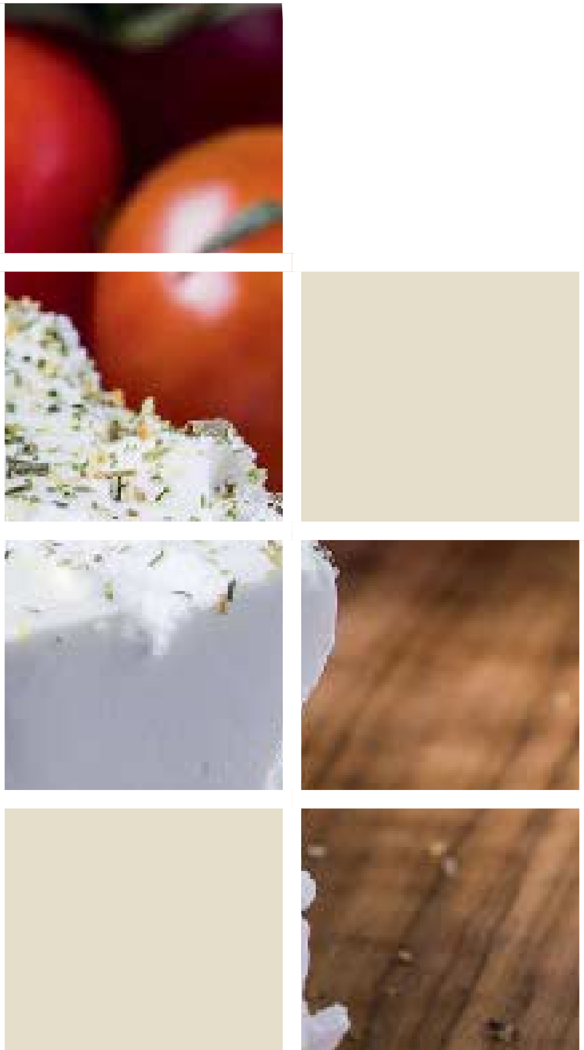
↑ 25,7%

FROM THE PRIOR YEAR

THE MOM FROM FERMENTED PRODUCTS AND DESSERTS WAS

35,7%

FOR THE YEAR



LEADERSHIP REVIEWS

CEO'S REPORT

DESPITE THE CHALLENGES DURING THE YEAR, WE REMAIN COMMITTED TO OUR MEDIUM TO LONG-TERM GOALS OF INVESTING IN AND GROWING OUR VALUE-ADDED PRODUCT PORTFOLIO AND INFRASTRUCTURE.

INTRODUCTION

This year, Clover made a great recovery from a drought-stricken prior year to deliver its best financial performance since listing. A mix of interventions by the management team and the normalisation of external factors enabled the Company's results to recover to expected profit levels.

To achieve this was not plain sailing. We had to counter the impacts of political instability, poor economic growth, Rand volatility, rising unemployment and higher electricity and fuel costs, all of which impacted consumers considerably. Added to this, the VAT increase and health promotion levy ("sugar tax") came into effect as of 1 April 2018, putting further strain on consumer spending.

Overall trading conditions were difficult and exacerbated by structural changes in the retail environment which included aggressive pricing from competitors. Additionally, the listeria outbreak resulted in losses in principal fee income which could not be replaced during the reporting period.

To overcome these challenges, management's approach to drive value was centred on five habitual behavioural attributes:

- Consumer centric – Lower cost, better prices and better offerings
- Cost focus – Challenging all cost to unlock fuel for growth in adjacent categories
- Ambitious – Achieving ambitious and clearly defined financial targets
- Responsive and flexible – Responding to market challenges through quick responses and decisive actions
- Supportive – Create a culture of acting as one and reaching goals together

The entire Company refocused on the basics and put consumer's interests first, realising that they were under financial pressure. In doing this, we managed to improve efficiencies and largely reduce the impact of the sugar tax on our products, and ultimately win back the hearts and minds of our consumers by making our products more affordable.

It was decided that selling prices would only be moderately increased and that they would only be implemented late in the financial year in order to gain back lost market shares from the previous year. Selling prices were therefore increased in April 2018 to cover inflationary cost pressures, however, cost management and driving efficiencies remained a clear focus to align with consumers' continued price sensitivity.

Clover's brands performed well, with all major categories either increasing or maintaining their market shares. Please refer to page 47 for a detailed overview of our market shares.

In this report, I will elaborate on the implementation of our value creation strategy which drove performance, as well as the prospects for the year ahead. The provision for the impairment of the R439 million revolving credit facility to DFSA as elaborated on in the Chairman's report should not detract from what was an exceptional performance by Clover during a challenging year. For a comprehensive overview of the trading period and Clover's financial performance, this report should be read in conjunction with the Chairman's and Chief Financial Officer's reports on page 10 and 49 respectively.

STRATEGY IN ACTION

Consumer-centric value-added focus

Since listing in 2010, we have been working towards diversifying Clover's business away from low-margin commoditised bulk dairy products, focusing on higher margin, value-added branded food and beverages to improve operating margins across the portfolio.

This translated into a medium- to long-term strategy of:

- promoting and developing value-added products in dairy and other related food categories;
- expanding our non-alcoholic beverages portfolio; and
- developing and enhancing our key competencies in brand development, production, distribution and merchandising.

Aligned to this strategy, this year saw Clover successfully exit and transfer the cyclical low margin drinking milk business to Dairy Farmers of South Africa ("DFSA") while retaining DFSA as a principal - providing it with distribution, production and merchandising services amongst others.

We have made good progress in leveraging our brand to introduce value-added products in recent years and this year was no exception, with the main focus being on consumer needs and what they perceive as adding value.

Products that were launched recently include:

- Numel
- Sip Up
- Snack Pack
- Cream O'Naise
- Whistling Chef
- Bliss Yoghurt Double Cream
- Krush flavour extensions
- Olive oil and soya products

> "The strategy to grow value-added products that places consumers' perceptions of what value means front of mind continues to be implemented in a responsible and sustainable way while efficiency drives will remain a key focus into the future. We are optimistic that the actions taken will ensure that the business is managed successfully through potential downward cycles and will support Clover's continued drive for improvement in profitability levels over the short to medium-term."

Of course, this meant that we had to increase our marketing spend to support the successful launch of these new products. The increased marketing spend also related to the re-launch of the Clover mother brand which was also met with great excitement and response from the market.

Award winning

This year, we received a number of awards in recognition of our brand, reputation, financial reporting and social impact.

Our brand dominated in the milk category in the 2017 *Sunday Times* Top Brand survey with Clover featuring amongst the top 10 brands in South Africa for the Overall Consumer Grand Prix category.

Clover won the South Africa RepTrak© Pulse reputation survey as the most reputable company in South Africa for the third consecutive year.

Clover was once again voted as the leader in reporting and communications for companies with a market capitalisation below R5 billion by the Investment Analysts Society of South Africa members.

The Clover Mama Afrika project, a practical and authentic means of channelling self-empowerment, skills development and dignity into marginalised communities was again recognised by winning PMR's prestigious Diamond Arrow Award having been rated the highest in the Food Manufacturer/Processors category.

In the Icon Brands 2017 Awards Clover was a winner in the following categories:

- Long Life milk
- Feta cheese
- Processed cheese
- Condensed milk
- Yoghurt
- Cream

Clover Krush received Icon Brand status and was the winner of the fruit juice, smoothies and vegetable category.

Value extraction and selective investment

Reduction of costs, improvement of efficiencies, strict control of capital expenditure and expansion of our distribution reach were key focus areas for the year to ensure sustainable value creation. A number of projects were under implementation during the year to achieve these objectives and we have already begun to see the benefits.

One of the key projects under way was Project Sencillo which has four pillars namely, the optimisation of manufacturing platforms, milk flow and yield optimisation, consolidation of distribution facilities and optimisation of our distribution operations.

In essence, this project involves the moving of equipment around to factories within the Group to optimise each factory according to demand and length of production runs, better matching the raw materials and by-products.

Significant progress was made during the year with the majority of the underlying initiatives related to the optimisation of our manufacturing platforms and consolidation of our distribution facilities having been fully implemented by year-end. These include: the reduction of our Tetratop and Galdi platforms; consolidation of our fresh milk and UHT production in Eastern and Western Cape; consolidation of our concentrated products factories; integration of our Clayville and City Deep distribution centres, opening of a new facility at Cape Town International Airport in the Western Cape; and changes to our Northern Cape infrastructure. Consolidation of our fresh juice and fresh milk production for KZN and Inland remain to be fully implemented as do the expansion of our Clayville factory.

Project Meglio, which involves product reformulations to reduce the impact of sugar taxes and improve price competitiveness, forms part of the milk flow and yield optimisation pillar. This project was only partially implemented with further benefits to be derived in the 2019 financial year.

Optimisation of our distribution operations will ensure load optimality on pallets and in crates thereby reducing transportation costs and active management of the SKU portfolio through a "fix, grow, exit" strategy. This pillar is also still in implementation phase with additional benefits to be derived going forward.

Efficiencies were realised through the implementation of several innovations across the supply chain such as an increase in the frequency of deliveries; using different methods to deliver products; rationalisation of product lines, lengthening production runs and using alternative ways of processing products.

Capital expenditure was normalised this year to R214,7 million and focused on consolidation, optimisation and necessary expansion.

Our successful project called Masakhane (literally meaning "Let's build together") gained further momentum as its roll-out was accelerated during the year. Masakhane aims to grow the "emerging market" customer base by increasing Clover's 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.

We also continued with our pragmatic approach to growth across our borders through the introduction of our full product portfolio to select African countries by duplicating our successful distribution model with the help of local distributors. Our growth in Mozambique and Tanzania is testament to the success of this model.

OUTLOOK

Whilst it is pleasing to see profitability levels returning to expected levels, the challenging macro-economic and trading conditions experienced this year are expected to continue over the next year.

Specifically, inflationary cost pressures in the form of wages, fuel and electricity will continue to take their toll with consumers opting for cheaper alternatives while trade competition for growth and market share remains a key concern with there being a disproportionate number of promotions leading to erosion of margins.

Additionally, the high milk flow might affect DFSA volumes through our network which adds to the impact of the depressed processed meat market on principal volumes following the listeria outbreak.

Against this backdrop, Clover has secured strategic trading partnerships and is confident that it can provide cost and value effective solutions to alleviate the pressure faced by consumers. We are also working on technological advancements in the IT area of the business to provide further support.

The strategy to grow value-added products that places consumers' perceptions of what value means front of mind continues to be implemented in a responsible and sustainable way while efficiency drives will remain a key focus into the future.

We continue to explore synergistic opportunities to leverage our infrastructure. Investigations to further consolidate production plants are under way to ensure that the business is optimally structured.

A longer-term ambition is to pragmatically centralise all our major production facilities into a strategically located and purpose-built industrial park strategically located near supply sources, other production facilities and major transportation routes.

We are optimistic that the actions taken will ensure that the business is managed successfully through potential downward cycles and will support Clover's continued drive for improvement in profitability levels over the short to medium-term.

Unfortunately, we have been provided with a notice of termination of the distribution and warehousing services relating to the Remgro margarine and spreads business with effect from 3 March 2019. We are however in the process of developing plans to mitigate the loss of this service income. On a positive side, this will provide us with an exciting opportunity to potentially enter the huge margarine market.

APPRECIATION

Thank you to DFSA and their milk producers for their support and high quality milk during the transition period, a period which included industrial action.

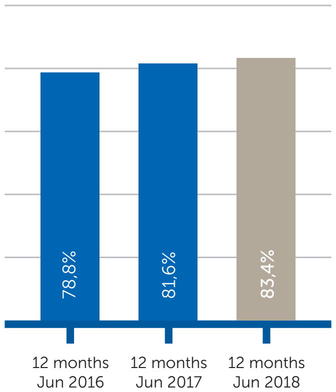
Thank you to the board, led by Mr Werner Büchner, for its continued support and guidance. The executive team and all Clover employees were integral to the achievement of our objectives this year as it truly required a collective effort to achieve the results we did. Thank you to the executive team for energising the business and to all employees for coming together in agreement on a Way Better team approach.

Johann Vorster
Chief Executive

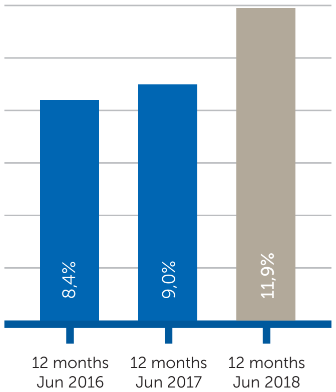
26 September 2018

MARKET SHARES – TOTAL SOUTH AFRICA

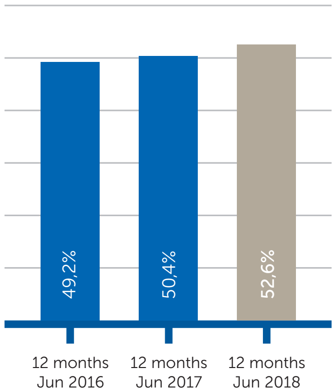
DAIRY FRUIT MIX
(%)



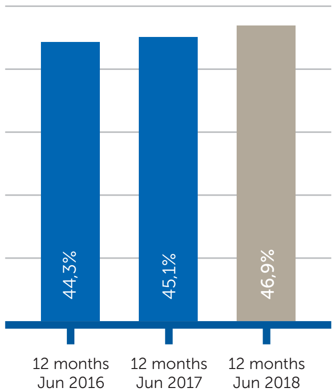
TOTAL YOGHURT
(%)



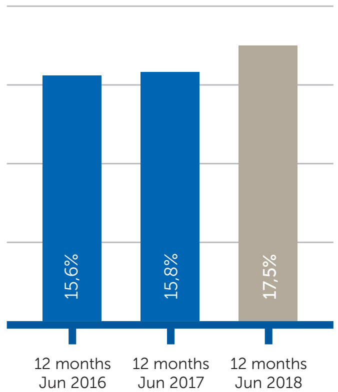
TOTAL SHORTLIFE JUICE
(%)



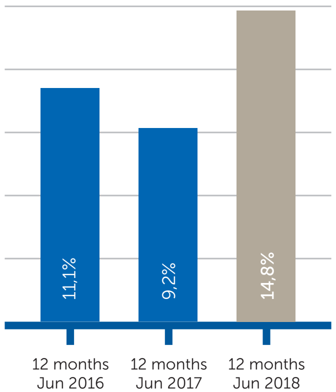
100% SLFJ
(%)



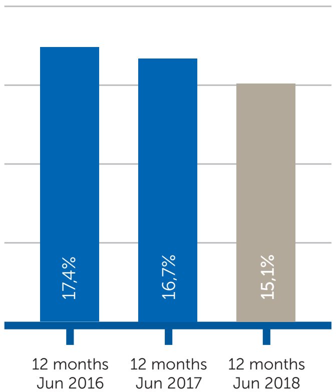
NECTAR SLFJ
(%)



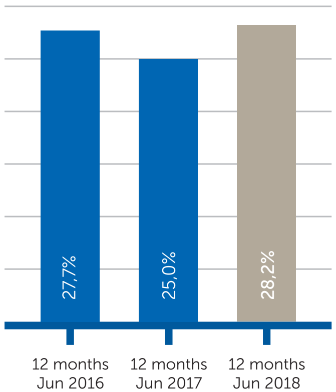
IWS PROCESSED CHEESE
(%)



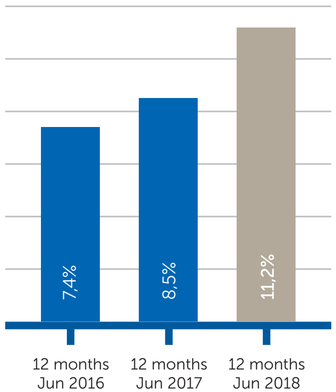
NATURAL CHEESE
(%)



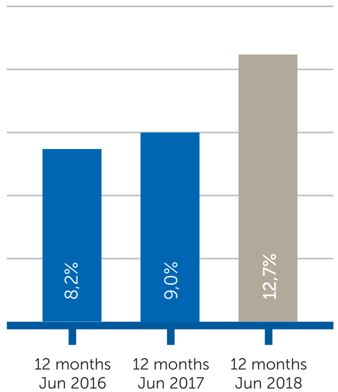
FETA CHEESE
(%)



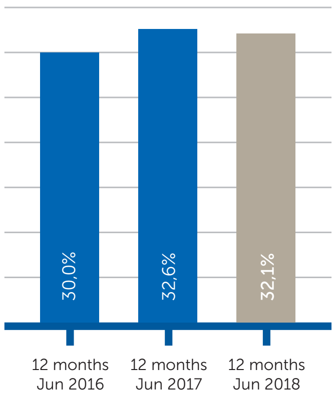
CUSTARD
(%)



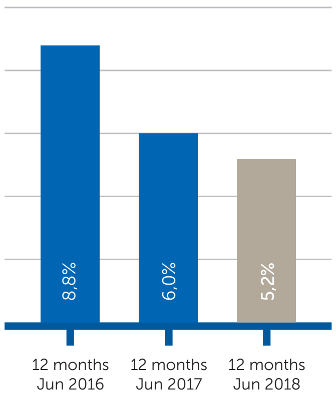
MAAS
(%)



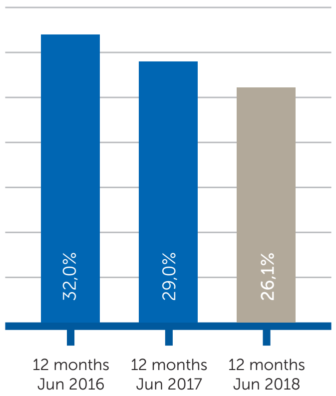
FLAVOURED MILK
(%)



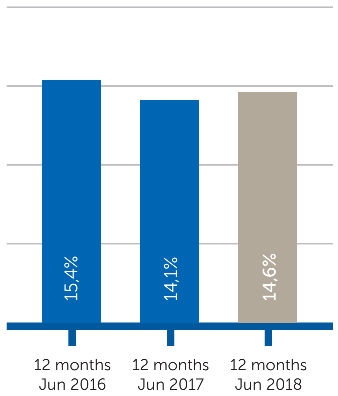
WATER
(%)



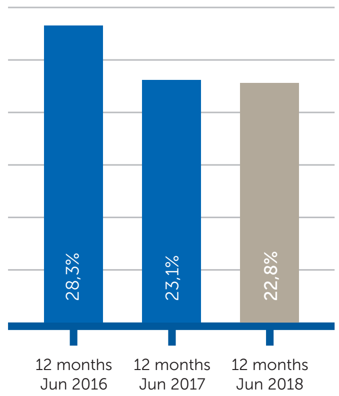
BUTTER
(%)



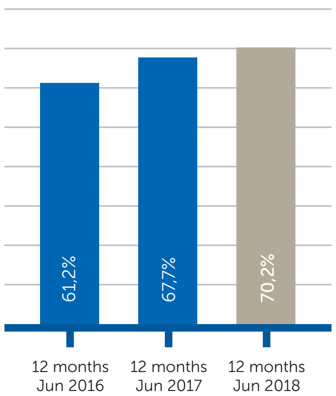
CONDENSED MILK
(%)



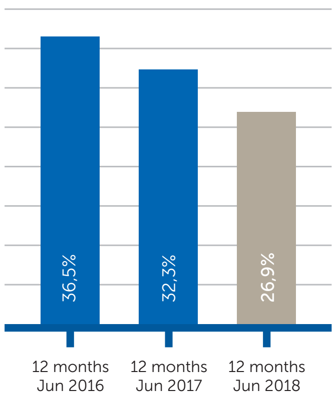
CREAM
(%)



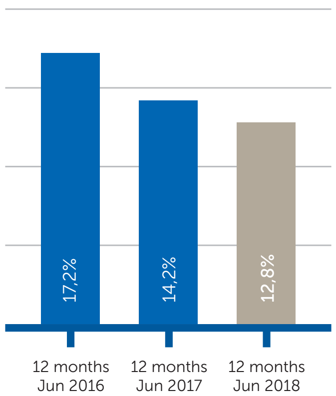
SOY MILK
(%)



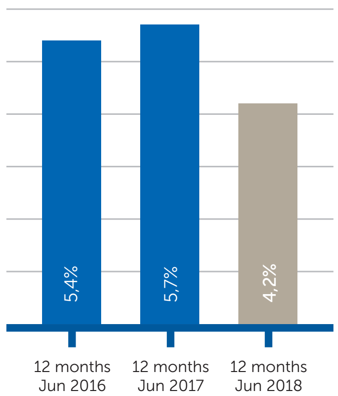
OLIVE PRIDE
(%)



ICE TEA
(%)



LONGLIFE FRUIT JUICE
(%)



CHIEF FINANCIAL OFFICER'S REPORT

MANAGEMENT WILL CONTINUE TO DRIVE VOLUMES AND MARKET SHARES AND EXPAND OUR VALUE-ADDED PRODUCT PORTFOLIO WHICH IS NOW A CORE BUSINESS FOCUS. WE WILL ALSO EXPLORE FURTHER COST-EFFICIENCIES AND SYNERGISTIC OPPORTUNITIES TO LEVERAGE CLOVER'S ASSET BASE AND INFRASTRUCTURE.

Clover's board and management believe the financial statements published in this integrated report present fairly, in all material respects, the financial position, financial performance and cash flows of Clover Industries Limited in accordance with International Financial Reporting Standards (IFRS) and without any material misstatements.

Significant accounting policies adopted in preparation of the financial statements are appropriately described in the financial statements section of this integrated report. The board and senior management are confident that Clover's internal control system is adequate for preparing accurate financial statements in accordance with IFRS and the requirements of the Companies Act.

OVERVIEW AND ENVIRONMENT

Rising fuel and transport prices, electricity, medical insurance and other increases continued to place pressure on South African consumers, which was further negatively impacted by a 1% increase in value added tax in the latter part of the financial year under review.

The erosion of available discretionary spend reflected in buying patterns as consumers increasingly elected to buy on price promotions. This trend tested the inelasticity of historically premium-branded products and resulted in fierce competition amongst FMCG companies in an attempt to maintain and grow volumes and market share.

From this perspective, Clover's strategy to re-invest savings obtained through efficiencies to maintain optimal price points, served as a critical underpin to its performance during the year.

GROUP OVERVIEW

As detailed elsewhere in this report, the board took the conservative and prudent decision to impair the full R439 million revolving credit facility Clover had extended to DFSA as at year-end.

In line with the objective to improve the predictive value of the financial statements, the impairment of the DFSA RCF was reversed in the *pro forma* results to better reflect the operational performance of the Group. Refer to Annexure I and II for further infomation.

Despite the impact of the impairment, Clover's hard-fought efforts made a number of significant improvements across key performance areas.

The prior financial year was impacted by severe drought, currency volatility and above-inflation input costs. Price increases in a subdued market, amidst aggressive competitor pricing, resulted in Clover reporting volume and market share losses.

During that year, Clover initiated its strategy to sustainably align the business to a new "normal" in the context of protracted low-growth cycle in the domestic economy.

These rigorous initiatives identified several efficiency improvement opportunities, allowing management to offset inevitable production increases against savings to the benefit of consumers.

Clover's continued delivery against its diversification strategy away from bulk, commoditised food stuffs and focus on growing its presence in branded, value-added product categories continued to gain traction during the review period and – along with sustainable efficiency improvements remain a key priority for management in the 2019 financial year and into the future.

FINANCIAL RESULTS

As indicated in the 2017 financial statements, Clover transferred the non-value added dairy business to its wholly-owned subsidiary, DFSA with effect from 1 April 2017. Subsequently, shares were issued to the milk producers with the result that Clover lost control of DFSA. Clover has a 26% voting right and no economic interest in DFSA.

The result of the transaction is that Clover maintained ownership and control of the relevant manufacturing and distribution (warehousing and logistics) activities and charges a fee for these services. The sales of the relevant products are for the benefit of DFSA, and no longer form part of the revenue or cost of sales of the CIL group.

The revenue and cost of sales of the DFSA business were significant to Clover in the 2017 the financial year, as is the revenue earned from the rendering of the manufacturing and distribution services in the 2018 financial year. Given the significance of the revenue, costs of sales and the income from manufacturing and distribution services in the respective years, it is important to reflect the impact of the transaction to understand the key revenue streams retained (and related cost of sales); and the change in the services revenues now earned as a result of the transaction. The changes are reflected in Annexure I and II at the back of this report.

Headline loss

Clover incurred a headline loss of R44,2 million compared to a headline earnings of R121,6 million in the comparative period as reflected in note 7.4 in the financial statement section. The headline loss is primarily as a result of the impairment of the DFSA revolving credit facility as alluded to in the Group Overview.

Loss attributable to shareholders of Clover amounting to R38,0 million represents a decrease of R196,3 million from the profit attributable to shareholders of Clover in 2017 of R158,3 million. This is R30,5 million less than the decrease in headline loss of R165,8 million. This difference is mainly due to profits of a capital nature in the prior year (which is excluded from headline earnings). Capital profits to the same extent were not realised in the current year.

Headline loss per share for the year amounted to 23,1 cents per share compared to a headline earnings per share of 63,9 cents per share in the comparative period.

Normalised headline earnings

Normalised headline earnings (arrived at by adding back the impairment of the RCF) increased by 224,7% or R273,2 million to R394,9 million when compared to the 2017 reported results. The increase in normalised headline earnings is primarily because of headline operating profit, which increased by 122,3% or R332,5 million; net finance costs, which decreased by 29,2% or R38,9 million; headline tax expense, which increased by 296,2% or R103,9 million; share of profit from a joint venture, which increased by 14,2% or R2,6 million; and non-controlling interests, which decreased from a R0,5 million profit to a R2,6 million expense. Normalised headline earnings per share increased by 224,0% (143,0 cents). The normalised effective tax rate base increased by 5,4% to 25,9% that is explained in more detail under "Profit for the year" later in this report;

Normalised profit attributable to shareholders of Clover increased by R242,8 million which is R30,4 million less than the increase in normalised headline earnings of R273,3 million for reasons similar to those as discussed under Headline loss.

Revenue, cost of sales and gross profit

With the unbundling of DFSA from the operations of Clover (effective from 1 July 2017) as discussed in detail in the 2017 integrated report, the comparative financial information for revenue (comprising mainly of sale of product and rendering of services), cost of sales and gross profit are not comparable with those line items reported in the June 2017 reporting period. It will therefore be of more value to compare *pro forma* information taking the effect of the operational restructuring of DFSA into account when commenting on the current year's performance compared to the previous year. The *pro forma* adjustments on 30 June 2017 had no effect on the profit for that year as illustrated below.

The table below is an extract of the audited and *pro forma* comparable information that will be used for the further review (on a like-for-like basis) of the current year financial results

	30 June 2018 Audited R'000	30 June 2018 *Pro forma* normalised[1] R'000	30 June 2017 *Pro forma* Adjusted[2] R'000	30 June 2017 Audited R'000
Sales of products	**6 435 663**	**6 435 663**	5 852 036	9 401 842
Rendering of services	**1 873 581**	**1 873 581**	1 834 421	641 499
Sale of raw milk	**335**	**335**	11 907	11 907
Rental income	**2 898**	**2 898**	3 351	3 351
Revenue	**8 312 477**	**8 312 477**	7 701 715	10 058 599
Cost of sales	**(5 357 424)**	**(5 357 424)**	(5 012 009)	(7 333 041)
Gross profit	**2 955 053**	**2 955 053**	2 689 706	2 725 558
Other operating income	**82 913**	**82 913**	60 040	60 040
Selling and distribution costs	**(2 117 936)**	**(2 117 936)**	(2 089 364)	(2 089 364)
Administrative expenses	**(273 310)**	**(273 310)**	(284 721)	(284 721)
Restructuring expenses	**(4 123)**	**(4 123)**	(48 098)	(48 098)
Other operating expenses	**(31 548)**	**(31 548)**	(48 936)	(48 936)
Operating profit	**611,049**	**611,049**	278 627	314 479
Impairment of RCF to DFSA	**(439 042)**	**–**	–	–
Finance income	**47 618**	**47 618**	48 499	12 647
Finance costs	**(141 880)**	**(141 880)**	(145 765)	(145 765)
Share of profit in a joint venture	**21 104**	**21 104**	18 486	18 486
Profit before tax	**98 849**	**537 891**	199 847	199 847
Taxation	**(139 509)**	**(139 509)**	(41 105)	(41 105)
(Loss)/Profit for the year	**(40 660)**	**398 382**	158 742	158 742

[1] *As per the pro forma consolidated statement of comprehensive income for the year ended 30 June 2018 as disclosed in Annexure II to the consolidated financial statements for the year ended 30 June 2018.*

[2] *As per the pro forma consolidated statement of comprehensive income for the year ended 30 June 1017 as disclosed in Annexure I to the consolidated financial statements for the year ended 30 June 2018. Please refer to Annexure I for more details regarding the basis for the pro forma consolidated statement of comprehensive income.*

Revenue

Revenue increased by 7.9% or R610,8 million to R8 312,5 million.

Sale of products showed an increase of 10.0% to R6 435,7 million

	Percentage change	30 June 2018 Audited R'000	After *pro forma* adjustments 30 June 2017 R'000	30 June 2017 Audited R'000
Revenue from sale of products	10,0	6 435 663	5 852 036	9 401 842
– Non-alcoholic beverages	1,7	2 409 724	2 369 071	2 369 071
– Concentrated products	13,7	1 492 849	1 312 575	1 312 575
– Value-added dairy fluids	12,5	1 230 831	1 093 794	4 643 600
– Fermented products and desserts	25,7	998 847	794 403	794 403
– Ingredients	(18,5)	176 484	216 424	216 424
– Olive oil and soya	93,0	126 928	65 769	65 769

The increase of 10,0% in revenue from sale of products, compared on a like-for-like basis, was achieved through increased volumes in certain categories – most notably in fermented products and deserts as well as value-added dairy fluids (up 12,5%) where optimal pricing were rewarded with higher volumes. In the dairy concentrated product category (up 13,7%), the shortage of butterfat during most part of the year led to above-inflationary price increases on butter, but lower volumes, whilst volumes in cheese increased on the back of no price increases.

Revenue from non-alcoholic beverages were up by a moderate 1,7%, largely as a result of flat overall volumes. Revenue was lifted by moderate price increases towards the end of the financial year and the launch of Rooibos ice tea and Cranberry Krush during April 2018.

The addition and launch of new products including olive oil and soya products to the portfolio further supplemented revenue growth.

Services rendered to principals contributed R1 873,6 million to revenue, which increased moderately by 2,1% or R39,3 million on a comparable like-for-like basis. The marginal growth in rendering of services income was primarily because of subdued market conditions impacting our principals, which was further compounded by the outbreak of listerioses, and the subsequent withdrawal of products by one of our principals. Although the creation of DFSA saw services rendered revenue increase substantially, economic strain on consumers placed pressure on non-value-added drinking milk volumes and pricing, which resulted in service fee income to Clover also coming under pressure. Clover will continue to maximise the return on its distribution and merchandising infrastructure with new products listings and signing of new principals.

Cost of sales

Cost of sales increased by 6,9% or R345,4 million compared on a like-for-like basis. This compares favourably to the 7.9% increase in total revenue. Savings were achieved through a continued and intense focus on efficiencies, recipe reformulations and robust drives to reduce input costs such as ingredients and packaging material. Pressure on primary distribution costs, driven by fuel inflation and transport of product between factories and distribution centres eroded some of the gains.

The cost of raw materials and ingredients increased by 7,6% or R252,9 million, while volumes increased by 8,2%. The cost of basic raw materials (which include milk and or constituents thereof) were 8,3% higher than the previous year, mainly due to the shortage of butterfat which drove up costs. Other ingredients costs increased by 2,3% mainly due to retendering.

Packaging costs increased by 4,2%, primarily because of favourable exchange rates for a large part of the year and retendering.

Manufacturing costs rose by 1,87% year-on-year. Considering the volume increase, this marginal increase was primarily as a result of aggressive cost saving drives and optimisation of production schedules.

Primary distribution costs increased 15,8% or R69,1 million on the back of higher volumes. The majority of this cost is outsourced and driven largely by fuel price and transporters' wage increases.

Gross profit

Cost of sales increased by 6,9% which compares favourably to the like-for-like increase of 7,9% in revenue. As a result, the like for like gross profit margin increased from 34.9% to 35,5%.

Other operating income

Other operating income of R82,9 million mainly comprise of:

- R25,3 million royalty income earned from DFSA;
- R25,3 million from supplier settlement claims;
- R1,2 million from the sale of PPE;
- R4,4 million gain from unbundling of DFSA;
- R3,6 million gain from fair value adjustments; and
- Sundry income of R12,1 million, largely from the canteen.

Selling and distribution costs

Selling and distribution costs increased marginally by 1,4% or R28,5 million. As explained in the prior year, Clover's staff structure was optimised and new positions were limited, except for the Masakhane roll-out for which the Group received grant funding income from the DTI of R9.8 million. The benefits of these initiatives led to below inflationary cost increases. Clover further managed to stabilise and contain costs through an efficiency drive, and secondary distribution costs decreased with 3,6% or R44,8 million.

In total, Clover spent 6,3% or R15,4 million more on advertising, marketing, research and development costs compared to the prior year. The higher spend on advertising was strategic to achieve volume growth in the current year as well as to promote new product launches and innovations on existing product lines.

Administrative expenses

Administrative expenses reduced by 4,0% or R11,4 million.

This saving was primarily achieved by reducing head office-related expenses for which overall spend reduced by 12,9% or R30,7 million through:

- subsidising training spend through higher Skills Development Levy (SDL) grants received in this period;
- a reduced level of spend on legal and consulting fees; and
- not filling vacant positions, particularly at executive level.

Restructuring expenses

Approximately R4,1 million was spent on retrenchment costs, which are classified as restructuring expenses. Restructuring expenses is markedly down compared to the previous year and relates primarily to the cost of relocating assets as part of project Sencillo (asset optimisation drive).

Operating profit

Operating profit increased by 94,3% to R611,0 million. Headline operating profit increased by 102,7% to R605,0 million when excluding capital profits. The operating margin increased to 7,4%, a significant improvement over the previous year.

Loss for the year

Loss for the year amounted to R40,7 million compared to a profit for the year amounting to R158,7 million in the comparative period. This result was the outcome of a R296,6 million increase in operating profit, a R439 million impairment of the DFSA revolving credit facility, a R38,9 million decrease in net finance charges, a R98,4 million increase in the income tax expense, and a R2,6 million increase in the share of profits from joint ventures. Normalised profit for the year ended 151,0% or R239,6 million higher at R398,4 million.

Clover's actual effective tax rate is 141,1% which is primarily as a result of the impairment, however, the normalised effective tax rate was calculated at 25,9%. This is below the 28% SA corporate tax rate. The normalised effective tax rate was lower primarily as a result of:

- Prior year adjustments – (1,7%)
- Botswana lower tax – (0,6%)
- Foreign withholding tax – 0,7%
- Joint Venture Equity accounted – (1,1%)
- Various other adjustments – 0,6%

Return on equity adjusted for exceptional items

The Group experienced a constrained economic and operating environment with variable costs increasing ahead of inflation. However, given the Group's continued focus on cost containment and the winning back of market shares, the Group's return on equity adjusted for exceptional items (most notably the RCF impairment) increased from 5,4% to 13,9%.

DIVIDENDS

The Company declared and paid an interim dividend of 26,56 cents per share during April 2018. A final dividend of 48,68 cents per share was declared by the board, which will bring the total dividend for the current financial year to 75,24 cents, representing a divided cover of 2,75 times on a normalised basis.

FINANCIAL POSITION

Non-current assets

Clover has invested methodically in acquisitions as well as capacity building and rightsizing of factories and distribution assets to support our high standards on product quality and growth ambitions. The level of investment required to support Clover's outstanding reputation for quality is balanced by our ambition to grow through acquisitions and internal development of brands and products. Our status as South Africa's most reputable company was confirmed for the third year in a row by Reptrak, and our brand reputation is underpinned by Clover's chilled distribution network, which continues to be regarded as one of South Africa's finest. This invaluable asset also required a significant investment to maintain its hard-earned reputation.

Clover invested R214,7 million on capitalised maintenance, factories, IT upgrades and other tangible assets.

The net decrease in property, plant and equipment and intangible assets amounted to R33,6 million, consisting of R218,1 million additions, less R228 million depreciation and the balance being disposals, transfer to held-for-sale and scrapping of assets.

Major capital projects during the year were:

	R'm
Clayville/Queensburg/Milkyway Milk and Juice consolidation	**16,6**
RBC yogurt capacity upgrade	**21,4**
Numel capacity expansion	**9,4**
PE UHT optimisation project	**9,1**
Milnerton capacity expansion	**8,2**
Cape Town CDC upgrade	**7,8**
PE Pallet optimisation project	**7,2**
Lichtenburg AFE Filler	**5,3**
	84,9

Revolving credit facility granted to DFSA

As part of the operational restructure, the Group made available a revolving credit facility ("RCF") to DFSA, enabling DFSA to fund its operations and the stock it acquired from the Group when it was established. The facility has been made available to DFSA for an initial period of 20 years and will increase annually with CPI.

The Group will only be able to call this facility if certain default events occur. The maximum amount of the RCF is capped at R550 million for the current year, of which DFSA utilised R439 million. As part of the Group's mitigation of credit risk, a general notarial bond has been registered over the stock of DFSA.

DFSA made a loss of R128,8 million for the period ended June 2018 and has negative equity of R133,3 million.

Historically the dairy business transferred to DFSA is exposed to seasonal cyclicality and a longer investment horizon is required to establish a trendline.

The below sets out the historical performance of the non-value added dairy business:

- 2012/2013 – Operating loss of R62,7 million;
- 2013/2014 – Operating loss of R126,4 million;
- 2014/2015 – Operating profit R60,5 million;
- 2015/2016 – Operating profit R77,0 million; and
- 2016/2017 – Operating profit R23,8 million.

Based on the above, it is not unexpected that DFSA may make losses, however, as market forces align (i.e. supply and demand), it is expected that profits and losses will balance out.

As the revolving credit facility was granted over a period of 20 years, repayment is not expected over the short-term.

On 11 September 2018, the board received unexpected notification that DFSA's CEO and subsequently, its chairman, resigned.

Based on this information, Clover's board deemed it prudent to adopt a conservative approach and provide for the full impairment of the R439 million revolving credit facility it extended to DFSA as at year-end, although the accumulated loss at 30 June 2018 is only R133.2 million.

The impairment of the revolving credit facility will be assessed on a continuous basis, taking into consideration the general notarial bond that Clover holds over the DFSA inventory and debtors' balances that is being managed by Clover as part of Clover's services rendered agreement, as well as the DFSA board approved plans to manage the business through the cycle.

More detail is available in note 13 to the annual financial statements.

CURRENT ASSETS

Inventory

Inventory levels decreased by 9,9% or R95,6 million

The establishment of DFSA led to a reduction of R244 million in UHT milk inventory as UHT is no longer carried by Clover. Inventory carried on other products increased because of normal business growth and new products added to Clover's portfolio.

Trade and other receivables

Trade and other receivables increased by 10,3% or R137,7 million.

The increase is as a result of manufacturing, distribution and sales and merchandising services rendered to DFSA as well as volume growth achieved in the current period.

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

EQUITY

Share premium

The share premium account remained unchanged from the prior financial year.

Other capital reserves

During the year the Group remeasured the put option liability. The liability decreased from R57,1 million to R23,2 million and in terms of the Group's accounting policy, any adjustment to the liability will be recorded in equity. Accordingly, the movement of R33,9 million movement was recorded in equity and is disclosed as part of other capital reserves. The remainder of the movement (R6,8 million) relates to the exercise of share appreciation rights.

Non-current liabilities

Higher normalised operating profit, reduced investment in working capital, and contained capital expenditure were the primary contributors to a R131,2 million net decrease in interest-bearing debt (both current and non-current).

Apart from interest-bearing debt, non-current liabilities were similar to the previous year, with the exception of the deferred tax liability that increased by R39,2 million. This increase is primarily driven by accelerated depreciation allowances claimed for tax purposes and the utilisation of assessed losses in some of the Group's subsidiaries.

Current liabilities

Trade and other payables increased by R401,5 million or 31,5%. This increase is driven by the addition of DFSA as a principal, where Clover collects sales revenue on behalf of DFSA and pays the same over to DFSA after 30 days from statement. Clover also negotiated more favourable payment terms with certain suppliers.

The increase in other current financial liabilities of R7,5 million is mainly as a result of the shares forward purchases maturing in the next 12 months.

Employee-related obligations increased by 107,5% or R10,5 million which is largely offset by the R7.2 million reduction in employee-related obligations under non-current liabilities. Overall the obligation increased by 3,6% which is below average salary increases and mainly due to DFSA employees no longer forming part of the Group.

GEARING

Group gearing decreased from 51,4% to 47,8% at 30 June 2018. Net working capital (including the RCF advanced to DFSA) increased year-on-year by R92,9 million or 9,2%. Clover's gearing is well within its ability to service interest and repayments.

CASH FLOW

Clover's net current asset ratio decreased from 1,4 to 1,3. Excluding inventory, the position remained unchanged at 1,0.

Cash generated from operations, before working capital changes, totalled R769,5 million compared to R439,2 million reported in the prior year. Better cash generation was primarily due to the higher profit recorded (excludes the DFSA revolving credit facility impairment which is a non-cash item) as explained above and a reduction in finance changes. In the current year, working capital generated R348,2 million of cash compared to R162,2 million in the prior year. Clover held R95,5 million less inventory in comparison to the previous corresponding period. Trade and other receivable increased by R134,7 million compared to last year given the overall growth in revenue and services rendered to DFSA.

Investment activities consumed R578,7 million in cash compared to R277,7 million in the previous year, following the RCF advanced to DFSA. Clover also spent R104,4 million less capital on tangible and intangible assets.

Under financing activities, R163,0 million was paid for finance costs and dividends, compared to R260,9 million in the previous year. Clover reported a net reduction in interest-bearing borrowings of R163,3 million at the end of the year.

The Group's cash position for the year increased by R215,8 million.

SEGMENTAL PERFORMANCE

Segmental information is only disclosed to Margin on Materials (MOM) level as Clover's assets and operations are largely integrated between segments, which makes the allocation of overhead costs to the different segments impractical. Overheads are managed at Group level.

MOM refers to revenue, less raw material, ingredients and packaging costs. Clover's entry into the yoghurt and custard markets under our own brands necessitated the establishment of a dedicated fermented products and desserts segment to manage our yoghurt, custard and maas. A segment for Olives and Soy products was also added.

Value-added dairy fluids

The dairy fluids segment consists of value-added dairy fluids sold in SA, and dairy fluids sales in Namibia, Botswana, Swaziland as well as through Clover Milkyway.

Revenue for this segment was down by 73,5%, primarily due to DFSA sales no longer forming part of the Group. However, on a like-for-like basis, revenue in this segment increased by 12,5% mainly due to volume growth achieved by Numel.

Average selling prices remained largely unchanged except for cream that increased 11,8% due to a shortage of butterfat. As a result, cream volumes decreased by 3,8% (partially due to the inability to meet market demand). MOM from value added dairy fluids was 39,6%.

Concentrated products

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

Revenue in concentrated products increased by 13,7% and was supported by with higher selling prices of 8,6 %, mainly on butter due to the butterfat shortage, and overall increase in volumes of 5,1%. MOM increased from 30,0% to 36,5%.

Due to an increase in global demand for butter, and limited availability of cream, butter and spreads volumes were down 3,1%.

Natural pre-packed cheese volumes increased by 3,1% whilst average selling prices remained flat. Clover entered the sliced processed cheese category in the prior year and aggressively pursued market share in the current year. Volumes increased 24,4% compared to the prior year.

Feta volumes were up 6,4% and condensed milk volumes flat.

From 1 July 2017, the bulk of milk collection cost is included in the price of milk purchased from DFSA. The remaining portion relates to milk collection costs associated Clover Milkyway.

As milk collection cost now forms part of material cost, the comparison for all remaining segments is done inclusive of milk collection cost. The price and mix variance for the segment on packaging, material and milk collection increased by 3,3% on average.

Ingredients

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

Revenue for this segment was down 18,5% because of volume losses. Notwithstanding MOM increased from 32,9% to 36,8% due to lower input costs.

Average selling prices decreased by 8,1% and volumes decreased by 10,4% for the period.

Non-alcoholic beverages

Non-alcoholic beverages consist of pure juices, dairy fruit mix (Tropika), nectar, ice-tea, water, flavoured milk and long-life juices.

Revenue for this segment increased by 1,7% where price increases offset volume losses.

Average selling prices were flat for the current year and the segment's volumes grew by 1.7% for the period. The category's performance is largely driven by dairy fruit mix, juices and waters. Volumes for pure juice was up 3,4%, dairy fruit mix up 1,4%, ice-tea down 15,5% and water down 4%.

The price and mix variance for raw materials and packaging includes the effects of sugar tax which became effective 1 April 2018, however, this was mitigated by decreased cost in sugar and pulp in the form of supplier rebates. The cost of material, packaging and milk collection decreased 5,9% on average. MOM from non-alcoholic beverages was 56,6%.

Fermented products and desserts

This product segment consists of yoghurt, maas and custard.

Clover's reinvestment in selling prices led to volume increases and revenue for this segment increased by 25,7%. The cost of materials, ingredient, packaging and milk collection on average increased by 8.9% notwithstanding volume increases of 32,5%. This was largely as a result of robust packaging retender initiatives and significant savings from recipe reformulation. As a result, MOM was up 8,0% to 35,7%.

Maas volumes increased 54,9%, yoghurt 23,2%, and custard 6,5%.

Olive oil and soya

The Group recently entered the olive oil market and has been participating in the dairy alternative market (soya) for almost two years now.

Revenue from this segment increased 93,0% mainly due to the prior year only containing three months of trading in the olive oil market. Volumes and average selling prices from soya decreased by 1,6% and 5,8% respectively.

The olive oil business benefited from good exchange rates during the year, however, towards the latter part margins came under pressure as the exchange rates started to increase. A meaningful analysis of volumes and revenue will be available in the next financial year, once a comparable benchmark has been established.

CONCLUSION

Encouraging signs of improving business and economic prospects at the beginning of 2018 has dissipated at the time of writing.

The consumer landscape remains challenging with a general inability to raise discretionary spending levels as a result of above-inflationary living cost increases and persistent high levels of unemployment.

Looking through the cycle, management remains confident of the Group's continued performance as the full impact of actions taken to date are expected to benefit the business over time.

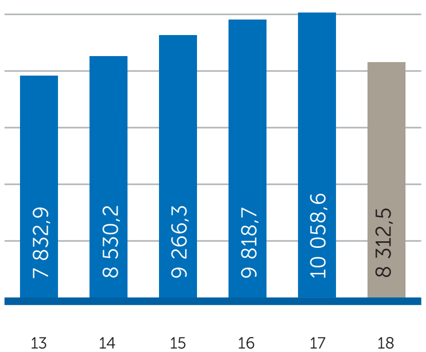
Management will continue to drive volume and market share growth whilst expanding Clover's value-added product portfolio. Further cost efficiencies and synergistic opportunities to leverage the Group's asset base and infrastructure will be explored.

Frantz Scheepers
Chief Financial Officer

26 September 2018

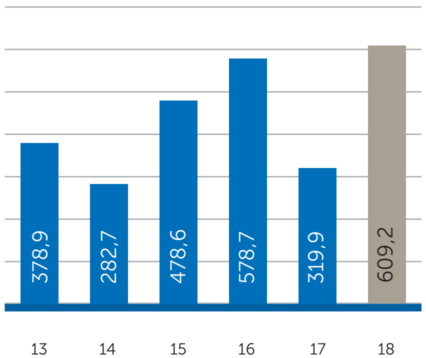
FINANCIAL HIGHLIGHTS

REVENUE
(R'm)

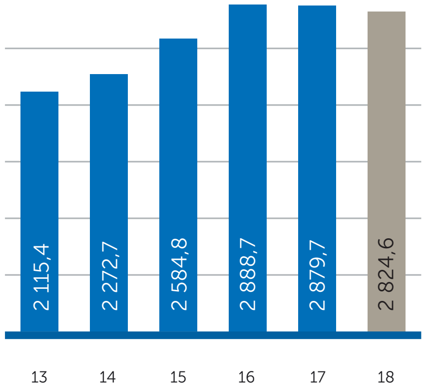


* Please refer to page 50 for an extract of the pro forma comparable information.

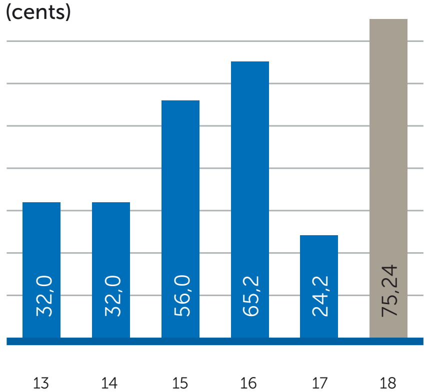
OPERATING PROFIT
(R'm)



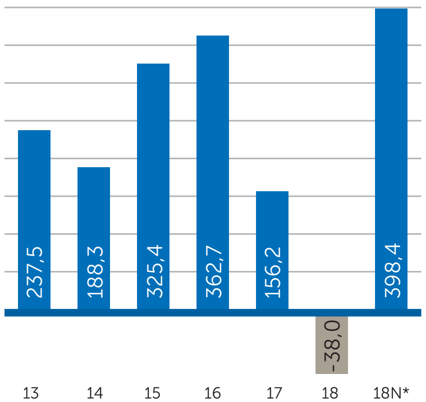
NET ASSET VALUE
(R'm)



DIVIDENDS PER SHARE DECLARED RELATING TO EACH FINANCIAL YEAR
(cents)

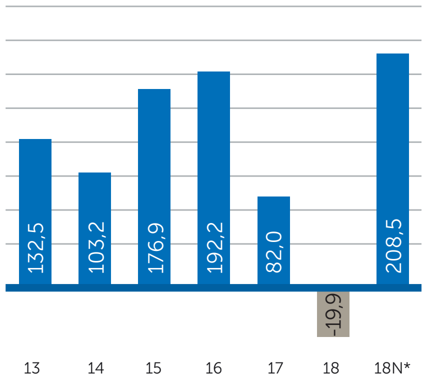


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
(R'm)

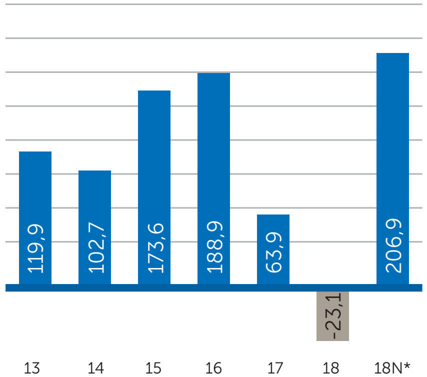


* 18N shows normalised figures, please refer to Annexure II on page 206, for further detail.

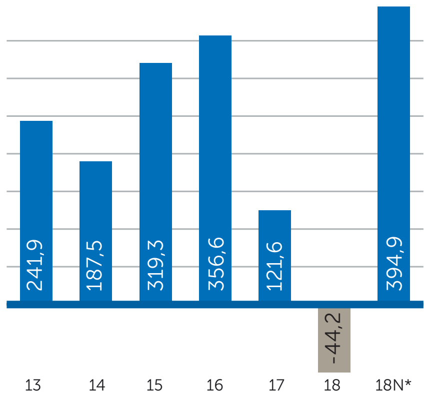
EARNINGS PER SHARE
(cents)



HEADLINE EARNINGS PER SHARE
(cents)



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



DAIRY FRUIT MIX MARKET SHARE

↑ **1,8%**

FOR THE PERIOD

SHORT-LIFE FRUIT JUICE MARKET SHARE

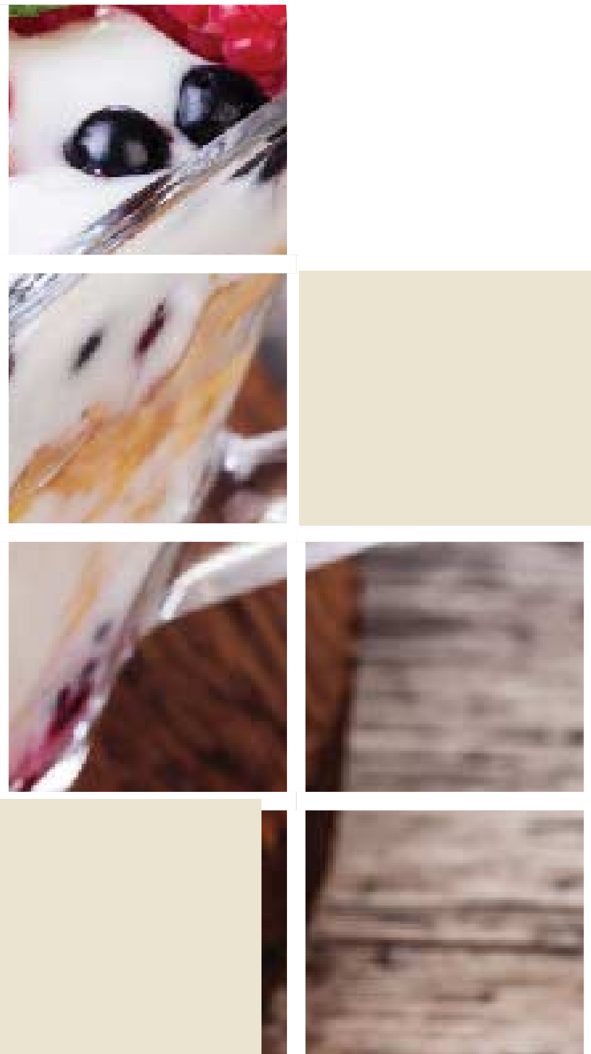
52,6%

AT 30 JUNE 2018

SOYA MILK MARKET SHARE

70,2%

AT 30 JUNE 2018



PERFORMANCE OUTCOMES OF THE SIX CAPITALS

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*

PERFORMANCE OUTCOMES OF THE SIX CAPITALS

- Ethical leadership and corporate citizenship
- Labour and employment
- Environmental, health and public safety
- Social and economic development
- Governing stakeholder relationships/consumer relationship

SIX CAPITALS

- FINANCIAL CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- NATURAL CAPITAL
- INTELLECTUAL CAPITAL
- HUMAN CAPITAL
- MANUFACTURED CAPITAL

KING IV™ PRINCIPLES

1	Ethical leadership
2	Organisational ethics
3	Responsible corporate citizenship
4	Strategy and performance
5	Reporting
6	Role and responsibilities of the governing body
7	Composition of the governing body
8	Committees of the governing body
9	Evaluations of the performance of the governing body
10	Appointment and delegation to management
11	Risk governance
12	Technology and information governance
13	Compliance governance
14	Remuneration governance
15	Assurance
16	Stakeholders
17	Responsibility of institutional shareholders

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

This report is structured in accordance with the concept of the six capitals as defined by the International Integrated Reporting Council (IIRC) which takes into consideration the material inputs or resources required to create and preserve value.

OVERVIEW

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

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 a 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 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 20 to 23.

The Social and Ethics Committee has considered the matters of the integrated 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 workplan that accords with its functions as set out in Regulation 43 of the Companies Act and King IV™. This workplan is designed to enable Clover to fully discharge its statutory functions. The board supports the committee by setting the appropriate tone 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 seventh 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 report.

In line with the <IR> framework, Clover only reported on issues it believes to be sufficiently material for inclusion in this integrated report. Less significant matters are reported on the website and elsewhere.

KEY FOCUS AREAS

The following are the key and significant issues considered by the committee during the year under review:

- Review of the Company's compliance with all legislation, other legal requirements or prevailing codes of best practise;
- Review of the Company's standing in terms of the goals and purposes of the 10 principles set out in the United Nations Global Compact Principles;
- Review of Company's standing in terms of the goals and purposes of the OECD recommendations regarding corruption;
- Review of the Company's standing in terms of the goals and purposes of the Employment Equity Act;
- Review of the Company's standing in terms of the goals and purposes of the Broad-Based Black Economic Empowerment Act;
- Monitored the Company's activities with regard to matters relating to the promotion of equality, prevention of unfair discrimination and the reduction of corruption;
- Monitored the Company's activities with regard to matters relating to the Company's contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
- Monitored the Company's activities with regard to matters relating to sponsorships, donations and charitable giving;
- Monitored the Company's activities with regard to matters relating the environment, health and public safety, including the impact of the Company's activities and of its products or services. Ensure that all health and safety procedures are uniformly, as far as possible, implemented throughout the organisation;
- Monitored the Company's activities with regard to matters relating consumer relationships, including the Company's advertising, public relations and compliance with consumer laws;
- Reviewed the annual sustainability review for publication in the integrated report;
- Reviewed Company's code of ethics;
- Reviewed the committee's terms of reference;
- Review the report on the Company's ethics hotline;
- Monitored the Company's activities regarding government policies and other legislation that impact on food security; and
- Reviewed the report on excessive overtime and garnishee orders in the Company.

HUMAN CAPITAL OUTCOMES

HUMAN CAPITAL REFERS TO OUR EMPLOYEES, THEIR TALENT, SKILLS AND PERSONAL ATTRIBUTES THAT PLAY A VITAL ROLE IN CREATING VALUE FOR ALL OUR STAKEHOLDERS. **CLOVER SEES HUMAN CAPITAL AS ONE OF ITS MOST VITAL ASSETS IN CREATING SUSTAINABLE VALUE.**

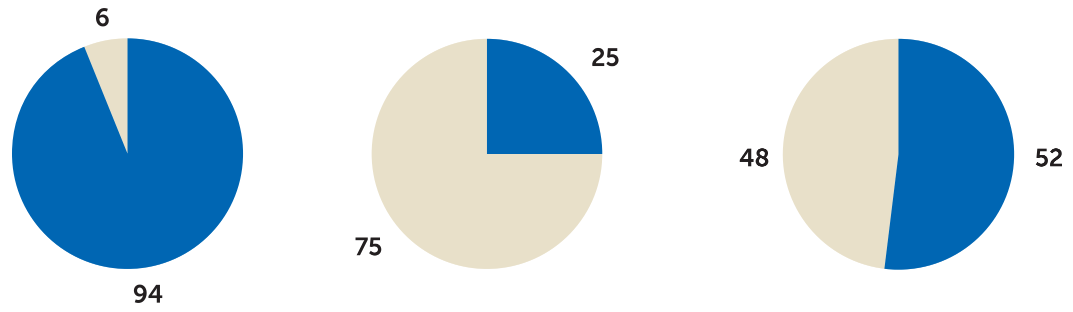
The Company has revisited it's human capital strategy in the light of changing demands and the need to align with the evolving labour market. The human capital strategy has been branded as Summit Step up.

FOCUS AREAS FOR 2018

1. Legislative compliance
2. Attraction and retention of employees
3. Change of labour landscape
4. Productivity and alignment of employees
5. Workforce planning
6. Employment equity
7. Innovation and technology
8. Learning and development

COMPOSITION OF THE CLOVER TEAM

EMPLOYMENT (%) GENDER (%) GROUPS (%)



■ Permanent staff
■ Temporary staff

■ Female
■ Male

■ Staff from designated groups (C5 level or higher)
■ Staff from non-designated groups (C5 level or higher)

INPUTS

Inputs	Change	2018	2017
Total number of employees (and contractors)	(7.89%)	**8 044**	8 733
Total amount paid in salaries and wages (R'000)	(6.07)	**R1 794m**	R1 910 m
Total number of employees trained	(19.64%	**2 030**	2 526
Rand value of training spend	+25.63%	**R20 647m**	R16 435m
Percentage of permanent employees belonging to a trade union	+22%	**61%**	50%
Number of employees enrolled on learnerships, skills programmes and apprenticeships	(2.71%)	**682**	701
Number of employees on formal workplace experience and in-service training programmes	+12.20%	**46**	41
Number of bursaries (employed/ unemployed) granted for degree and diploma studies	(88.89%)	**1**	9

OUTCOMES

1. Fully compliant with relation to all human capital and legislative requirements.
2. Attraction and retention of employees received continued focus and the turnover rate remained low at 7.79% for the year. The Company, in partnership with PWC embarked on a national salary benchmarking exercise to ensure alignment with external market norms.
3. Union relations improved in the period under review and days lost due to industrial action were limited.
4. Structures were optimised and business restructuring commenced in the latter part of the period under review.
5. Talent management processes were improved and recruitment cost was substantially reduced.
6. Continued progress towards employment equity targets and objectives were made.
7. Approval was obtained to invest in new human resource information system technology and the development commenced.
8. The Company's competence profile was improved in specific focus areas and aligned with national skills development priorities.

MATERIAL TRADE-OFFS

Due to the constrained economic environment in South Africa, and the challenging trading conditions, the Group implemented various initiatives, to streamline and optimise business operations. This unfortunately resulted in a number of employees being retrenched.

While this benefitted financial capital due to lower costs, it had a negative impact on human capital.

FUTURE OUTLOOK

The revised human capital strategy has been rebranded as Step up, and includes the following focus areas:

- Visionary leadership
- A Way Better performance culture
- Talented and competent employees
- A performance-based management system
- A Way Better employee experience
- Empowerment through advanced technology
- A stable labour landscape

THE FOCUS AREAS UP CLOSE

1 Legislative compliance

The legislative environment remained a prominent focus and various initiatives were undertaken to ensure compliance. The Company's master data, payroll processes and controls were subject to an audit by Deloitte and compliance was confirmed. Process improvement suggestions are being implemented where justified. A framework has been established that will guide the implementation of POPIA once promulgated. The management of working hours remains a key focus given the Company's challenging operational requirements.

2 Attraction and retention of employees

Various mechanisms are in place to ensure the attraction and retention of suitable talent. The Company's working climate is such that it supports stability in workforce turnover. This results in adequate depth in the scarce and critical skills areas of the business. The revision of service providers in the talent sourcing space was undertaken to ensure alignment with the Company's talent acquisition needs. The Company has embarked on various initiatives to enhance its attraction and retention methodologies. These initiatives are focussed on strengthening the Company's employment brand and systems to improve employee experience.

3 Change of labour landscape

The Company has managed the transition to a multi-union environment positively with minimum disruption to the business. Relations with the various unions remained complex. Management had to find practical and innovative ways to communicate with employees in the absence of a dominant union. The Company believes in sound relations with trade unions based on mutual respect and collaboration on issues of mutual interest and will continue to take steps in this regard.

4 Productivity and alignment of employees

During the year under review initiatives were implemented to streamline and optimise structures and operations. This resulted in a number of positions being abolished. Affected employees were identified and where possible re-deployed in other parts of the business where deployment opportunities existed. In addition, a number of employees exercised the option to accept voluntary severance packages. Formal restructuring processes took place at the Nelspruit and Clayville sites.

Alignment of employees to the business strategy and objectives is of vital importance. Business objectives are cascaded down and result in individual performance agreements which are formally managed. This business process is well embedded in the Company and is the foundation of the Company's incentive scheme for the recognition of individual performance. Various communication platforms are utilised to engage employees on challenges facing the business and the strategy and plans to ensure sustainability and growth.

5 Workforce planning

The Company continuously focus on roles and structures to ensure optimal integration and alignment of functions. Talent acquisition, staff movement and succession management is a planned process to ensure the appointment and development of the right people. The Company is currently investing in new technology that will improve its capability to manage these processes more effectively.

6 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.

7 Innovation and technology

A detailed Learning Management System (LMS) was scoped and the Company will be rolling out the system in the new financial year with focus on the following modules: recruitment and onboarding, learning and talent management. This will assist Clover managers to better manage these critical business processes in line with best practice. Once fully implemented, LMS will greatly improve the reporting capability in respect of compliance and management requirements. The Company additionally embarked on a project to identify, define and implement a standardised reporting framework and to enhance all human resources user system and reporting capability in order to provide accurate and insightful human resources analytics to the business.

8 Learning and development

Clover remained committed to the broadening of the competence levels of their employees in alignment with the growth strategy of the business. Skills development initiatives in the year under review focussed on:

- Management and leadership development
- Scarce and critical skills with a job technical focus

The development of skills in partnership with government skills development initiatives was continued for the period under review. The Company is continuously exploring opportunities to support viable programs in alignment with business needs that will contribute to the National Skills Development Strategy.

CASE STUDY

CLOVER'S SUMMIT STEP UP PROJECT

CLOVER'S HUMAN CAPITAL STRATEGY HAS BEEN REVISED AND REBRANDED AS CLOVER SUMMIT STEP UP. WE HIGHLIGHTED THE GROUP'S FOCUS AREAS WHICH INFORMED THE DEVELOPMENT OF THREE NEW HR PROGRAMMES.

FOCUS AREAS

- Visionary leadership
- A Way Better performance culture
- Talented and competent employees
- A performance-based management system
- A Way Better employee experience
- Empowerment through advanced technology
- A stable labour landscape

PROGRAMMES

PINNACLE PROGRAMME

- **Self-funded, interest free study loan bursary** programme providing financial assistance for the completion of formal qualifications at Clover approved tertiary institutions
- **Bursaries are awarded** from 1st year to honours level
- Participants are identified via Clover **talent management** system and the Clover **online talent acquisition platform**

PROSTAR TRAINEE PROGRAMME

- Sourcing, identification and **focused development of young employees** in critical and scarce occupations to ensure the continuous availability of competence in and successors for specialist positions in the Clover business
- Segmented as follows:
  - Internship project
  - Work experience placement project
  - Business process improvement coaching project

RISING STAR

- **Focused development of top young talent** at junior and middle management level over 3 years
- To ensure **identified individuals** can assume leadership roles at senior and top management level at Clover over time

NATURAL CAPITAL OUTCOMES

NATURAL CAPITAL IS THE ENVIRONMENTAL RESOURCES USED BY THE COMPANY IN ITS VALUE CREATION PROCESS. **CLOVER IS HEAVILY RELIANT ON NATURAL RESOURCES WHICH PLAY A VITAL ROLE IN OUR VALUE CREATION PROCESS.**

We rely on land, water and agricultural crops in the production of our products. Our farmers are dependent on livestock to produce the milk that we purchase from them, and electricity is needed to run our operations.

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.

FOCUS AREAS FOR 2018

1. Energy consumption
2. Waste produced
3. Water consumption
4. Carbon footprint

INPUTS AND OUTPUTS PER KILOGRAM OF PRODUCT PRODUCED

3.2 LITRES
OF WATER CONSUMED
(2017: 3.9 litres)

0.145 KWH/KG
OF ELECTRICITY CONSUMED
(2017: 0.112 kWh/kg)

0.338 KWH EQ/KG
OF FUEL CONSUMED
(2017: 0.359 kWh eq/kg)

2.8KG
OF WASTE PER TON PRODUCED
(2017: 6.2kg)

INPUTS

Inputs	Change	2018	2017
Total water consumption (kilolitres)	2.62%	**2 782 553**	2 711 524
Total direct energy consumption (ie fuels) (Gigajoules)	-36.22%	**900 194**	1 411 596
Total indirect energy consumption (ie electricity) (Gigajoules)	-12.89%	**387 647**	445 027
Sugar, fruit, milk, water, wheat			

OUTPUTS

Outputs	Change	2018	2017
Total weight of non-hazardous waste disposed (ton)	-1.56%	**4 299**	4 367
Total weight of hazardous waste disposed (ton)	10.53%	**4.2**	3.8
Total weight of waste sent for recycling (ton)	482.13%	**20 322**	3 491
Total Carbon Emissions (tons of carbon dioxide equivalents, CO_2e)	-11.00%	**210 971**	237 059
Total Scope 1 Emissions (tons CO_2 eq)	-9.22%	**105 536**	116 253
Total Scope 2 Emissions (tons CO_2 eq)	-12.73%	**105 434**	120 807
Carbon intensity (tonnes CO_2e per ton produced – based on scope 1 and 2 emissions)	-28%	**0,249**	0,346

OUTCOMES

1 Boiler combustion optimisation to focus on improved electrical efficiency technology.

2 Initiative to recycle and re-use waste, organic waste is sent to a biomass plant.

3 We have reduced the average water consumption per kg of product produced to 3.2 litres from 3.6 litres in the previous year.

4 We have reduced our total carbon emissions by 11% from the prior period.

4 Woodchip boilers are being investigated, to reduce the use of the carbon intensive coal-based boilers.

An environmental management system has been implemented, and Clover's production division is now certified as compliant with ISO 14001:2015.

MATERIAL TRADE-OFFS

The emissions and waste from our production processes have a negative impact on natural capital, however the production processes of creating value-added products will ultimately result in an increase in financial capital and value for our stakeholders.

There is also a decrease in Clover's financial capital as we invest in improving our processes, to minimize the impact of our operations on natural capital.

ACTIONS TO ENHANCE OUTCOMES

Clover intends partnering with specialist service providers to ensure economies of scale through new technologies that will make Clover the efficiency leader in our market segments. Projected efficiencies include eliminating waste to landfill and effluent initiatives, among other environmental impacts. Clover's end-goal is to create long term and sustainable value through good corporate citizenship.

The beneficiation of organic waste to generate energy will be further investigated to reduce Clover's impact on the environment.

Clover is evaluating power generation through solar photovoltaics at six of its factories.

MANUFACTURED CAPITAL OUTCOMES

OUR MANUFACTURED CAPITAL GREATLY ASSISTS US IN FACILITATING VALUE CREATING ACTIVITIES, **AS THE QUALITY OF OUR MANUFACTURED CAPITAL DETERMINES THE QUALITY OF OUR PRODUCTS AND SERVICES.**

Along with the manufacturing of our products, Clover also has agreements with several major customers, for whom we provide distribution and in-store merchandising services

FOCUS AREAS FOR 2018

1. Supply chain planning and procurement
2. Production efficiencies
3. Product quality and food safety
4. Distribution
5. Masakhane

HEALTH AND SAFETY AT CLOVER'S PRODUCTION FACILITIES

Description	2018	2017
Fatalities – People working under our control	**0**	0
Total number of recordable injuries, including medically treated cases, lost time injuries (LTI) and fatalities	**37**	83
First aid cases – persons working under our control	**79**	38
Reportable (Compensation Commissioner) lost time injuries for this financial year	**26**	45
Fatal injury frequency rate (i.e. number of fatalities per 200 000 person hours worked)	**0**	0
Lost time injury frequency rate (i.e. the number of LTIs per 200 000 person hours worked)	**4,07**	2,56

INPUTS

Inputs	Change	2018	2017
Total production facilities	(6.7%)	**14**	15
Total trucks	21.95%	**722**	592
Total distribution delivery points	51.55%	**46 810**	30 887
Factory machine availability	(0.4%)	**98.2%**	98.6%
Capital expenditure on expansion or replacement of assets	(32.5%)	**R214.7**	R316.8m

OUTCOMES

1 Supply chain efficiency projects, whereby juice production was consolidated in Gauteng, while fresh milk production was consolidated in Natal

1 A state-of-the-art planning software system is being used by the supply chain planning department

2 Product reformulations, driving cost efficiencies and optimised packaging

2 Clover has maintained a high level of factory machine availability

3 Supply quality control programme is in place to ensure compliance with international recognised foods safety requirements

4 Clover has a total of 24 distribution centres throughout the country

5 19 962 new Masakhane customers in the current year

Total depreciation and amortisation of R228.5 million

MATERIAL TRADE-OFFS

Investment in our production facilities and processes will positively impact our manufactured capital, however, this will negatively impact our financial capital.

A positive impact on our manufactured capital will also positively impact most of our capitals, such as building up our Intellectual capital and our human capital through upskilling and creating opportunities for our employees.

FUTURE OUTLOOK

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

Improved alignment between operations, commercial and marketing will be achieved through enhanced communication and visibility planning.

THE FOCUS AREAS UP CLOSE

1 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 as the baseline. These results are further checked in collaboration with Clover's Commercial and 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 including DFSA for raw milk, to provide consistent 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.

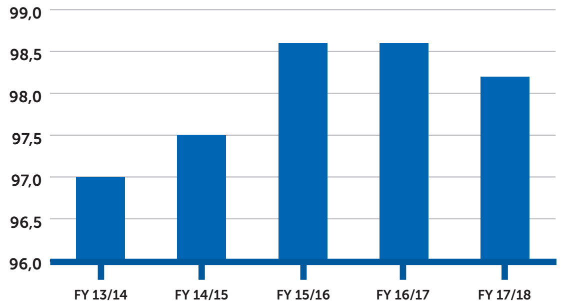
2 Production efficiencies

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.

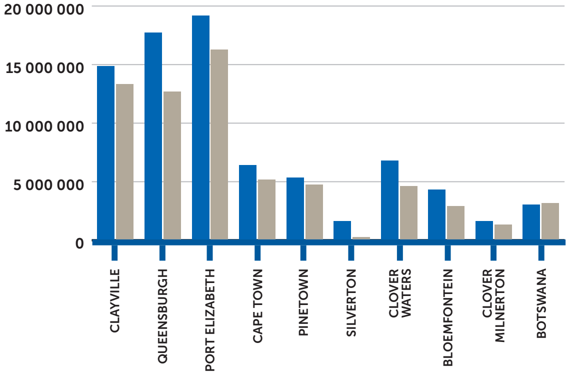
Depreciation vs capital expenditure: The quality of Clover's manufactured capital will deteriorate if we do not continually invest in it. Clover invests to improve efficiency and effectiveness as opposed to maintaining assets. In the first two years of the three-year period shown, we allocated substantial capital resources to enhance the quality of our manufacturing assets.

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 lower-milk flow season. Clover's capacity during the seasonal peak determines limits for increased milk intake. As some products are highly seasonal, the average value and the peak (October) value have been utilised as being the most illustrative.

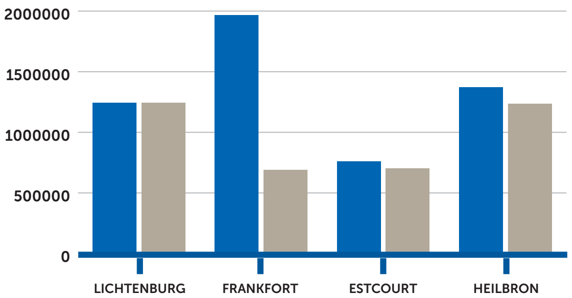
MACHINE AVAILABILITY (YEARLY AVERAGE AVAILABILITY



LIQUID FACTORIES CAPACITY VS UTILISATION (LITRES)



CONCENTRATED FACTORIES CAPACITY VS UTILISATION (KGS)



3 Product quality and food safety

All Clover products are produced according to international best practice standards for quality, hygiene and food safety. Products are only formally released by the Quality Control Department once assessed against these specifications. All of Clovers' factories in South Africa 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 and also introduced a supplier quality control programme to ensure that all raw materials and packaging materials comply with internationally recognised food safety requirements.

4 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 24 distribution centres to approximately 46 810 delivery points in South Africa.

5 Masakhane – Let's build together

Masakhane (literally meaning "let's build together") was initiated 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 1 004 new and permanent jobs within the distribution and informal retail sector by reaching 61 603 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 equip them with the required commercial and supply chain expertise to further develop and sustain their stores. Masakhane contributes to alleviating unemployment in South Africa as it is a catalyst for growth and job creation.

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

INTELLECTUAL CAPITAL OUTCOMES

INTELLECTUAL CAPITAL REPRESENTS **THE INTANGIBLE VALUE OF THE BUSINESS**.

Innovation in our business is important for Clover in our value creation process. From new product innovations and product reformulations, to improved business processes, Clover is constantly looking for opportunities to increase value for all our stakeholders.

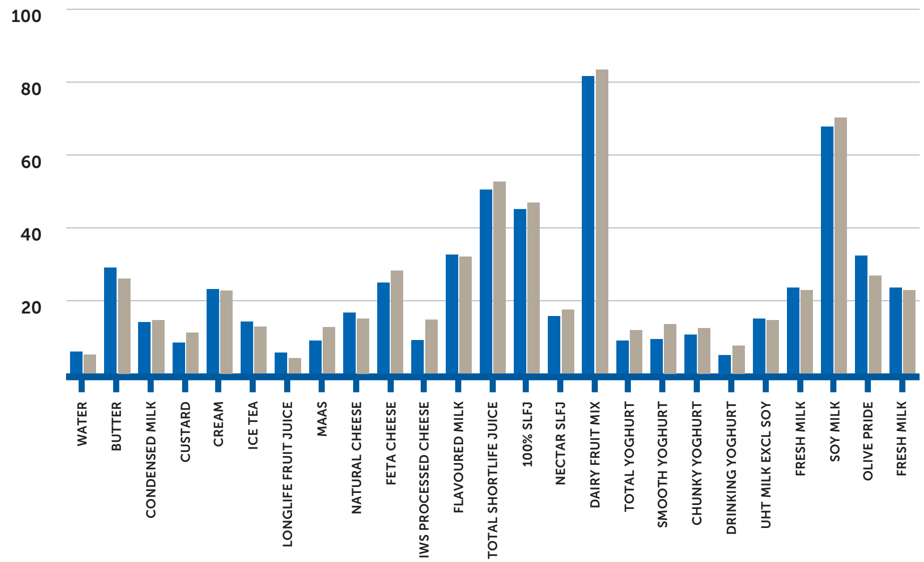
Over the years, Clover's Marketing and New Product Development ("NPD") Departments have developed several iconic household brands. These include Clover, Tropika, Butro and Krush, among others.

Clover's in-house Information Technology (IT) Department provides the digital backbone for all our management systems and applications. Clover's IT governance and its independent assurance is outlined in the governance, risk and compliance report, on page 24.

FOCUS AREAS FOR 2018

1. Trademarks and patents
2. Brands and reputation
3. Information systems
4. Distribution system for third parties
5. Product innovation and technology

VOLUME SHARES - TOTAL SOUTH AFRICA (%)



INPUTS

Inputs	Change	2018	2017
Trademarks registered	4.28%	**950**	911
Patents registered in South Africa and Namibia	–	**11**	11
Investment in research and development	33.55%	**R66.67m**	R49.62m

IT licenses and memberships for software that automates and/or enhances business functions

Market leading distribution system to provide sales and distribution services

Employee memberships for industry networks and professional institutions

Portfolio of existing brands: **37**

OUTCOMES

1 39 new trademarks registered

2 Clover continues to win various awards that confirms its status as a household name. Just a few of these awards:

- For the 3rd year running, Clover has won the RepTrak® most reputable company in South Africa award
- Clover fresh milk, feta cheese, yoghurt, cream and condensed milk all took 1st prize in the Kasi Star brands 2018 awards

2 Clover has established strong market share in the following categories as at 30 June 2018:

- Dairy fruit mix (83.4%)
- Feta cheese (28.2%)
- Short-life juice (52.6%)
- Fresh milk (22.9%)

3 Updated Clover website during the period

3 Improvements to various systems increasing speed and security

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

5 Clover has entered into the following new product categories during this year:

- Mayonnaise (Clover Cream o'Naise)
- Ready to eat meals (Our Whistling chef range)

5 Clover's cheese portfolio was relaunched in the current year, focusing on differentiating colour coded packaging

MATERIAL TRADE-OFFS

Investment in research and development to increase our brand portfolio or to improve business processes will result in a decrease in our financial capital in the short term, and increase our intellectual capital, however this should result in great benefits to our financial capital over the long term.

Investments to improve business processes will also increase our manufactured capital.

FUTURE OUTLOOK

COLLABORATION WITH BIG DATA

Collaboration is critical to maintaining close working relationships with our retailer partners. Clover embarked on an initiative, called Project Kolabo that enabled 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.

PRODUCT INNOVATION AND TECHNOLOGY

Clover will continue to invest in product innovation, to develop new value-added products for integration into our brand portfolios.

SOCIAL AND RELATIONSHIP CAPITAL OUTCOMES

SOCIAL AND RELATIONSHIP CAPITAL PLAYS AN **IMPORTANT ROLE IN CLOVER'S VALUE CREATION PROCESS**.

It involves the business itself, our customers and consumers, suppliers, employees and the communities we operate in. For more details on our engagement with our stakeholders, please see page 36.

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

Clover's Mama Afrika project 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 South Africans in need.

FOCUS AREAS FOR 2018

1. Compliance with the provisions of the Protection of Personal Information Act (POPIA)
2. The Clover Mama Afrika CSI project
3. B-BBEE compliance and rating
4. Compliance with consumer protection laws

INPUTS

Inputs	Change	2018	2017
Total sponsorships and charitable giving received by Clover Mama Afrika	6.41%	**R4.98m**	R4.68m
Total investment in skills development for Mama's and their members	-5.02%	**R2.84m**	R2.99m
Site improvements and communications development for Clover Mama Afrika project (e.g. upgrading facilities, creating food gardens)	-23.08%	**R1.30m**	1.69m
Mamas appointed to care for children and the elderly in the Clover Mama Afrika project	2.32%	**44**	43
Taxes paid to government	239%	**R139.5m**	R41.1m
Blue chip partners who contribute to the success of Clover Mama Afrika and co-fund 20% of the trust's expenses	– HCI Foundation – HFR Transport – Eqstra Flexi Fleet – MiX Telematics		
Annual review of the Company's compliance with:	– The Consumer Protection Act – Food Stuff, Cosmetics and Disinfectants Act – Other labelling legislation		

OUTCOMES

1 Clover has appointed a privacy officer and various privacy champions to assist with compliance

2 Trained 2 106 individuals who in turn transferred their skills to over 10 667 fellow members

2 288 people have been permanently employed by the Mama's, showing that this is effective corporate social investment

2 Care provided to over 15 500 children by the Clover Afrika Mama's

2 Clover Mama Afrika has a received a total of 22 prestigious awards that recognise the project for its wide reach and positive impact on society

3 A level 4 B-BBEE contributor

4 A full review has shown no contraventions of the Competition Act

4 Clover has established a competition law centre of excellence

MATERIAL TRADE-OFFS

Investment in CSI programs will decrease our financial capital and increase our social and relationship capital, however in the long term, with the benefits to the communities around us, we believe this will positively impact our financial capital.

OUTLOOK

Through a larger CSI budget, Clover aims to have more than 50 Clover Mama Afrika's countrywide. We will continue supporting the Mamas so that they can in turn help alleviate poverty within their respective communities.

Clover aims to provide regular training in the selected skill that the Mama excels in.

CASE STUDY

CLOVER MAMA AFRIKA PROJECT

Over the last 14 years, Clover Mama Afrika has accomplished what it set out to do from the onset and continues to contribute towards social economic development within various communities in South Africa. It is also one of the most recognised corporate social investment projects in South Africa, having won 22 prestigious awards to date.

The Clover Mama Afrika initiative will continue to provide the skills training opportunities for each operating Mama and their members. Skills training opportunities include: Bread baking, cooking and baking, sewing, quilting, food garden, small scale chicken egg farming, hairdressing and mosaic. Viable skills training includes progressive and more specialised training which helps the Mamas and their members improve on their accessible service delivery within their respective communities.

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.

MEET THE MAMAS

MAMA SELESTIEN MOSES
KHAYALETHU CARE CENTRE
ASHBURY
WESTERN CAPE

Facts about Mama Selestien:

Joined Clover Mama Afrika:	April 2007
Nationality and language:	South African Afrikaans
Date of birth:	11 September 1979
Marital status:	Married
Own children:	2 sons
Children in her care:	290
Elderly in her care:	84
Outreach programme:	Open door policy to Ashbury community

Her inspiring message:
"It is nice to know where you come from but it is more important to know where you are going with life. If you know how to do something properly, show others how it should be done."

Reason for starting the centre:
"I went through a lot of pain myself. I know what it was to be hungry. The feeling of 'there's never money' and the rejection. I saw the same in my community and I wanted to be different. I did not want to be ordinary but extraordinary."

How did Clover Mama Afrika change my life?
"I used to be a very shy person and only spoke when spoken to – that is how I was brought up. But when you look at me now, I am a woman empowered on so many levels. I know my place and won't let anybody walk over me. I know to speak up for myself and for those I love. I started working alone but as time passed by, I got people to help me. I know that their lives have changed so much for the better – like one of my ladies, Aunt Ommies; she used to be an alcoholic but five years later she is still sober and has her own bank account – she also had no teeth but has been able to afford false teeth. Rozelle who did the sewing, cannot thank me enough for having given her the opportunity. They know that by working at my centre, I will always give my best for them."

MAMA MIRRIAM MAKAMU
SIPHO & MARY BAKERY
TEMBISA
GAUTENG

Facts about Mama Mirriam:

Started her bakery:	2008
Joined Clover Mama Afrika:	March 2015
Nationality and language:	South African Zulu
Date of birth:	21 March 1968
Marital status:	Married

Reason for starting the bakery:
"There are different reasons why I initiated or started this project of Sipho & Mary Bakery.

- Community development – to create employment and eradicate poverty.
- Food provision – food is a basic need of the society therefore I wanted to fulfill that.
- Economic development – to generate income thereby contributing to income circulation.
- Self-employment – I wanted the project to sustain my life and those closely related to me and the community at large."

How did Clover Mama Afrika change my life?
"It empowered me in self-job creation. It made me to be a socially responsible person by creating employment and fulfilling government objectives of generating income and relationship building.

Clover Mama Afrika made me to be in link with suppliers supporting my business and the community and meet business people whom I can share ideas with. I developed the spirit of humanitarian (ubuntu)- living together in harmony, peace and tranquillity."

MAMA NONDUMISO MPITIMPITI

STEP AHEAD EARLY CHILDHOOD DEVELOPMENT CENTRE
AMALINDA FOREST
EAST LONDON
EASTERN CAPE

Facts about Mama Nondumiso:

Started her centre:	1997
Joined Clover Mama Afrika:	May 2016
Nationality and language:	South African Xhosa
Date of birth:	30 May 1963
Marital status:	Married
Own children:	5 children & 8 grandchildren
Children in her care:	104
Outreach programme:	210 crèches & 5 foster homes with 37 orphans

Her inspiring message:

"Is this not the kind of fasting I have chosen, to divide your bread with the hungry and bring the homeless poor into the house: when you see the naked to cover him, give yourself to the hungry. Isaiah 58:6-10."

Reason for starting the centre:

"The centre was formed on 3 January 1997 by myself after a painful sight of a child's sores sitting outside the place where we used to worship. What a touching sight! Then the Lord spoke to me immediately and said, "BLESS THESE CHILDREN"! I couldn't concentrate on the service that day. After the service I went to find out if there was any crèche or day care centre available in the area and the answer was no. The challenge was bigger than what I saw because I discovered that the greater percentages of the children in the area were loitering around the streets either abandoned, destitute or mothers were at work. Most of these children were a very moving sight, full of dry tears on their faces, some with a lot of running noses, very big tummies showing the signs of malnutrition, extremely dirty, some of them were without clothes, and on talking to some of them they were very meekly."

How did Clover Mama Afrika change my life?

"• My life has changed tremendously, people call me Mama Clover Afrika!
- Renovated my office as it was old!
- Changed the lives of 14 people who are employed at the Bakery and at the Catering Department.
- Changing lives of the community by giving them opportunities to get skills!
- Clover Mama Afrika Trust has positively impacted my life the most. I have different skills that transfer to others.
- With the help of Clover Mama Afrika Trust, my perspective on life changed.
- Thank you so much Clover Mama Afrika Trust, what you do to us will be done to you hundred folds."

B-BBEE COMPLIANCE REPORT

COMPLIANCE REPORT

Details of entity	
Name of entity	Clover Industries Limited
Registration number	2003/030429/06
Physical address	200 Constantia Drive, Constantia Kloof, Roodepoort, 1709
Telephone number	011 471 1400
Industry/sector	Agriculture
Email address	darren.chetty@clover.co.za
Name of verification agency	Empowerlogic (Pty) Ltd
Name or technical signatory	E Ackroyd CA(SA)
Clover's Accounting Officer	Elton Bosch#

2017 BEE SCORECARD

B-BBEE Element	2017
Ownership	10,42
Management control	7,35
Skills development	15,68
Enterprise and supplier development	23,16
Socio-economic development	11,00
Total score	**67,61**
Priority elements achieved	N/A
Empowering supplier status	N/A
Final B-BBEE status level	Level 4

**Under the amended agri-BEE codes Clover expects to drop to a level 8 at our next verification.*

Plans are in place to move to a level 6 within 12 months.

#At the time of this submission Elton Bosch was Clover's Chief Financial Officer.

CLOVER'S AND ITS SUBSIDIARY'S CONSOLIDATED CURRENT B-BBEE CERTIFICATE

EMPOWERLOGIC

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate Issued to

Clover Industries Limited and Subsidiaries

Level 4 Contributor

Measured Entity (Full List of Entities Listed on Page 2 of Certificate)

Company Name	Clover Industries Limited and Subsidiaries
Registration Number	2003/030429/06
VAT Number	4090103187
Address	Clover Park 200 Constantia Drive Constantia Kloof Roodepoort, 1709

BEE Status

BBBEE Status Level	Level 4
Element Points Obtained	EO: 10.42 points; MC: 6.57 points; EE: 0.78 points; SD: 15.68 points; PP: 13.16 points; ED: 10 points; SED: 11 points
Black Ownership	14.25% Black Ownership; 5.69% Black Women Ownership
Value Adding Vendor	No
BEE Procurement Recognition	100%
Issue Date	28/09/2017
Expiry Date	27/09/2018
Certificate Number	ELC7401GENBBAG
Version	Final
Applicable Scorecard	Agriculture - Generic
Applicable BBBEE Codes	Agriculture Sector Codes Gazetted on 28 December 2012

BEE Procurement Recognition Levels

Level	Qualification	%
1	≥ 100 Points	135%
2	≥ 85 but < 100	125%
3	≥ 75 but < 85	110%
4	≥ 65 but < 75	100%
5	≥ 55 but < 65	80%
6	≥ 45 but < 55	60%
7	≥ 40 but < 45	50%
8	≥ 30 but < 40	10%
Non-Compliant	<30	0%

EmpowerLogic (Pty) Ltd
Reg. No. : 1995/000523/07
BBBEE Verification Agency

Per E Ackroyd CA(SA)
Member - Verification Committee

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Tel: 086 111 4003
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www.empowerlogic.co.za

SANAS Accredited sanas
BVA018

This certificate is the result of an independent and impartial verification of the BBBEE status of the measured entity measured against the Codes of Good Practice on Broad Based Black Economic Empowerment. the objective of our verification is to verify the validity and accuracy of the BBBEE status represented by the measured entity. EmpowerLogic is not responsible for ensuring completeness of information provided to support the BBBEE status. This certificate must be validated at www.bbbeescorecards.co.za/search/new before reliance is placed thereon. EmpowerLogic does not take responsibility for certificates that have not been validated.

FINANCIAL CAPITAL OUTCOMES

THE ROLE FINANCIAL CAPITAL PLAYS IN VALUE CREATION.

Our financial capital inputs consist of cash generated by our operations, as well as debt and equity financing.

We use our financial capital to create value through investing in new product innovations, investing in our manufacturing process and investing in our people

FOCUS AREAS FOR 2018

1 Restore profitability to June 2016 levels

2 Optimised cashflow

3 Manage gearing levels

4 Manage capex spend

Normalised referring to the comparative numbers adjusted for the unbundling of DFSA in the current year

INPUTS

Inputs	Change	2018	2017
Revenue (sale of product)	10.0%	**R6 435m**	*R5 852m
Total equity	-1.9%	**R2 825m**	R2 880m
Working capital	-33.9%	**R678m**	R1 026m
Net interest-bearing debt	-8,9%	**R1 350m**	R1 482m

OUTCOMES

1 Despite a headline earnings loss of R44.2m after the impairment of the DFSA revolving credit facility, normalised headline earnings increased 224,7% to R394,9 million.

1 An increase in normalised operating profit of 94.3%

1 Normalised earnings per share increased to 210.1c

1 Interest paid decreased to R141.9m

2 Cash generated from operations increased to R1 118m

3 Net gearing level reduced to 47.8%

4 R214,7m capital expenditure on expansion or replacement of assets

MATERIAL TRADE-OFFS

We create value for all stakeholders through the use of our financial capital, which has a positive impact on all the other capitals. By using financial capital to improve production processes or invest in product innovation, we will increase our manufacturing capital and intellectual capital.

An unbalanced allocation of capital will inhibit profitable growth.

ACTIONS TO ENHANCE OUTCOMES

Finance strives to bring insight to the business, educate on the financial consequences of decisions, warn of threats and alert the business to scope for opportunities and efficiencies.

SIX-YEAR FINANCIAL REVIEW

Summarised results for the year	**Increase/ (decrease) 2018 vs 2017**	**2018 R'000**	**2017 R'000**	**2016 R'000**	**2015 R'000**	***2014 R'000**	***2013 R'000**
Revenue	**(17.4%)**	**8 312 477**	10 058 599	9 818 717	9 266 251	8 530 237	7 832 911
Operating profit	**94.3%**	**611 049**	314 479	564 450	509 072	282 276	371 624
Impairment of RCF to DFSA		**(439 042)**	–	–	–	–	–
Net financing cost							
Current and long-term liabilities	**(29.2%)**	**(94 262)**	(133 118)	(112 825)	(74 064)	(57 809)	(46 717)
Profit before tax from continuing operations	**(57.1%)**	**77 745**	181 361	451 625	435 008	224 467	324 907
Taxes	**239.4%**	**(139 509)**	(41 105)	(113 992)	(100 286)	(49 791)	(99 022)
Share of profit of joint ventures	**14.2%**	**21 104**	18 486	14 268	10 939	14 306	13 974
Non-controlling interest	**(645.2%)**	**2 639**	(484)	(995)	4 684	(2 316)	(1 233)
(Loss)/profit attributable to equity holders of the parent	**(124.0%)**	**(38 021)**	158 258	350 906	350 345	186 666	238 626
Headline (loss)/earnings attributable to equity holders of the parent	**(136.3%)**	**(44 188)**	121 617	356 594	319 343	187 464	214 894

Normalised earnings	**2018 R'000**	**2017 R'000**	**2016 R'000**	**2015 R'000**	***2014 R'000**	***2013 R'000**
Operating profit	**611 049**	314 479	564 450	509 072	282 276	371 624
Adjusted for exceptional items:						
(Profit)/loss on sale and scrapping of property, plant and equipment and other assets	**(1 273)**	(33 404)	(20 869)	(38 950)	5 102	(11 680)
Gain on fair valuing of existing investment in joint venture due to acquiring control	**–**	–	–	–	–	(16 747)
Discount on acquisition of PPE by Clover Waters through issue of shares	**–**	–	–	–	(20 716)	–
Bargain purchase at acquisition of stake in Clover Good Hope	**–**	–	(1 721)	–	–	–
Profit on sale of Lactolab	**(200)**	(9 270)	–	–	–	–
Retrenchment costs	**2 007**	46 779	8 493	8 156	7 174	17 184
Legal and professional services costs associated with the listing	**–**	–	–	75	141	49
Release of foreign currency translation reserve in abandonment of foreign operations	**–**	–	28 366	–	–	–
Profit on unbundling of DFSA	**(4 483)**	–	–	–	–	–
Other restructuring cost	**2 116**	1 319	–	241	8 721	18 517
Normalised operating profit	**609 216**	319 903	578 719	478 594	282 698	378 947

Normalised earnings (continued)	2018 R'000	2017 R'000	2016 R'000	2015 R'000	*2014 R'000	*2013 R'000
Normalised operating profit (from previous page)	**609 216**	319 903	578 719	478 594	282 698	378 947
Impairment of RCF to DFSA	**(439 042)**	–	–	–	–	–
Net financing cost	**(94 262)**	(133 118)	(112 825)	(74 064)	(57 809)	(46 716)
Tax expense						
Total tax expense	**(139 509)**	(41 105)	(113 992)	(100 286)	(49 791)	(99 022)
Other non-recurring tax adjustments	**–**	–	–	–	–	–
Taxation adjustment on exceptional items	**(612)**	(7 434)	(2 466)	5 576	(4 286)	(8 453)
Share of profit of joint ventures after tax	**21 104**	18 486	14 268	10 939	14 306	13 974
Non-controlling interest	**2 639**	(484)	(995)	4 684	(2 316)	(1 233)
Non-controlling interest's portion in discount on acquisition of PPE by Clover Waters through issue of shares	**–**	–	–	–	6 215	–
Non-controlling interest's portion on profit on sale of assets	**(753)**	–	–	–	–	–
Non-controlling interest's portion of restructuring cost of subsidiary	**–**	–	–	–	(741)	–
Reversal of impairment of RCF to DFSA	**439 042**	–	–	–	–	–
Normalised profit attributable to equity holders of the parent	**397 823**	156 248	362 709	325 443	188 276	237 497

** From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect.*

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	**2014 R'000	**2013 R'000
Dividends						
Equity dividends – ordinary shares	**50 686**	114 802	108 755	71 624	69 342	41 912
Preference dividends recognised as interest	**–**	–	–	–	–	20 346
Earnings and dividends per share	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Equity dividends per ordinary share – Interim	**26.56**	24.21	24.21	22.6	16.0	10.0
Equity dividends per ordinary share – Final	**48.68**	–	40.94	33.4	16.0	22.0
Preference dividend recognised as interest per preference share	**–**	–	–	–	–	22.7
(Loss)/earnings per ordinary share	**(19.9)**	83.1	185.9	190.4	102.3	133.1
Diluted (loss)/earnings per ordinary share	**(19.7)**	82.3	181.8	182.0	97.3	123.8
Headline (loss)/earnings per ordinary share	**(23.1)**	63.9	188.9	173.6	102.7	119.9
Diluted headline (loss)/earnings per ordinary share	**(22.9)**	63.2	184.7	165.9	97.8	111.5
Normalised earnings per share, calculated by dividing the normalised profit by the weighted average number of ordinary shares	**208.5**	82.0	192.2	176.9	103.2	132.5

Summarised statement of financial position	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Non-current assets	**3 096 287**	3 120 227	2 972 730	2 752 656	2 302 052	1 997 482
Deferred taxation asset	**30 203**	45 496	37 019	32 696	8 919	6 722
Current assets	**3 132 124**	2 882 420	2 856 294	2 689 485	2 298 621	2 413 733
Total assets	**6 258 614**	6 048 143	5 866 043	5 474 837	4 609 592	4 417 937
Shareholders' funds	**2 842 405**	2 894 862	2 865 412	2 571 338	2 252 270	2 113 116
Non-controlling interest	**(17 818)**	(15 179)	23 305	13 510	20 471	2 309
Non-current portion of interest-bearing borrowings	**665 059**	767 621	931 455	681 601	662 357	666 640
Non-current portion of provisions	**75 424**	82 595	73 474	74 901	67 615	60 814
Non-current portion of trade and other payables	**11 448**	25 492	19 311	21 459	4 351	9 267
Other non-current financial liabilities	**26 002**	66 771	2 199	2 716	–	–
Deferred taxation liability	**260 309**	221 065	192 358	188 253	179 023	137 313
Current portion of interest-bearing borrowings	**685 691**	714 304	343 015	573 576	214 495	172 646
Current liabilities excluding interest-bearing borrowings	**1 710 094**	1 290 612	1 415 514	1 350 199	1 209 010	1 255 832
Total equity and liabilities	**6 258 614**	6 048 143	5 866 043	5 474 837	4 609 592	4 417 937
Net assets	**2 824 587**	2 879 682	2 888 717	2 584 848	2 272 741	2 115 425
Replacement value of property, plant and machinery*	**10 469 703**	9 771 296	9 116 408	7 577 153	7 577 153	6 106 300

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

** *From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect.*

A list of all definitions used in the above calculation is set out on page 198.

Number of shares in issue	2018	2017	2016	2015	*2014	*2013
Number of ordinary shares in issue at year-end	**190 835 364**	190 835 364	190 314 350	187 731 138	182 478 589	181 218 149
Weighted average number of ordinary shares	**190 835 364**	190 433 237	188 733 409	183 989 596	182 478 589	179 267 674
Weighted average number of ordinary shares for calculation of diluted earnings	**192 680 105**	192 358 073	193 021 978	192 466 775	191 767 408	192 750 186

Cash flow	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Cash flow from operating activities	**1 117 732**	276 956	673 448	160 185	403 067	219 198
Cash used in investment activities	**(578 647)**	(277 708)	(332 629)	(556 822)	(351 734)	(515 811)
Cash (outflow)/inflow from financing activities	**(326 288)**	(57 982)	(212 426)	218 097	(97 780)	297 159
Cash flow from operating activities per share (cents)	**585,7**	145,4	356,8	87,1	220,9	122,3
Ratios and returns	**%**	**%**	**%**	**%**	**%**	**%**
Operating profit to revenue	**7.4**	3.1	5.7	5.5	3.3	4.7
Normalised operating profit	**7.3**	3.2	5.9	5.2	3.3	4.8
Return on net assets	**13.1**	6.8	13.2	13.5	8.6	13.1
Return on net assets excluding exceptional items	**13.1**	6.9	13.5	12.7	8.6	13.4
Return on equity holders' funds	**(1.3)**	5.5	12.9	14.5	8.6	11.9
Return on equity holders' funds excluding exceptional items	**13.9**	5.4	13.3	13.5	8.6	11.9
Gearing percentage (net of cash)	**20.9**	32.5	23.2	30.2	9.8	6.4
Effective tax rate	**141.1**	20.6	24.5	22.5	20.9	29.3
	Times	**Times**	**Times**	**Times**	**Times**	**Times**
Net asset turn	**3.8**	4.4	4.5	5	5.6	6.2
Current ratio	**1.3**	1.4	1.6	1.4	1.6	1.7
Employees' statistics	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Average number of employees	**8 044**	8 796	8 456	7 177	6 393	6 519
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Revenue per employee	**1 033.4**	1 143.5	1 161.2	1 291.1	1 334.3	1 201.6
Operating profit per employee	**76.0**	35.8	66.8	70.9	44.2	57
Normalised operating profit	**75.7**	36.4	68.4	66.7	44.2	58
Average net assets per employee	**354.6**	327.9	323.6	338.4	343.2	307.7

* *From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect.*
A list of all definitions used in the above calculation is set out on page 198.

COMBINED ASSURANCE ON THE SIX CAPITALS

	Capitals	Internal audit and other independent assurance providers
	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 2017 year-end. • Internal audit performed a review on the payroll process.
	Natural capital	• Deloitte performed a limited assurance review, in line with the ISAE 3000 standard over the selected indicators included in the Assurance report and provided advice on tax implications on carbon reduction initiatives (based on scope 1 emissions). • 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 bill of materials. • External audits were performed on assets. • Clover adopted FSSC 22000 which the latest international standard for Food Safety and Quality Management systems. All factories are in transitional phase from ISO 22000 to FSSC 22000. Annual certification is performed by SGS. • 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 customers on an ad-hoc basis on selected factories. • Marsh performed fire risk surveys over a three-year cycle of all Clover material sites. • All Clover factories in South Africa are annually certified by SGS on HACCP standards. • SABS 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	• Deloitte Legal performed an advisory review over processes and policies to ensure future POPI compliance • Clover brands have won numerous accolades, confirming our status as a trusted household name. • Clover's portfolio of trademarks and patents are managed by Adams and Adams attorneys. • Herbert Smith Freehills LLP is retained as Clover's competition law advisors.
	Social and relationship capital	• Clover Mama Afrika positioned itself as a sustainable and effective CSI project, as evident from prestigious awards received, with the Trialogue CSI Strategic Award received in 2017. • Clover received a full allocation of points on our social economic development as assessed in respect of Clover's June 2017 year-end by Empower Logic. • Clover was the winner of South Africa RepTrak® 2018 most reputable company in South Africa award.
	Financial capital	• 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

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 10 360 complaints of which 1 654 were accepted and 8 706 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), Frantz Scheepers (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). Key Clover individuals continue to attend high-level induction programmes on the potential effect of the application of the CPA. 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 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 24 to 31.

COMBINED ASSURANCE

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 IV™, 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 levels of assurance as depicted on the table on page 83. 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 is a committee of the Board of Clover. Its membership and functions are set out on page 22. 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 2018 and will be presented to shareholders at the forthcoming annual general meeting.

Ms Neo Mokhesi

Chairperson: Social and Ethics Committee

26 September 2018

PROCESSED CHEESE MARKET SHARE

↑ **5,6%**

FOR THE PERIOD

FETA CHEESE MARKET SHARE

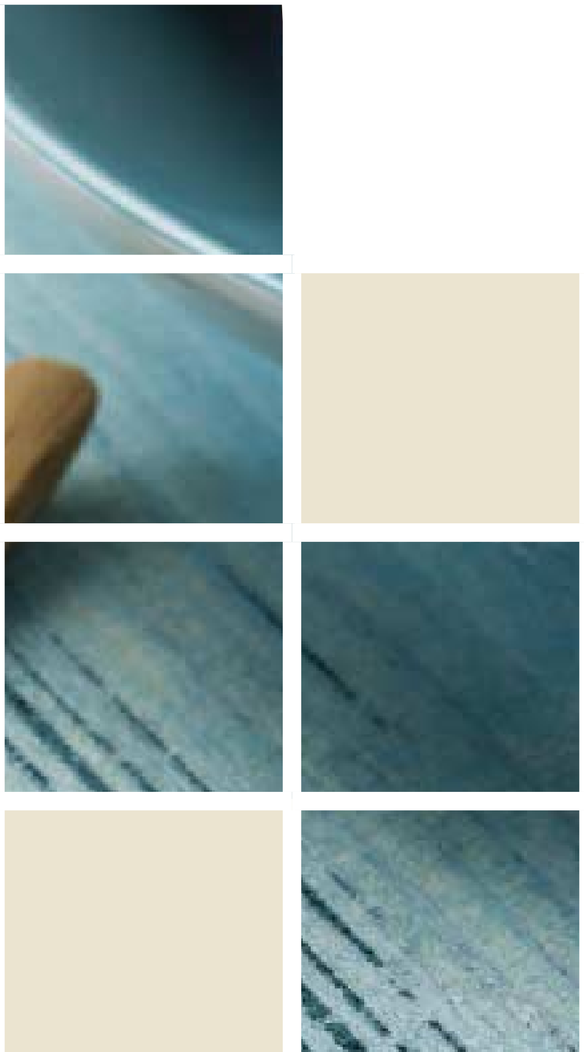
↑ **3,3%**

FOR THE PERIOD

CUSTARD MARKET SHARE

11,2%

AT 30 JUNE 2018



REMUNERATION REPORT

REPORT ON REMUNERATION

LETTER TO SHAREHOLDERS

INTRODUCTION

On behalf of the Remuneration Committee and the board, I am pleased to present the report on remuneration and remuneration policy for 2018.

KING IV™

This report on remuneration ("Report") applies to the period 1 July 2017 to 30 June 2018 and complies with the provisions of King IV™ (copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved).

As such, the Report will contain three major sections:

- Background statement
- Remuneration policy
- Implementation report

The Report should be read in conjunction with note 32 to the annual financial statements which forms part of this integrated report and contains a number of statutory disclosures on Clover's remuneration.

COMPANY PERFORMANCE AND SALARY REVIEW

Despite a constrained and – in some instances worsening – macro environment impacted by increased unemployment, a contraction in GDP, rand volatility and ongoing price inflation driven by fuel and electricity increases, Clover produced record breaking financial results - on a normalised basis - during the year under review.

The provision for the impairment of the revolving credit facility to DFSA significantly impacted these results.

The Group's strategy to unbundle the volume-driven side of Clover's business and grow branded, value added products has nonetheless gained significant traction and continues to be implemented in a responsible and sustainable way while efficiency improvements remain a key management priority into the future.

Considering the Group's overall performance, and the executive, management and staff's ability to adjust to continuous improvements and innovations, the Remuneration Committee mandated PricewaterhouseCoopers to conduct an enterprise-wide remuneration benchmarking study during the reporting period.

Based on the findings of this report, staff in the Paterson C to E Bands were awarded individual increases in line with the benchmark with the overall target of limiting the total increase in the salary bill to 5% and taking into consideration that a potential higher percentage settlement will be reached with trade unions for Paterson A and B Band employees.

The Remuneration Committee subsequently mandated PricewaterhouseCoopers to conduct a formal benchmarking of executive remuneration (Paterson Band F) against a pre-selected peer group. The benchmarking report indicated that Clover's executives' guaranteed remuneration is at the upper quartile of the peer-group, with some executives earning at the median.

SHORT-TERM INCENTIVE (STI) BONUSES

Executives' participation in STIs are dependent on profit growth and personal performance measures. The remuneration policy on page 91 sets out the ratios that determine the level of participation.

Executives' individual key performance indicators are approved annually by the Remuneration Committee and determined through the usual performance management process allocated to all qualifying staff in Paterson C5 to E band.

Performance indicators include areas such as investor relations, employment equity, successful completion of capital projects, mergers and acquisitions and rest of Africa, as well as the optimisation of the brand portfolio and increase of market shares through sales and distribution achievements.

In the prior financial year, the relevant profit targets to qualify for STI bonuses were not achieved and subsequently, no STI bonuses were paid out. In collaboration with the executives and considering the financial performance of the Group at the time, the Remuneration Committee also decided to not pay STI bonuses linked to key individual performance indicators, notwithstanding that a substantial part of these indicators were met during the prior year.

In the year under review executives did not qualify for STI bonuses relating to financial performance targets of the Group, but STI bonuses linked to key individual performance targets were met and paid.

STIs are self-funded since all bonuses are budgeted for in full before the profit target is approved annually by the Remuneration Committee.

LONG-TERM INCENTIVE (LTI) BONUSES

Vesting of the 7th allocation of Share Appreciation Rights (SAR)

Individual performance

The Remuneration Committee, with input from the Chief Executive, sets individual targets for each individual. Full vesting of the individual performance portion of the 7th allocation of SAR has been achieved for the year under review.

Financial performance

The Remuneration Committee can confirm that the financial performance conditions relating to the vesting of the 7th allocation of SAR has not been met and that subsequently no vesting will take place. It should be noted that the financial performance conditions relating to the vesting of the 6th allocation of SAR was also not met previously. Thus, no vesting took place in the past two years.

Discontinuation of SAR and development of a new long-term incentive initiative

Clover's SAR scheme has been in effect since 2008 and pre-dates the Company's listing by two years. To align long-term incentives with shareholder objectives, industry best practice has evolved from schemes such as share appreciation rights to the awarding of full share options. The Remuneration Committee has appointed PricewaterhouseCoopers to research and recommend a new long-term incentive plan that takes these trends as well as other factors such as the relative illiquidity of the share and macro-impacts such as cyclicality into account. This incentive proposal will be communicated to shareholders for input and approval in due course.

Subsequently, the annual top-up issue of SAR which were supposed to be issued on 30 June 2018 were only allocated on 12 September 2018 but have not been accepted by the participants due to the Company being in a closed period. In accordance with the JSE Listings Requirements, a formal announcement will be released on the Stock Exchange News Service once the participants accept the allocation. The SAR was allocated in accordance with the SAR measures and targets set out on pages 94 to 96 of this Report. This will be the final allocation in terms of the current SAR Plan although the plan will remain in place and may be used for other ad-hoc allocations required by the Remuneration Committee.

CONCLUSION

Clover's restructuring has provided the foundation for further alignment of the Group's performance with measures applied by the market. These measures will over time be aligned to evaluate management, and especially executive management's performance and associated remuneration.

The implementation report, which forms part of the Report on Remuneration, provides a comprehensive overview on the implementation of guaranteed and variable remuneration.

REPORT ON REMUNERATION

Clover's Group Remuneration Policy ("the Remuneration Policy") provides a consolidated overview of the board's progressive approach to aligning the attraction and retention of key or specialised skills with optimal investor returns. The policy is compliant with employment legislation, including the Labour Relations Act and the Basic Conditions of Employment Act.

The Remuneration Committee assists with setting Clover's Remuneration Policy and remuneration for directors and prescribed officers according to its terms of reference, which are available at: https://www.clover.co.za/investors/terms-of-reference/

This Report aims to provide all stakeholders with enough information to make informed decisions when casting their non-binding vote on Clover's Remuneration Policy, as set out on page 91 to 101 of this integrated report.

As required by the Companies Act, non-executive directors' fees for the coming year will be put to shareholders by way of a special resolution at the upcoming 2018 annual general meeting.

KING IV™ BACKGROUND STATEMENT

Internal and external factors that influenced remuneration

Clover's Remuneration Policy underscores the Group's vision of being the most admired branded consumer goods company in emerging markets by attracting and retaining the right talent. Remuneration is in direct correlation to the Group's growth plans and financial performance of the underlying operations.

Although external, independent benchmarking and reviews are conducted bi-annually to ensure Clover remains competitive in the diverse markets in which it operates, percentiles are not applied rigidly. Industry type, skills scarcity, performance and legislative structure and requirements are some of the factors considered.

Remuneration is structured to motivate and allow for differentiation in a culture where high-performers are rewarded.

External advice to the Committee

During the year under review, the Remuneration Committee commissioned PricewaterhouseCoopers to conduct several remuneration benchmarking studies as elaborated on in the Remuneration Committee Chairman's letter to shareholders above. The Remuneration Committee has satisfied itself of the independence and objectivity of the PWC report.

The most recent results of voting on the remuneration policy and the measures taken in response thereto

Results of voting at the 2016 and 2017 annual general meeting are indicated in the table below:

% vote in favour	2016	2017
Remuneration policy	99.94%	68.07%
Non-executive directors' fees	92.60%	91.36%

Key areas of focus and key decisions

The Remuneration Committee noted with concern the decline in votes in favour of approving the Remuneration Policy at the annual general meeting held on 28 November 2017, despite the fact that the 2017 report has not changed from the one approved by more than 99.84% of shareholders in 2016.

Engagement with all dissenting shareholders was sought by means of a telephone conference on 11 December 2017. One shareholder, holding approximately 17% of the voteable shares (on behalf of its clients) in Clover participated in the call. (This shareholder voted in favour of the Company's Remuneration Policy at the preceding annual general meeting) The Clover Milk Producers Trust (who holds approximately 12.4% of voteable shares in Clover) voted against Clover's Remuneration Policy was not able to partake in the telephone conference and requested to engage with the Company early in 2018.

Concerns raised by these participating shareholders relate to disclosure of the implementation of the Remuneration Policy (specifically relating to the short-term incentive scheme) and the quantum relating to the base pay of certain executives.

These concerns were formally tabled and considered at the Remuneration Committee meetings held on 14 February 2018 and 15 May 2018 respectively. In view of the independent benchmark study conducted by PricewaterhouseCoopers (referenced above in the Remuneration Committee Chairman's letter to shareholders) the Remuneration Committee concluded that executive remuneration to be fair and reasonable and in line with the Company's peer group.

Apart from the above, the Remuneration Committee conducted the following activities during the year:

- reviewed the remuneration packages of the executive directors and other executives;
- reviewed performance targets applicable to the short-term incentives;
- established the future performance targets applicable to the short-term incentives;
- considered management's recommendations for non-executive directors' fees and the fees for the board sub-committees before recommending to the board and then to shareholders for approval;
- reviewed vesting of long-term incentives; and
- reviewed salary increases for executive directors and other executives.

Delivery against objectives

In the context of historic and ongoing engagement with shareholders and the resolution of legacy issues that resulted amendments to Clover's Remuneration Policy in 2015, the Remuneration Committee is satisfied that the current Remuneration Policy delivers against the Group's objectives of attracting and retaining scarce or specialist skills whilst optimising shareholder returns.

Notwithstanding functionality and compliance, the Remuneration Committee reiterates that its approach to remuneration is progressive and it will continue to further enhance the balance through best practice.

Future focus areas

The Remuneration Committee, in consultation with PricewaterhouseCoopers is currently developing a new long-term incentive scheme that will replace the current SARs scheme. This scheme will be presented to shareholders for input and approval in due course.

CLOVER'S REMUNERATION POLICY

REMUNERATION PHILOSOPHY AND TERMS OF REFERENCE

The overriding objective of Clover's Remuneration Policy is to drive value by balancing the attraction and retention of key skills with sustainable generation of returns on investment for shareholders and stakeholders.

The Remuneration Policy is regularly reviewed against international best practice to establish remuneration practices that are fair, reasonable and market related. It is designed to align the long-term interests of executive and senior management with the interests of shareholders by combining short-term remuneration with longer term incentives.

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

- Remuneration should support the Group's strategies and be consistent with the organisation's culture of fairness and equity
- Remuneration should consider Clover's size, complexity of the business and the competitive environment
- Remuneration should support Clover's vision to be the most admired branded consumer goods company in South Africa and other emerging markets by attracting and retaining appropriate talent
- Remuneration should correlate directly with Clover's growth objectives, financial performance targets and actual achievements
- Remuneration should be reviewed and benchmarked regularly through independent service providers to ensure that Clover remains competitive in its diverse markets. Percentiles should not be rigidly applied, but must take into account industry type, skill scarcity, performance and legislative structures and requirements
- Remuneration should motivate and allow for differentiation by rewarding high performers
- Remuneration levels should directly be influenced by individual contributions within roles and responsibilities.

GOVERNANCE

Clover's Remuneration Committee is a sub-committee of the board and is responsible for setting the approach to, and governance of, remuneration matters. It determines the remuneration of executive directors, other executives and recommends the remuneration of non-executive directors to shareholders for approval.

Details of Remuneration Committee members, meetings held and attendance are set out in the directorate and management section of this integrated report, on pages 20 to 23. The Executive Committee determines and approves the remuneration structures for all non-executive employees in line with the structures set out below:

Remuneration mix

To align and drive activities that will unlock value throughout the Group, Clover's remuneration structure comprises three components:

GUARANTEED FIXED INCOME (SALARY)

ANNUAL SHORT-TERM INCENTIVES (STIs)

LONG-TERM INCENTIVES (LTIs)

REMUNERATION MIX: GUARANTEED FIXED INCOME COMPONENT

The guaranteed fixed income component comprises:

- monthly salary
- compulsory benefits (e.g. retirement contributions)
- discretionary benefits (e.g. medical aid contributions)
- car benefits (managerial staff)

Employees on the Paterson Band C3 and below have the option of joining Discovery Health Medical Scheme or Umvuzo Medical Scheme and membership to such a scheme is optional. For Paterson C4 and above, membership to the Discovery Health Medical Scheme is compulsory.

Guaranteed fixed income benchmarking

Internal and independent benchmarking is performed regularly to ensure equity, fairness and market related base income.

The fixed income component is reviewed annually in May and is revised on 1 July of each year, following quarterly performance management reviews with each employee. To retain talent and adjust for market changes or employee promotions, interim reviews are also undertaken.

Clover's employment profile is shaped by competencies, outputs and behaviour required for a specific position. The employment profile must align with the organisational structure and culture, with an appropriate employment grade assigned to the position.

Scarce skills

Scarce skills are defined as skills key to our business processes which are in high demand in the workplace. Clover identifies scarce skills annually and the strategy is adjusted to reduce business risk. If scarcity is as a result of a requirement for a specific combination of skill and experience, Clover will attempt to reduce business risk by building talent pools around incumbents with these scarce skill profiles.

The fixed-income component of this category is targeted at the top-end (90th percentile) of the market range to reduce the risk of losing highly specialised skills and experience. The fixed income component also includes a retention bonus of 8% of annual basic salary payable at the end of each financial year, provided that performance criteria are met.

There are currently 10 scheme participants (down from 16 in the previous period) classified as "S"-category, which are reviewed annually by the Executive Committee.

PATERSON GRADES IN RELATION TO FIXED INCOME, STIs AND LTIs

Paterson Band	Guaranteed fixed income	Short-term incentive	Long-term incentive
B5 and lower	Base pay and benefits: 13th cheque	Not applicable	Not applicable
C1 to C5	Base pay and benefits: 13th cheque	Merit bonus based on formal performance review. Short-term incentive scheme for selected Paterson Grade C5 employees	Not applicable
D1 to D5	Base pay and benefits	Short-term incentive scheme	Long-term incentive scheme for selected employees (deferred profit share)
E	Base pay and benefits	Short-term incentive scheme	Long-term incentive scheme (deferred profit share)
F	Base pay and benefits	Short-term incentive scheme	Share appreciation rights scheme

REMUNERATION MIX: ANNUAL SHORT-TERM INCENTIVE COMPONENT: CATALYST FOR ANNUAL PERFORMANCE

Paterson Band	Individual performance weighting (%)	Group profit weighting (%)	Individual performance cap (%)	Group profit cap (%)	Entitlement (months' base salary)#	Max entitlement (months' base salary)#	Profit target
C5	66.7	33.3	100	200	1.5	2	Operating profit
D1 – D2	50	50	100	150	2	2.5	Operating profit
D3 – D5	33.3	66.7	100	175	3	4.5	Operating profit
E*	30	70	100	171	5	7.5	Operating profit
Other executives (F) ¥	30	70	100	171	10	15	Normalised attributable profit
Chief Financial Officer (F)	30	70	100	171	10	15	Normalised attributable profit
Chief Executive (F)	30	70	100	171	12	18	Normalised attributable profit

* *As example: If a staff member on Paterson E Band achieves a 100% individual performance bonus and a 171% Group profit bonus (maximum bonus), the employee will be entitled to 7.5 months' additional base salary in bonusses.*

For Paterson Band D1 to D5, the base salary consists of monthly basic salary. For Paterson Band E, the base salary consists of monthly basic salary, plus 22% car allowance, plus 10% pension fund contribution. For Paterson Band F, the base salary consists of total monthly guaranteed fixed income.

¥ *Marcelo Palmeiro's STI structure differs from the above, as agreed to between him and the Company.*

STI MEASURES AND TARGETS

Paterson Band	Measure	Target	Stretch target
C	Calculated as a percentage of annual basic salary	Individual performance rating of 4 or 5 for a merit bonus	Not applicable
D and E	Meeting specific key individual performance indicators agreed between employee and direct manager. Calculated on operating profit before restructuring costs.	Profit target triggered once 100% of target is reached	An additional 1% is added to the bonus for every 1% achieved over the profit target
F (Executive)	Meeting specific key individual performance indicators approved annually by the Remuneration Committee (see 2018 STI assessments and awards in the implementation report below). Calculated using normalised attributable profit.	Profit target is triggered once 100% of the profit target is reached	If profit exceeds target, all executives qualify for an additional 3.55% that will be paid for every 1% over the profit target

STIs are self-funded as all bonuses are budgeted for in full before the Remuneration Committee approves the profit target annually. The final profit figure is confirmed by the Remuneration Committee and approved by the board on completion of the annual independent audit and is not necessarily linked to the budget approved by the board.

Incentives are paid Annually in September.

The Remuneration Committee has the sole and absolute discretion to make adjustments for extraordinary factors, taking into account external circumstances beyond the control of employees, such as cyclicality.

Performance reviews are scheduled quarterly with each employee to provide feedback and guidance on achieving of objectives that will steer towards the achievement of profit targets.

REMUNERATION MIX: LONG-TERM INCENTIVE COMPONENT

Long-term incentive scheme (LTI)

Employees on Paterson Band E and certain positions on Paterson Band D5 qualify to participate in Clover's deferred bonus scheme. This LTI serves as a retention mechanism and aligns the Group's sustained performance with a commensurate deferred profit share structure.

LTI measures and targets

	Measure	Bonus	Payment scheme
Threshold	Normalised attributable profit target achieved as per budget	20% of annual base salary	Paid annually in three equal amounts commencing 12 months after entitlement
Target	Normalised attributable profit target achieved as per budget + 10%	40% of annual base salary	Paid annually in three equal amounts commencing 12 months after entitlement
Stretch target	Normalised attributable profit target achieved as per budget +20%	60% of annual base salary	Paid annually in three equal amounts commencing 12 months after entitlement

SHARE APPRECIATION RIGHTS SCHEME (SAR SCHEME)

Purpose: To attract, retain, motivate and reward Clover's executives (Paterson Band F) and other qualifying participants able to significantly influence Clover's performance by aligning their interests with those of Clover's shareholders.

The SAR scheme is governed according to the rules approved by Clover's shareholders in November 2010, as amended from time to time. Clover's SAR has been in effect for a decade. The Remuneration Committee has embarked on developing a new LTI-scheme that takes industry best practice, share liquidity, cyclicality and other factors into consideration.

Subsequent to the financial year-end, the annual top-up issue of SAR which were supposed to be issued on 30 June 2018 were only allocated on 12 September 2018 but have not been accepted by the participants due to the Company being in a closed period. In accordance with the JSE Listings Requirements. A formal announcement will be released on the Stock Exchange News Service once the participants accept the allocation. The SAR was allocated in accordance with the SAR measures and targets set out on pages 94 to 96 of this Report. This will be the final allocation in terms of the current SAR plan although the plan will remain in place and may be used for other ad hoc allocations required by the Remuneration Committee.

SAR MEASURES AND TARGETS

The Remuneration Committee determines the eligibility criteria, quantum as well as the conditions governing all allocations. Seniority, work function and the participant's ability to add value to Clover is taken into consideration.

SAR FIRST TIME ALLOCATION

The following market related formula is used to calculate the number of share appreciation rights a first-time participant may qualify for on the initial issue of SAR:

A=(BxC)/D

where:

A	Total number of SAR to be allocated
B	Guaranteed fixed income component of the participant
C	Market related multiple: Other executives: 4 CFO: 6 CEO: 8
D	The volume weighted average price of an ordinary share listed on the JSE over seven trading days immediately prior to the allocation date

SAR subsequent allocation

With effect from 1 July 2012, the Remuneration Committee adopted a smoothed average face value allocation formula applicable to second and subsequent allocations:

A = (BxC)/D

where:

A	Total number of SAR to be allocated	
B	Guaranteed fixed income component of the participant	
C	Market related multiples set out below:	
	Participant	Annual smoothed face value multiple
	Other executives	167%
	CFO	200%
	Chief Executive	267%
D	The volume weighted average price of an ordinary share listed on the JSE over seven trading days immediately prior to the allocation date	

Control provisions

In respect of any SAR allocated to participants on or after 1 January 2014, if 30% of the entire issued share capital of Clover is acquired by any person or persons acting in concert (except for the Clover Milk Producers Trust and/or the participants), only the proportionate number of shares will vest with regard to:

i) the period of time that has lapsed between the allocation date and the vesting date at the time of the acquisition (whether directly or indirectly); and

ii) the extent to which the performance criteria (if any) have been satisfied as at the date of the acquisition, as may be determined by the Remuneration Committee to be fair and reasonable to participants concerned.

Not all of the SAR shall immediately vest. Should a dispute arise between the participants and the Remuneration Committee, such dispute shall be deferred to the board for determination, provided that, should such dispute not be resolved within a period of 60 days from referral to the board, the dispute shall be referred to the expert in terms of Section 15 of the SAR plan for final determination.

Refer to page 84 of Clover's 2017 integrated report for historic change in control provisions applicable to SAR issues pre-1 January 2014.

Period of vesting of SAR and performance criteria

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

- Will vest in full after the third anniversary of the allocation date, provided that all relevant performance criteria were met
- SAR that are vested already must be exercised by the participant on or before the fifth anniversary of the allocation of these SAR
- Unless it is an initial allocation or once-off retention allocation to a participant which should be exercised on or before the seventh anniversary of the allocation of these SAR

SAR performance criteria

Refer to pages 66 – 74 of Clover's 2015 integrated report for information relating to the performance criteria applicable to SAR allocated prior to 30 June 2016.

All SAR allocated on or after 30 June 2016 are subject to the following performance criteria:

INDIVIDUAL PERFORMANCE CONDITION

30% of the allocation is subject to the achievement of individual performance targets, measured as the average over three years

30% vests at 70% performance and 100% vests at 90% performance:

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

FINANCIAL PERFORMANCE CONDITIONS

70% of the SAR allocation is subject to achieving financial performance as measured by HEPS and ROE:

Performance measure	Weighting	Threshold	Target	Stretch target
HEPS	35%	30% vests if HEPS growth (over the performance period of 3 years) of CPI + 4% per annum is achieved	65% vests if HEPS growth (over the performance period of 3 years) of CPI + 6% per annum is achieved	100% vests if HEPS growth (over the performance period of 3 years) of CPI + 8% per annum is achieved
ROE	35%	30% vests if actual ROE is achieved in the base year*	65% vests if actual ROE achieved in the base year* + 0.4%	100% vests if actual ROE achieved in the base year* + 0.9%

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

***Base year – will be calculated by taking actual ROE, excluding exceptional items, as at 30 June 2015 (13.5%) and applying a 0.3% annual incremental increase*

EXECUTIVE REMUNERATION

APPROACH

Executive remuneration structures (including those of executive directors and prescribed officers) comprise both guaranteed and various components as set out below. Clover's remuneration philosophy seeks to align and link both short- and long-term incentives to the achievement of business objectives and delivering acceptable return on shareholders' equity that supports Clover's sustainability.

The Remuneration Committee utilises external independent market surveys and benchmarks to determine executive remuneration and benefits as well as the base and attendance fees for non-executive directors.

Component	Type	Comprises	Objective
Guaranteed	Guaranteed fixed income	Base salary, benefits (car allowance, retirement and medical aid contributions	Commensurate with scope of position, experience and level of responsibility
Variable	Short-term incentive	Cash-based payments to an individual based on Group financial performance and individual performances over the preceding financial year	Rewards individual and profit performance. Refer to the STI table on page 93
Variable	Long-term incentive	All cash and equity-based awards that accrue to an individual over time, based on the Group's financial and individual performance over a financial period	Attract, retain and incentivise key incumbents to deliver exceptional individual and corporate performance over time, aligned to shareholder interests

GUARANTEED FIXED INCOME COMPONENT

The Remuneration Committee has the discretion to determine executive guaranteed fixed income packages. Executives may participate in a defined contribution retirement fund and other benefits, including vehicle allowances, medical insurance, death and disability insurance, leave and recognition for service.

Short-term incentives (STIs) (variable)

Executives' participation in STIs are linked to achieving profit growth targets and individual key performance measures. Refer to page 93 and the table on page 94.

Long-term incentives (LTIs) (variable)

Executive LTIs comprise equity-based awards that serve as a retention mechanism. More information on targets and measures are available on page 94, in particular the share appreciation rights scheme on page 95 which complies with JSE Listings Requirements. This scheme is currently under review.

Share dilution

SAR stipulates that the aggregate number of ordinary shares which may be acquired by executives may not exceed 16 million ordinary shares. At 30 June 2018, a total of 11 240 883 (30 June 2017: 11 240 883) ordinary shares have been issued to executives. The remaining balance available for issue is 4 759 117.

SARs allocations made during the year under review

Only the following SAR awards were made during the year under review.

On 1 November 2017 a first-time allocation of 1 000 000 SAR in respect of ordinary shares were made to and accepted by Mr FF Scheepers, Clover's newly appointed Chief Financial Officer at an allocation price of R13.56 per share. This allocation will vest in three equal portions after the 3rd, 4th and 5th anniversary of the allocation date. No performance criteria need to be met before the SARs vest as set out above as this allocation is a retention-based allocation.

On 14 February 2018 a retention award of 200 000 SAR in respect of ordinary shares were made to and accepted by Mr J van Heerden, an executive director of a major subsidiary of Clover at an allocation price of R15.15 per share. This allocation will vest in three equal portions after the 3rd, 4th and 5th anniversary of the allocation date. No performance criteria need to be met before the SARs vest as set out above as this allocation is a retention-based allocation.

Hedging of SARs

Clover entered into a forward contract to purchase 1 824 195 Clover Industries shares to hedge a portion of the share appreciation rights issued to management. Refer to note 13 of the financial statements on page 152 for further details.

Executive employment contracts

A six-month notice period is required for terminating the contract of employment for executive directors.

Non-executive directors' emoluments

Non-executive fees are competitive and ranked in the upper quartile to attract and retain specific skills and independent leadership that adds value to Clover.

Attendance fees are only paid for actual meetings attended. The Chairman and lead independent directors receive a fixed annual fee and does not receive any additional fees for serving on board sub-committees.

The fees payable to non-executive directors for the 2018 financial year will be increased by 4,5% from the fees paid during the year under review, subject to shareholder approval.

Engagement with shareholders

At each AGM, the remuneration policy is placed before shareholders for consideration and approval under the terms of an advisory non-binding vote.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- The remuneration committee will engage with shareholders to ascertain the reasons for the dissenting vote. This will form part of the existing engagement process on remuneration matters which is already a standard feature of our annual engagement with key institutional shareholders
- The remuneration committee will make specific recommendations to the Board as to how the legitimate and reasonable objections of shareholders might be addressed, either in the Company's remuneration policy or through changes in how the remuneration policy is implemented.

TOTAL REMUNERATION AND BENEFITS PAYABLE TO DIRECTORS AND PRESCRIBED OFFICERS

The board considered the requirements of the Companies Act and the recommendation of King IV™ with regard to disclosure of the remuneration of directors and prescribed officers. After careful consideration, board concluded that all members of the Executive Committee are deemed to be prescribed officers.

A complete table setting out total remuneration of directors and prescribed officers is available in note 32 to the financial statements on page 188 of this integrated report.

INTEREST OF DIRECTORS AND OTHER EXECUTIVES IN THE ORDINARY SHARE CAPITAL OF THE GROUP

A complete table setting out the interest of directors and prescribed officers in Clover's ordinary share capital is available in note 32 to the financial statements on page 194 of this integrated report.

Loans to executives

Refer to page 87 of the 2017 integrated report for salient features of the legacy loan and cession agreements entered into between Clover and its executives, as well as to Clovers website (www.clover.co.za) for full details relating to the MPCRE.

The loan agreements have been amended previously to provide for final loan repayment dates based on the normal retirement date for each executive.

The value of the ordinary shares forming the basis of the loan and cession agreements of Dr JHF Botes is approximately R20 million.

Other executives	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
JHF Botes	2 411 574	2 452 661	2 536 148	2 572 487	2 625 130	2 612 441	2 585 373	**2 725 273**
Total	2 411 574	2 452 661	2 536 148	2 572 487	2 625 130	2 612 441	2 585 373	**2 725 273**

Dr Steve Booysen
Chairman: Remuneration Committee

26 September 2018

IMPLEMENTATION REPORT

This is Clover's first implementation report in line with King IV™ requirements. The report details the outcome of the approved remuneration policy in the year under review. There were no deviations from the policy.

2018 GUARANTEED PACKAGE (GP)

The following increases to GP were implemented in the reporting period for executive directors and prescribed officers, where the new amounts were applicable from 1 July 2017 to 30 June 2018.

	Guaranteed package at 30 June 2018 R'000	Guaranteed package at 30 June 2017 R'000	% increase
Executive directors			
JH Vorster	**6 666**	6 411	4%
ER Bosch (resigned 31 December 2018)	**–**	3 981	–
F Scheepers (appointed 1 January 2018)	**4 080**		–
Prescribed officers (other executives)			
H Lubbe	**4 058**	3 864	5%
JHF Botes (Dr)	**4 095**	3 899	5%
MM Palmeiro	**3 996**	3 808	5%
J van Heerden	**3 415**	3 089	10.5%

** Mr ER Bosch resigned as Chief Financial Officer with effect from 01 January 2018. Mr F Scheepers was appointed as Chief Financial Officer with effect from 1 January 2018.*

2018 STI ASSESSMENT AND AWARDS

The committee's assessment of the Chief Executive's and Chief Financial Officers' performance against targets set for the various elements of the STI are indicated in the table below:

	Group profit component	Individual component
Range of final ratings	0%	0% – 100%
Description	The Group did not achieve its normalised attributable profit target of R404 million. The profit target is triggered once 100% of the profit target is reached. If profit exceeds target, an additional 3.55% for all executives will be paid for every 1% achieved over the target.	Individual performance measures are based on specific key performance indicators approved annually by the Remuneration Committee. Weighting of individual KPIs will vary from the average reflected below.

Key performance ratings for CE and CFO	Performance
Chief Executive	
Strategy: Implementation	☒
Strategy: Effectiveness of execution	☒
Brands and marketing: Optimise market share and profitability	
Brands and marketing: Development of new brands	☒
Execute agreed targets set for Project Sencillo	☒
Mergers, acquisitions and rest of Africa	☒
Leadership: Employment equity	☒
Leadership: Create a culture aligned to Clover's ethics and vision	☒
Investor relations: Consistent and transparent communication	☒
Growth: Increase PAT	☒
Growth: Increase HEPS	☒
Growth: Increase ROE	☒
Transformation	☒
Chief Financial Officer	
Risk management and legal: ensure proper corporate governance across operations and King IV™ implementation	☒
Risk management and legal: Internal audit results and improve Clover control environment	☒
Finance: Determine optimal working capital for the Group	☒
Finance: Determine optimal long-term finance for the Group	☒
Finance: Ensure accurate and timely financial reporting	☒
Finance: Grow HEPS	☒
Finance: Improve ROE	☒
Finance: Ensure maximum government incentives	☒
Investor relations: Arrange timeous and accurate investor roadshows	☒
Investor relations: Ensure quality of investor interactions and roadshows	☒
Transformation	☒

Good progress made	☒	**Progressive performance achieved**	☒	**Performance below expectations**	☒

** The Remuneration committee considered Clovers' normalised results in the evaluation above. Please refer to Annexure II on page 206 for further detail on our normalised results.*

2018 LTI PERFORMANCE ASSESSMENT – SHARE APPRECIATION RIGHTS (SARs) (ALL EXECUTIVES AND QUALIFYING STAFF)

INDIVIDUAL PERFORMANCE

Full vesting of the individual performance portion of the 7th allocation of SARs has been achieved for the year under review.

Individual performance condition:

Performance	Weighting	Minimum 30%	Maximum 100%
Average individual performance against KPIs over 3 years	30%	70%	90%

FINANCIAL PERFORMANCE

The financial performance conditions relating to the vesting of the 7th allocation of SAR have not been met and that subsequently no vesting will take place.

Financial performance condition:

Metric	Weight	Minimum 30%	Target 65%	Maximum 100%	Achievement	Result
HEPS growth	35%	HEPS > CPI +4%	HEPS > CPI +6%	HEPS > CPI + 8%	HEPS < CPI +4%	Not met
ROE growth	35%	= ROE in base year	= ROE in base year + 0.4%	= ROE in base year + 0.9%	ROE < in base year	Not met

Annual top-up allocation of SARs

Subsequent to the year under review, the Remuneration Committee resolved to allocate the annual top-up issue of SARs which were supposed to be issued on 30 June 2018 only on 27 August 2018 but the allocation have not been accepted by the participants as at the 12th of September 2018 due to the Company being in a closed period. In accordance with the JSE Listings Requirements a formal announcement will be released on the Stock Exchange News Service once the participants accept the allocation.

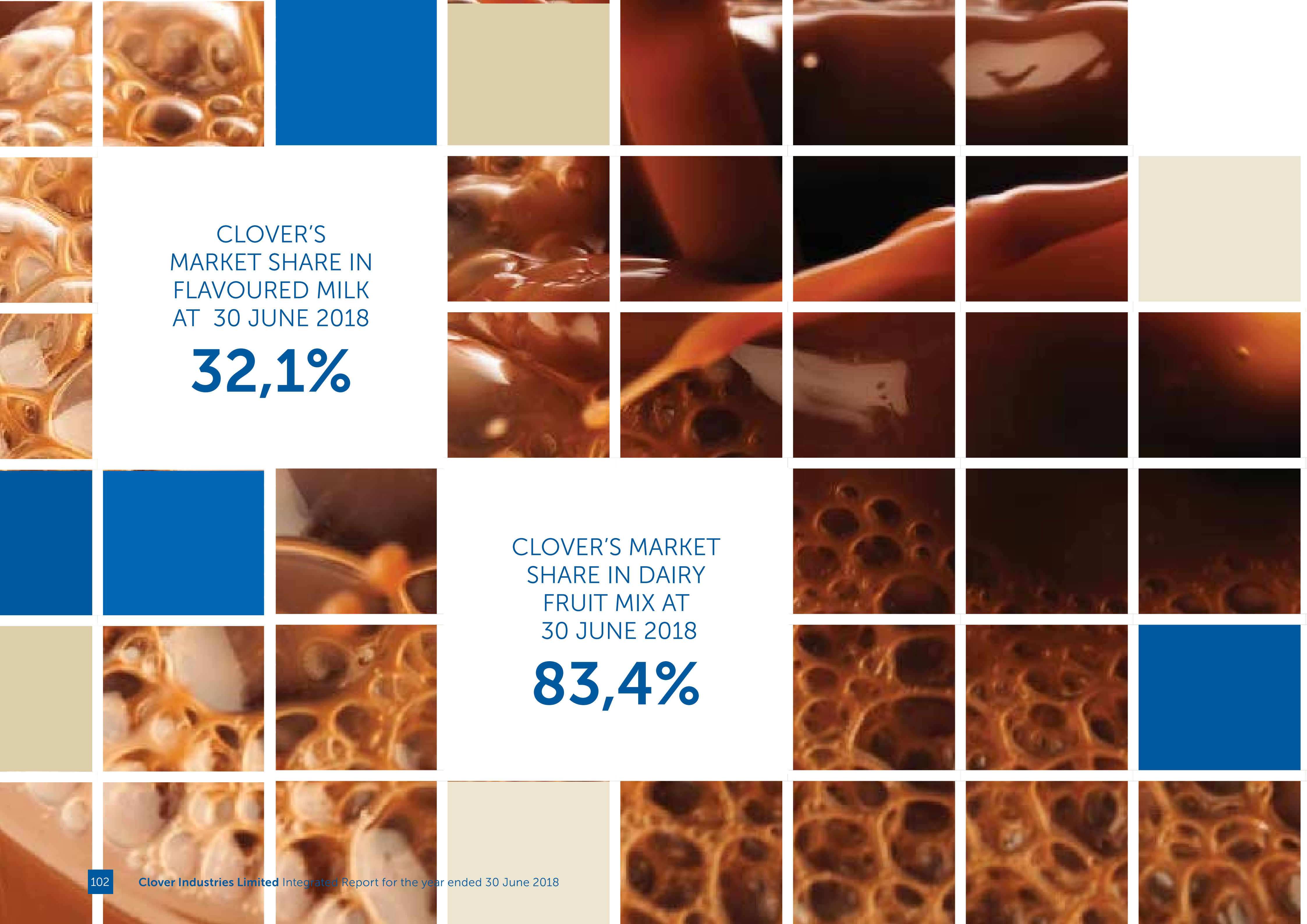
The SAR was allocated in accordance with the SAR measures and targets set out on pages 94 to 96 of this report. This will be the final allocation in terms of the current SAR plan although the plan will remain in place and may be used for other ad-hoc allocations required by the Remuneration Committee.

EXECUTIVE REMUNERATION SNAPSHOT AND SHARE DISCLOSURE TABLES

Details on total remuneration received and receivable by executive directors and prescribed officers for the year under review and the prior year comparative, as well as individual's interests in the issued share capital of the Company are available in the notes to the annual financial statements, on page 188 to page 194 of this report.

NON-EXECUTIVE DIRECTORS' FEES

Details on fees received and receivable by non-executive directors for the year under review and the prior year comparative are available in the notes to the annual financial statements, on page 188 of this report.



CLOVER'S MARKET SHARE IN FLAVOURED MILK AT 30 JUNE 2018

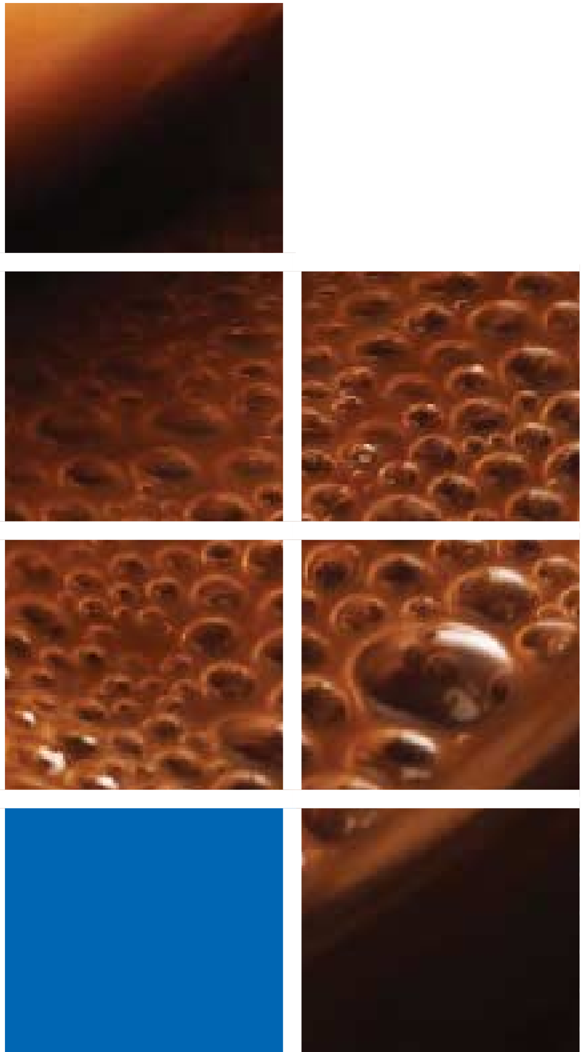
32,1%

CLOVER'S MARKET SHARE IN DAIRY FRUIT MIX AT 30 JUNE 2018

83,4%

CLOVER'S MARKET SHARE IN YOGHURT AT 30 JUNE 2018

11,9%



ANNUAL FINANCIAL STATEMENTS

The audited financial statements contained in this section were prepared under the supervision of Frantz Scheepers, 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 IV 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 shareholders at the Annual General Meeting on 28 November 2017. 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 26 November 2018. Details of the members of the Audit and Risk Committee, their qualifications and the number of meetings (including the attendance of the members) held for the financial year are set out on pages 20 to 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 financial systems, control and financial reporting procedures, the operating effectiveness of those procedures, the maintenance of accurate and complete accounting records and the preparation of financial statements in compliance with the applicable legal requirements, King IV code of governance principles and applicable accounting standards;
- to review the Group's 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 twice 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.

Key significant issues considered by the committee

I. 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 2018, 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 2018.

II. AUDIT FIRM ROTATION

- In June 2017, the Independent Regulatory Board for Auditors (IRBA) issued a rule prescribing that auditors of public interest entities (PIEs) in South Africa (SA) must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023.
- The audit and risk committee recognise this principle and views it in a serious light. However, the actions taken must be done in a practical manner to avoid minimum disruption to the business.
- As an interim measure, we have resolved to rotate partners, Derek Engelbrecht as the current designated auditor will be replaced with Ziningi Khoza but Ernst & Young Inc. as a firm will remain as the external auditor.
- The board has started the process of rotating Ernst and Young Inc.

III. 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 whether appropriate financial reporting procedures have been established and that those procedures are operating;
- 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;

- considered the JSE's pro-active monitoring report and reviewed the feedback from management and the relevant improvements made in 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.

IV. 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.

V. 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.

VI. SUSTAINABILITY

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

- reviewed the report on six capitals included in the Group's integrated 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 IV 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.

VII. 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 the 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 three key audit matters namely, accounting for growth hurdle rebates, right of return provisions and accounting of Dairy Farmers of South Africa (Pty) Ltd. 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; and

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.

The committee determines the nature and extent of any non-audit services that the external auditor may provide to the Group, or that the external auditor must not provide to the Group or a related party, and regularly reviews the nature and extent of any non-audit services rendered the external auditors. As a general rule, non-audit services may not exceed 25% of the fee charged in relation to the audit.

In addition to it being a regulatory requirement, the committee believes that the periodic rotation of the external audit partner is key to maintaining their independence. The external auditor agreed to actively rotate the external audit partner well in advance of the required rotation period to ensure that Clover benefits from a smooth transition.

The committee monitors the external auditor's performance and the effectiveness of the audit process as provided for in the terms of engagement and agreed audit scope and approach. Lastly, as required by section 3.84(g)(iii) JSE Listings Requirements, the committee monitors the external auditor and has obtained and reviewed the information specified in paragraph 22.15(h) of the JSE Listings Requirements.

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 2018 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 report.

Having achieved its objectives for the financial year, the Audit and Risk Committee has recommended the annual financial statements and integrated report for the year ended 30 June 2018 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

26 September 2018

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 2019. 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. Frantz Scheepers (CA)SA.

The consolidated and separate annual financial statements, set out on pages 113 to 196, which have been prepared on the going-concern basis, were approved by the board of directors on 26 September 2018 and were signed on their behalf by:

Werner Büchner

Chairman

Johann Vorster

Chief Executive

Certificate by the 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

26 September 2018

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), which comprise the consolidated and separate statements of financial position as at 30 June 2018, 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 2018, 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
Growth hurdle rebate	**Growth hurdle rebate**
The recognition of growth hurdle reduction in revenue and provision, depends on retailers achieving growth incentive targets (such as growth in sales values and/or growth in volumes). The period to assess whether retailers have achieved their growth incentive targets does not align with the Company's financial year-end. There are therefore a number of agreements which are in progress at the financial year end and for which final settlement will only occur at the end of the agreement or at a future point. Judgment is required in assessing whether retailers will achieve their growth incentive targets when settlement of the rebate occurs at the end of the calendar year, based on sales achieved as at the year end of the company in combination with evidence from prior year trends and forecasted sales.	Our audit procedures in respect of the payable recognised and the revenue deductions relating to growth hurdle, included the following: Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies including those relating to growth hurdle rebates and right of returns. • On a sample basis we inspected the rebate terms in the agreement and agreed them to inputs used in the calculation; • 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 estimated rebates due to each retailer based on actual sales year to date. We then compared this expectation to actual results. Where our recalculation based on the contractual terms and estimation based on sales year to date differed to management's final provision, we obtained support for the differences to vouch their validity; • We designed an analytic to match rates that materially changed from last year at an SKU level and investigated any deviations; and • On a sample basis we vouched payments and deductions to supporting documentation.

Key audit matter	How this matter was addressed in our audit
Right of returns provision There are provisions for returns recorded on the balance sheet as at year-end 30 June 2018. Management estimate the expected right of return trends based on historic actual returns, and actual right of returns as a percent of revenue. This requires significant judgement based on experience.	**Right of returns provision** Our audit procedures in respect of the payable recognised and the revenue deductions relating to right of returns, included the following: • 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 independently recalculated the calculation by taking into account historic data and return trends as well as returns in July 2018 compared to the provisions raised; • 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.

Accounting of Diary Farmers of SA "DFSA"
 	
As described in note 3.2 within the annual financial statements, with effect from 1 July 2017 Clover holds 26% of the shares in DFSA and as a consequence the results from DFSA are no longer consolidated into the Group's results.
We identified the accounting treatment of the reduction in shares and protective rights held by Clover as representing a key audit matter due to the complexity of the judgement required to determine if the protective rights held by Clover constitutes control in accordance with IFRS 10 – Consolidated Financial Statements.
	Accounting of Dairy Farmers of SA "DFSA"
	
	Our audit procedures to test the accounting for the transaction included:
	• We assessed whether the 26% shareholding held by Clover would grant Clover:
	  • power over DFSA; or
	  • exposure, or rights to variable returns from its involvement with DFSA; or
	  • the ability to use its power over DFSA to affect the amount of Clover's returns.
	• We reviewed all the transactional agreements between DFSA and CSA to assess if any conditions would trigger control;
	• We considered whether Clover has existing rights to participate and control in the direction of DFSA's operating activities;
	• Considered whether Clover's representation on the board of directors and the service contracts concluded contributes to Clover having significant influence over DFSA.

Key audit matter	How this matter was addressed in our audit
Events after the reporting period There was a significant event that took place after the reporting period. The recoverability of the revolving credit facility (RCF) extended to DFSA is dependent on its Board of Directors to execute their business strategy to create long term sustainability. The Chairman of the Board of Directors and the Chief Executive Officer of DFSA resigned after the reporting period. The unforeseen resignation of the key leadership team is an indicator of impairment as it impacts directly on the implementation of critical strategic initiatives and is considered to be an adjusting post balance sheet event. This event led to the impairment of the RCF balance as at 30 June 2018. The significance of the balance, the judgement required to determine that an impairment is required, and the impact on the financial statements as a whole have resulted in us considering this event to be a key audit matter.	**Events after the reporting period** Our audit procedures included, amongst others: • We reviewed the notice of resignation of the Chairman of the Board and the Chief Executive Officer of DFSA. • We understood the process management have followed to make their assessment as to whether the significant event that took place after the reporting period are adjusting or non-adjusting events; • We challenged management's judgment by reviewing the critical assumptions with reference to the cyclical nature of the DFSA business; • We reviewed the operational performance of DFSA in the period subsequent to the reporting date leading up to the date of the approval of the financial statements; • We challenged the practical implementation of the critical strategic initiatives to restore the profitability and sustainability of DFSA against the backdrop of material changes in the DFSA leadership and management team; • We evaluated the adequacy of the Group's disclosures regarding the impairment of the RCF, which is disclosed in note 13.1 of the consolidated financial statements as well as the other information disclosed within the Integrated Annual Report.

Other information

The Group's directors are responsible for the other information. The other information comprises the information included in Group's integrated report for the year ended 30 June 2018 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;
- 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; and
- 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 24 years.

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

26 September 2018

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 2018.

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:

	2018 R'm	2017 R'm
Revenue	**8 312,5**	10 058,6
Total comprehensive (loss)/income attributable to equity holders of the parent Company	**(33,1)**	141,3

More detailed financial information can be found in the financial report which forms part of the integrated report.

Subsidiary companies and interests in joint ventures

Details of subsidiary companies are reflected in note 30.1 to the financial statements and interests in joint ventures and associate in notes 3.1 and 3.2 to the financial statements.

During the year under review, there were no business combinations. Instead the Group focussed its attention on curbing rising fixed costs and the implementation and realisation of planned supply chain efficiencies. In line with the Group's stated strategy to expand its portfolio of value added and branded consumer products, the Group continued with the introduction of new value-added products, focusing on the needs of consumers and increased marketing spend to support the strategy, including new product launch activities.

In addition, the Group was successful in the exit and transfer of the cyclical low margin drinking milk business from Clover to Dairy Farmers of South Africa ("DFSA"). The Group currently holds a strategic share of 26% in DFSA and will continue to render services to DFSA for the next 19 years with an option to extend the agreement by another five years. Due to the resignation of the DFSA CEO and Chairman, the Board took a conservative approach and fully impaired the revolving credit facility of R439,0 million as at 30 June 2018. More details can be found in note 13.1.

These transactions and actions are in line with the Group'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 18 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 2017 and is valid until 25 November 2018. 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 share capital at the time.

There were no new shares issued during the year under review.

Dividends

Dividends declared and paid by CIL during the year:

	2018 R'000	2017 R'000
Ordinary dividends		
Declared and paid	**50 686**	114 802

The Board declared an interim dividend of R50,7 million (2017: R46,1 million) or 26,56 cents (2017: 24,21 cents) per ordinary share during February 2018. The cash paid in relation to the interim dividend amounted to R50,7 million (2017: R36,9 million cash and R9,2 million by the issue of 482 617 scrip distribution shares). It further declared a final dividend of R92,9 million or 48,68000 cents per ordinary share, bringing the total dividend for the year to R143,6 million (2017: R46,1 million) or 75,24 cents (2017: 24,21 cents) per ordinary share.

Declaration of dividend number 16

Notice is hereby given that the directors have declared a final gross cash dividend of R92,9 million or 46,68000 cents (38,94400 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2018.

The dividend has been declared from income reserves.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

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

The issued share capital at the declaration date is 190 835 364 ordinary shares. The salient dates are as follows:

Last day to trade to receive a dividend	Tuesday, 2 October 2018
Shares commence trading "ex" dividend	Wednesday, 3 October 2018
Record date	Friday, 5 October 2018
Payment date	Monday, 8 October 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 October 2018 and Friday, 5 October 2018, both days inclusive.

Directors and Company Secretary

Particulars of the present directors and Company Secretary are listed on pages 20 to 21 and page 26.

Share-based compensation

There were no new share appreciation rights (SARs) awarded during the current year.

Details of SARs issued and vested in terms of the plan are provided in the Remuneration Policy and Remuneration Report contained in the Integrated Report and note 31.

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 24 to 32.

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 R214,7 million (2017: R316,9 million) and R3,4 million (2017: R5,7 million) on intangible assets.

Directors' report (continued)

Events after the reporting period

Please refer to note 34 and the report on risk which contains a detailed discussion on DFSA and the subsequent decision to contribute an additional R90m.

Special resolutions

The following special resolutions were adopted at the annual general meeting of Clover Industries Limited held on 28 November 2017:

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 2017 was approved.

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

26 September 2018

Directorate and statutory information

Directors: non-executive

WI Büchner (Chairman)
SF Booysen (Dr)[#] (Lead Independent)
NV Mokhesi[#]
B Ngonyama[#]
NA Smith
JW Basson[#] (Appointed 1 January 2018)
JFM Morgan[#^] (Appointed 1 January 2018)
[#]Independent
[^]British national

Directors: executive

JH Vorster (Chief Executive)
FF Scheepers (Chief Financial Officer) (Appointed 1 January 2018)
ER Bosch (Chief Financial Officer) (Resigned 31 December 2017)

Company Secretary

J van Heerden

Ordinary share code

JSE: CLR, NSX:CLN
ISIN: ZAE000152377
Bond code
JSE: CLRI

Registered office

200 Constantia Drive, Constantia Kloof, 1709

Postal address

PO Box 6161, Weltevredenpark, 1715

Telephone

(011) 471 1400

Registration number

2003/030429/06

Tax number

9657/002/71/4

Transfer secretary

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors

Ernst & Young Inc.

Bankers

The Absa Group, Rand Merchant Bank, Investec Bank

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited) (JSE)
Merchantec Capital Namibia Proprietary Limited (NSX)

Consolidated statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2018

GROUP 2018 R'000	GROUP 2017 R'000		Notes	COMPANY 2018 R'000	COMPANY 2017 R'000
6 435 663	9 401 842	Sales of products			
1 873 581	641 499	Rendering of services		**18 734**	4 418
335	11 907	Sale of raw milk			
–	–	Dividends received		**50 686**	80 000
2 898	3 351	Rental income			
8 312 477	10 058 599	**Revenue**		**69 420**	84 418
(5 357 424)	(7 333 041)	Cost of sales	5.1		
2 955 053	2 725 558	**Gross profit**		**69 420**	84 418
82 913	60 040	Other operating income	5.2	**–**	47 394
(2 117 936)	(2 089 364)	Selling and distribution costs			
(273 310)	(284 721)	Administrative expenses		**(12 008)**	(12 627)
(4 123)	(48 098)	Restructuring expenses	5.7		
(31 548)	(48 936)	Other operating expenses	5.3		
611 049	314 479	**Operating profit**	5.4	**57 412**	119 185
(439 042)	–	Impairment of revolving credit facility to DFSA	13.1		
47 618	12 647	Finance income	5.5	**3 980**	5 097
(141 880)	(145 765)	Finance cost	5.6	**–**	(13)
21 104	18 486	Share of profit in joint ventures after tax	3.1		
98 849	199 847	**Profit before tax**		**61 392**	124 269
(139 509)	(41 105)	Taxation	6	**(2 998)**	(13 544)
(40 660)	158 742	**(Loss)/profit for the year**		**58 394**	110 725

Consolidated statements of comprehensive income (continued)

GROUP 2018 R'000	GROUP 2017 R'000		Notes	COMPANY 2018 R'000	COMPANY 2017 R'000
(40 660)	158 742	**(Loss)/profit for the year (carried forward from previous page)**		**58 394**	110 725
		Other comprehensive income to be reclassified to profit or loss in subsequent periods			
7 523	(14 510)	Exchange differences on translations of foreign operations, net of tax	20.1		
7 523	(14 510)	Exchange differences on translations of foreign operations			
–	–	Reclassified to profit or loss			
–	–	Income tax effect			
–	(2 412)	Net gain on cash flow hedges, net of tax			
–	(9 294)	Cash flow hedge fair value adjustment			
–	5 944	Reclassified to profit or loss			
–	938	Income tax effect			
7 523	(16 922)	Net other comprehensive income to be reclassified to profit or loss in subsequent periods			
(33 137)	141 820	**Total comprehensive (loss)/income for the year, net of tax**		**58 394**	110 725
		(Loss)/profit attributable to:			
(38 021)	158 258	Equity holders of the parent		**58 394**	110 725
(2 639)	484	Non-controlling interests			
(40 660)	158 742			**58 394**	110 725
		Total comprehensive (loss)/income attributed to:			
(30 498)	141 336	Equity holders of the parent		**58 394**	110 725
(2 639)	484	Non-controlling interests			
(33 137)	141 820			**58 394**	110 725
		(Loss)/earnings per share (cents)			
(19.9)	83.1	Basic (loss)/profit for the year attributable to ordinary equity holders of the parent	7		
(19.7)	82.3	Diluted (loss)/profit for the year attributable to ordinary equity holders of the parent	7		

Consolidated statements of financial position

AS AT 30 JUNE 2018

Group 2018 R'000	Group 2017 R'000		Notes	Company 2018 R'000	Company 2017 R'000
		Assets			
		Non-current assets			
2 417 791	2 427 444	Property, plant and equipment	10	**231**	232
9	9	Investment properties	11		
626 671	650 663	Intangible assets	12		
		Investment in subsidiaries	30.1	**326 735**	326 735
46 035	38 946	Investment in joint ventures and associates	30.1		
5 781	3 165	Other non-current financial assets	13.1		
30 203	45 496	Deferred tax assets	14	**77**	77
3 126 490	3 165 723			**327 043**	327 044
		Current assets			
869 091	964 630	Inventories	15		
1 479 090	1 341 311	Trade and other receivables	16	**602 791**	563 233
16 829	19 844	Prepayments			
3 702	7 165	Income tax receivable	25		
760 693	544 863	Cash and short-term deposits	17	**29 034**	63 241
3 129 405	2 877 813			**631 825**	626 474
2 719	4 607	**Assets classified as held-for-sale**	9		
6 258 614	6 048 143	**Total assets**		**958 868**	953 518
		Equity and liabilities			
		Equity			
9 542	9 542	Issued share capital	18	**9 542**	9 542
892 692	892 692	Share premium	18	**892 692**	892 692
105 689	78 642	Other capital reserves	19	**2 169**	2 169
17 160	9 637	Foreign currency translation reserve	20.1		
1 817 322	1 904 349	Retained earnings		**43 471**	35 670
2 842 405	2 894 862	Equity attributable to equity holders of the parent		**947 874**	940 073
(17 818)	(15 179)	Non-controlling interests			
2 824 587	2 879 683	**Total equity**		**947 874**	940 073
		Liabilities			
		Non-current liabilities			
665 059	767 621	Interest–bearing loans and borrowings	21		
23 226	57 088	Non-controlling interest put options liability	22		
75 424	82 595	Employee-related obligations	23		
260 309	221 065	Deferred tax liability	14		
11 448	25 492	Trade and other payables	24		
2 776	9 683	Other non-current financial liabilities	13.2		
1 038 242	1 163 544				
		Current liabilities			
1 676 176	1 274 700	Trade and other payables	24	**10 638**	10 013
685 691	714 304	Interest-bearing loans and borrowings	21		
13 639	6 141	Other current financial liabilities	13.2		
		Income tax payable	25	**356**	3 432
20 279	9 771	Employee-related obligations	23		
2 395 785	2 004 916			**10 994**	13 445
3 434 027	3 168 460	**Total liabilities**		**10 994**	13 445
6 258 614	6 048 143	**Total equity and liabilities**		**958 868**	953 518

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2018

		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 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	20.1				(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	2	729	(1 651)			639	(281)		(281)
Non-cash distribution	8	24	9 189				(9 213)	–		–
Non-controlling interest put option movement	22								(57 088)	(57 088)
Acquisition of non-controlling interest							(2 730)	(2 730)	(5 624)	(8 354)
Share-based payment expense recognised	31			5 865				5 865		5 865
Call option in Frankies reclassified	19			(445)			445	–		–
Non-controlling interest arising from business combinations									24 234	24 234
Dividends forfeited							62	62		62
Dividends declared and paid	8						(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**
Loss for the year							**(38 021)**	**(38 021)**	**(2 639)**	**(40 660)**
Other comprehensive income	20.1				**–**	**7 523**		**7 523**	**–**	**7 523**
Total comprehensive loss					**–**	**7 523**	**(38 021)**	**(30 498)**	**(2 639)**	**(33 137)**
Non-controlling interest put option movement	19 & 22			**33 863**				**33 863**		**33 863**
Share-based payment (credit) recognised	19 & 31			**(2 593)**				**(2 593)**		**(2 593)**
Share appreciation rights exercised	19			**(4 223)**			**1 587**	**(2 636)**		**(2 636)**
Dividends forfeited							**93**	**93**		**93**
Dividends declared and paid	8						**(50 686)**	**(50 686)**		**(50 686)**
Balance at 30 June 2018		**9 542**	**892 692**	**105 689**	**–**	**17 160**	**1 817 322**	**2 842 405**	**(17 818)**	**2 824 587**

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2018

		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 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	18	24	9 189		(9213)	–
Share appreciation rights exercised		2	729			731
Dividends forfeited					62	62
Dividends declared and paid	8				(114 802)	(114 802)
Balance at 30 June 2017		**9 542**	**892 692**	**2 169**	**35 670**	**940 073**
Profit for the year					**58 394**	**58 394**
Other comprehensive income					**–**	**–**
Total comprehensive income					**58 394**	**58 394**
Dividends forfeited					**93**	**93**
Dividends declared and paid	8				**(50 686)**	**(50 686)**
Balance at 30 June 2018		**9 542**	**892 692**	**2 169**	**43 471**	**947 874**

Consolidated statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2018

GROUP 2018 R'000	GROUP 2017 R'000		Notes	COMPANY 2018 R'000	COMPANY 2017 R'000
		Operating activities			
98 849	199 847	Profit before tax		**61 392**	124 269
98 849	199 847	**Profit before tax**		**61 392**	124 269
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
200 758	183 366	Depreciation of property, plant and equipment		**1**	1
27 197	22 816	Amortisation of intangible assets			
–	6	Depreciation of investment properties			
(2 616)	(1 422)	Fair value adjustments			
439 042	–	Impairment of revolving credit facility to DFSA			
–	4 100	Software licences written off			
(200)	(9 270)	Profit on the sale of Lactolab			
–	336	Deconsolidation of Lactolab			
(1 272)	(33 404)	Profit on disposal and scrapping of assets			
591	(15 889)	Unrealised loss on financial instruments			
5 702	(9 321)	Unrealised foreign exchange loss/(gain)	5.3		
–	11 232	Realised foreign exchange loss/(gain)			
(7 089)	(7 295)	Share of profit of joint venture – net of dividend received	3		
3 337	2 213	Movement in provisions			
(2 593)	5 865	Share appreciation rights (credit)/expense recognised over vesting period	31		
		Other adjustments:			
141 880	145 765	Finance cost	5.6	**–**	13
(47 618)	(12 647)	Finance income	5.5	**(3 980)**	(5 097)
–	–	Dividends received		**(50 686)**	(80 000)
(2 019)	–	Share appreciation rights paid in cash			
(84 424)	(47 115)	Taxes paid	25	**(6 074)**	(9 184)
		Working capital adjustments			
95 539	(43 578)	Decrease/(Increase) in inventories			
(134 764)	(36 747)	(Increase)/Decrease in trade and other receivables		**11 128**	(8 835)
387 432	(81 902)	Increase/(Decrease) in trade and other payables		**625**	(79)
1 117 732	276 956	**Net cash flows from operating activities**		**12 406**	21 088

Consolidated statements of cash flows

(continued)

FOR THE YEAR ENDED 30 JUNE 2018

GROUP				COMPANY	
2018 R'000	**2017 R'000**		**Notes**	**2018 R'000**	**2017 R'000**
1 117 732	276 956	**Net cash flows from operating activities**		**12 406**	21 088
		Investing activities			
32 965	58 941	Proceeds from sale of property, plant and equipment and other assets			
–	(11 232)	Realised foreign exchange loss/(gain)			
47 618	12 647	Interest received	5.5	**3 980**	5 097
(439 042)	–	Revolving credit facility granted to Dairy Farmers of South Africa Proprietary Limited			
(2 020)	–	Unbundling of Dairy Farmers of South Africa Proprietary Limited			
–	10 275	Disposal of controlling interest in Lactolab Proprietary Limited			
–	(29 639)	Acquisition of controlling interest in Clover Pride Proprietary Limited			
–	3 854	Cancellation of a finance lease			
–	–	Dividends received		**–**	130 000
(214 743)	(316 883)	Capital expenditure: tangible assets			
(3 425)	(5 671)	Capital expenditure: intangible assets			
(578 647)	(277 708)	**Net cash flows (used in)/from investing activities**		**3 980**	135 097
		Financing activities			
(112 362)	(145 765)	Interest paid	5.6 & 25.2	**–**	(13)
(50 593)	(115 230)	Dividends paid		**(50 593)**	(114 802)
–	(4 440)	Non-controlling interest acquired in Clover Frankies Proprietary Limited			
–	(3 854)	Cancellation of a finance lease			
(313 333)	(285 668)	Repayment of borrowings and finance leases	25.2		
150 000	496 975	Proceeds from borrowings	25.2		
(326 288)	(57 982)	**Net cash flows (used in)/from financing activities**		**(50 593)**	(114 815)
212 797	(58 734)	**Net increase/(decrease) in cash and cash equivalents**		**(34 207)**	41 370
3 033	(474)	**Net foreign exchange difference**			
544 863	604 071	**Cash and cash equivalents at the beginning of the year**		**63 241**	21 871
760 693	544 863	**Cash and cash equivalents at the end of the year**	17	**29 034**	63 241

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 2018 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 2018 were authorised for issue in accordance with a resolution of the directors on 26 September 2018. 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 and 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

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 consolidated financial statements 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 and associates

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.

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

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

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

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

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

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

Effective 1 July 2017, Clover Industries indirectly holds a 26% voting rights (0% economic interest) in Dairy Farmers of South Africa (DFSA) through Clover SA. The Group has made an assessment in terms of IFRS 10 and has concluded that it has does not exercise control over DFSA and accordingly has classified the interest in DFSA as an investment in associate due to the Group having significant influence over the associate. Clover will not share in any distributions of DFSA and accordingly no portion of the profits or equity will be attributed to the Group.

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 2018, the following standards and interpretations were in issue but not yet effective (it should be noted that the below list is not exhaustive since only standards that are applicable to the Group have been listed):

	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
IFRIC Interpretation 22 *Foreign Current Transactions and Advance Considerations*	1 January 2018
Long-term interests in Associates and Joint Ventures Amendments to IAS 28 –	1 January 2019
IFRS 2 *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2*	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	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
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity	1 January 2019
The Conceptual Framework for Financial Reporting	1 January 2020

The Directors do not anticipate that that the above new standards and amendments to existing standards issued but not yet effective will have a significant impact on the Group and Company except for IFRS 9, IFRS 15 and IFRS 16 as listed below:

- **IFRS 9** Financial Instruments (amendment)

  IFRS 9 combines the classification and measurement of financial assets and liabilities, the expected credit loss impairment model ('ECL model') for financial assets measured at amortised cost and fair value through other comprehensive income and hedge accounting that is to replace the current accounting under IAS 39.

  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 Group is of the view that except for the revolving credit facility advanced to DFSA, due to the limited types and short life spans of financial instruments entered into by the Group, the disclosure is expected to impact only 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 represents 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).

  The revolving credit facility advanced to DFSA is currently classified as a non-current financial asset and is measured at amortised cost. Non-current financial assets continue to qualify for measurement at amortised cost under IFRS 9 because they are held to collect contractual cash flows comprising principal and interest and held within the same business model, therefore there is no change to the accounting for these assets. Management does not expect the standard to have a significant impact on performance as the revolving credit facility has already been fully impaired under IAS 39 (refer to note 13.1). The standard may have an impact when re-evaluating the impairment of the revolving credit facility in future. This is not expected to be material due to the nature of the debtor.

  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.

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

  IFRS 15 establishes a single, comprehensive model for determining when to recognise revenue and the amount of revenue to be recognised. IFRS 15 replaces the previous revenue standards that are currently in place.

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

  Application guidance is provided in the standard to assist entities in applying its requirements to determining the consideration paid to a customer, variable consideration, common arrangements, including licences, warranties, rights of return, principal-*versus*-agent considerations, options for additional goods or services, and breakage.

  The new standard is more prescriptive than current IFRS and the disclosure requirements are more extensive. Management has established a work group to assess the impact the new standard will have on the Group's and company's recognition of revenue, and the additional disclosure that it will need to provide.

  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. The Group does not expect significant changes to current accounting practices, an impact of less than 3% of current revenue and will have no impact on the operating profit. Accounting for contract liabilities and right of return assets for the Group's return policies could change current accounting practice.

  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.

  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.

  The quantitative impact of this standard is expected to be material due to the large number of properties, plant, equipment and vehicle leases in place.

2.3 New standards, new interpretations and amendments to standards adopted in the current period

On 1 July 2017, the Group adopted the following new standards, new interpretations and amendments to standards.

	Effective for accounting period beginning on or after
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
AIP IFRS 12 Disclosure of Interests in Other Entities Clarification of the scope of the disclosure requirements in IFRS 12	1 January 2017

The above standards, with the exception of IAS 7, did not have a material impact on the Group. For more details about the effect of IAS 7 please refer to note 25.2.

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 to offset the effect of the prices volatility in diesel. Refer to note 13.

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 3.

Cell captive

The cell captive is considered to be a financial asset at fair value through profit or loss and is 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.

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 10.

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.

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 12.

Share-based payments – equity

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The Group is currently using the Hull-White Trinominal Lattice model. This also requires determining the most appropriate inputs to the valuation model and making assumptions about them. Refer to note 31.

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 29 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 through actuarial assessment. Refer to note 13.

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 13.

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 22.

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

Property, 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 property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The carrying values of property, 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 assets' 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, 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

Software: 5 to 10 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 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.

Long-service award bonus
The Group reward employees with long service by remunerating them with a lump sum after a specific number of years of services. Refer to note 33 for further detail on valuation method and results.

n Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account discounts or rebates. With effect from 1 April 2018 the Health Promotion Levy ("sugar tax"), which is administered by the Customs and Excise Act of 1964, was introduced in South Africa. Sugar tax is not directly related to sales, unlike value-added tax (VAT). It is not recognised as a separate item on invoices. Sugar tax is not always directly passed on to customers and the Group cannot reclaim sugar tax (unlike VAT) where customers do not pay for products received. The Group considers sugar tax as a cost to the Group and reflects it in cost of sales and consequently any sugar tax that is recovered in the sales price is included in revenue.

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 but inclusive of sugar tax. 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.

o Cost of sales

Cost of sales consists of the following:

- Cost of raw milk, ingredients and packaging and sugar tax;
- Milk collection cost;
- Manufacturing direct and indirect costs;
- Primary distribution costs; and
- Charges against sales (i.e. co-op advertising, agent commission, border levies, etc.).

p Finance costs

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

q Taxes

Current taxation
Current taxation assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The taxation rates and taxation laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation
Deferred tax is provided using the statement of financial position method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-of current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Value-added taxation (VAT)
Revenues, expenses, assets and liabilities are recognised net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

r Segment reporting

The operating segments are based on the Group's management and internal reporting structure. 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 and that the risks and returns are likewise similar. As a result, the business of the Group is considered to be a single segment, namely Clover Industries Limited ("CIL"). Refer to note 4 for the detail disclosures.

s Share-based compensation

The Group operates an equity-settled, as well as a cash-settled share-based compensation plan.

Equity-settled share-based compensation plan
The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period, and that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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

t Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are disclosed in note 29. Non-financial assets such as investment properties are measured at cost less accumulated depreciation and accumulated impairment. Its fair values are disclosed in note 11. 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.

u Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is used to reduce the cost of the asset.

v Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 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.

w 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.

3.1 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 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
279 276	136 103	Current assets including cash and cash equivalents of R9,9 million (2017: Rnil million) and inventory R196,6 million (2017: R96,3 million)		
2 250	1 840	Non-current assets including deferred tax of R2,3 million (2017: R1,8 million)		
(191 262)	(61 579)	Current liabilities including trade and other payables of R190,2 million (2017: R61,5 million)		
90 264	76 364	Equity		
51%	51%	Portion of the Group's ownership		
46 035	38 946	Carrying amount of the investment		
		Joint venture's revenue and profit		
610 927	515 117	Revenue		
(515 291)	(432 673)	Cost of sales		
(34 286)	(32 125)	Sales, marketing, distribution and administrative expenses		
(866)	140	Other operating (costs)/income		
712	285	Finance income		
(3 707)	(401)	Finance cost		
57 489	50 343	Profit before taxation		
(16 109)	(14 096)	Income tax expense		
41 380	36 247	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
21 104	18 486	Group's share of profit for the year after tax		
(14 015)	(11 191)	Dividend received		
7 089	7 295	**Net movement**		

3.1 INTEREST IN JOINT VENTURES (continued)

Clover Industries indirectly holds a 50.1% interest in Clover Futurelife through Clover SA. Clover Futurelife 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	
2018 R'000	2017 R'000		2018 R'000	2017 R'000
		Clover Futurelife		
		Joint venture's statement of financial position		
3 310	5 237	Current assets including cash and cash equivalents of R0,8 million (2017:R0,5 million), trade and other receivables of R1,8m (2017: R3,9 million) and inventory of R0,5 million (2017: R0,8 million)		
–	18	Non-current assets		
(4 732)	(5 268)	Current liabilities including trade and other payables of R4,7 million (2017: R5,3 million)		
(1 422)	(13)	Equity		
50.1%	50.1%	Portion of Group's ownership		
–	–	Carrying amount of investment (Limited to R0)		
		Joint venture's revenue and profit		
16 970	9 994	Revenue		
(9 559)	(5017)	Cost of sales		
(8 859)	(5 052)	Sales, marketing, distribution and administrative expenses		
56	57	Finance income		
(1 392)	(18)	Loss before tax		
(18)	5	Income tax expense		
(1 410)	(13)	**Loss for the period**		
50.1%	50.1%	Portion of the Group's ownership		
–	–	Group's share of loss for the year (Limited to R0)		
		Total interest in profits from joint ventures		
21 104	18 486	**Total Group share of profit after tax**		
46 035	38 946	**Total investments in joint ventures**		

3.2 INTEREST IN ASSOCIATE

Effective 1 July 2017, Clover Industries indirectly holds 26% of the voting rights (0% economic interest) in the form of A-shares in Dairy Farmers of South Africa (DFSA) through Clover SA. The A-shares do not share in profits of DFSA while the B-shares held by the producers of DFSA do share in profits. DFSA is responsible for the procurement of raw milk and selling, marketing and distribution of non-value added drinking milk. The Group has made an assessment in terms of IFRS 10 and has concluded that it has does not exercise control over DFSA and accordingly has classified the interest in DFSA as an investment in associate due to the Group having significant influence over the associate. Summarised financial information of the associate, 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	
2018 R'000	2017 R'000		2018 R'000	2017 R'000
		Dairy Farmers of South Africa		
		Associate's statement of financial position		
752 537		Current assets including cash and cash equivalents of R16 million, trade and other receivables of R499m and inventory of R238 million		
2 450		Non-current assets		
(439 041)		Current liabilities including trade and other payables of R439 million		
(449 205)		Non-current liabilities including loan from shareholder of R445 million		
(133 259)		Equity		
*		Voting rights*		
		Associate's revenue and profit		
4 891 185		Revenue		
(4 354 240)		Cost of sales		
(725 195)		Sales, marketing, distribution and administrative expenses		
120 098		Other operating income		
(25 274)		Other operating expenses		
659		Finance income		
(34 267)		Finance cost		
(127 034)		Loss before tax		
(1 744)		Income tax expense		
(128 778)		**Loss for the period**		
*		Voting rights*		

** Clover will not share in any distributions of DFSA and accordingly no portion of the profits or equity will be attributed to the Group.*

4 SEGMENT REPORTING (continued)

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 and that the risks and returns are likewise similar. As a result, 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; and
- The services rendered product group consists of sales, merchandising, warehousing and distribution services rendered to principals.

30 June 2018 SEGMENT REPORT BY PRODUCT GROUP	Value-added 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	Services rendered R'000	CIL Group R'000
External revenue								
Sale of products	1 230 831	1 492 849	176 484	2 409 724	998 847	126 928		6 435 663
Revenue from rendering of services							1 873 581	1 873 581
Sale of raw milk	335	–	–	–	–			335
Charges against sales	(19 791)	(40 423)	(6 830)	(68 069)	(41 320)	(6 323)		(182 756)
Cost of material and packaging	(714 154)	(905 074)	(104 269)	(976 493)	(600 229)	(81 997)		(3 382 216)
Milk collection cost	(9 221)	(2 200)	(469)	(345)	(363)	–		(12 598)
Margin on material and services rendered	488 000	545 152	64 916	1 364 817	356 935	38 608	1 873 581	4 732 009
Reconciliation of margin on material to operating profit								
Margin on material and services rendered								4 732 009
Rental income								2 898
Direct and indirect manufacturing cost								(1 273 852)
Primary distribution cost								(506 002)
Gross profit								2 955 053
Net other costs*								(2 339 881)
Restructuring cost								(4 123)
Operating profit								611 049
Net financing cost								(94 262)
Tax expense								(139 509)
Depreciation and amortisation								(228 534)
Assets and liabilities								
Assets								6 697 656
Liabilities								3 434 027

** Net other costs consists of selling, distribution, administrative and other operating expenses as well as other operating income.*

4 SEGMENT REPORTING (continued)

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	Services rendered 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
Revenue from rendering of services							641 499	641 499
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 and services rendered	1 764 858	393 180	71 265	1 288 742	220 274	29 714	641 499	4 409 532
Reconciliation of margin on material to operating profit								
Margin on material and services rendered								4 409 532
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

** Net other costs consists of selling, distribution, administrative and other operating expenses as well as other operating income.*

Group operations outside of South Africa are not material. However, one of the regions is close to becoming material and has been disclosed separately up to margin on material level as part of the segment report by geographical region on a voluntary basis.

4 SEGMENT REPORTING (continued)

30 June 2018 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	**5 642 283**	**560 389**	**232 991**	**6 435 663**
Revenue from rendering of services	**1 873 581**	**–**	**–**	**1 873 581**
Sale of raw milk	**335**	**–**	**–**	**335**
Charges against sales	**(165 963)**	**(11 098)**	**(5 695)**	**(182 756)**
Cost of material and packaging	**(2 850 607)**	**(351 647)**	**(179 962)**	**(3 382 216)**
Milk collection cost	**(12 598)**	**–**	**–**	**(12 598)**
Margin on material and services rendered	**4 487 031**	**197 644**	**47 334**	**4 732 009**

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
Revenue from rendering of services	641 499	–	–	641 499
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 and services rendered	4 180 007	194 142	35 383	4 409 532

	2018 R'000	2017^ R'000
Sales and services to major customers		
Customer 1*	**1 395 675**	2 135 975
Customer 2*	**996 964**	2 095 287
Customer 3#	**1 169 404**	–
Customer 4*	**773 875**	1 194 880

** 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.*

 # Revenue is generated by the Group from this customer only within the services rendered segment as listed in the Table:Segment report per product group above.

^ The 2017 revenue includes revenue from sale of products relating to DFSA. The current year does not include DFSA sales, and therefore a significant decrease.

5 INCOME AND EXPENSES

5.1 Cost of sales

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
(182 756)	(212 092)	Charges against sales		
(2 590 224)	(3 840 542)	Cost of raw materials		
(791 992)	(1 278 622)	Packaging costs		
(12 598)	(314 460)	Milk collection cost		
(1 273 852)	(1 250 415)	Manufacturing direct and indirect cost		
(506 002)	(436 910)	Primary distribution cost		
(5 357 424)	(7 333 041)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below:		
(140 610)	(105 382)	Depreciation and impairment of property, plant and equipment		
(521)	(873)	Amortisation and impairment of trademarks, right of use assets and licences		
(141 131)	(106 255)	Total depreciation, impairment and amortisation included in cost of sales		
(17 195)	(22 326)	Total inventories, raw material and finished product written off or provided for included in cost of sales		

5.2 Other operating income

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
25 254	–	DFSA Royalty income		
1 273	33 404	Profit on disposal and scrapping of property, plant and equipment and other assets		
8 057	–	Realised foreign exchange gains		
–	9 321	Unrealised foreign exchange gains		
1 630	324	Scrap sales and sales to staff		
4 483	–	Gain on unbundling of DFSA		
3 596	617	Fair value adjustment on call options		
25 248	–	Supplier settlement claims		
230	–	Reversal of impairment loss on trade receivables		
835	1 351	Handling fees		
200	9 270	Profit on the sale of investment in Lactolab		
		Fees for the cession of milk rights	**–**	47 394
12 107	5 753	Sundry*		
82 913	60 040	Total other operating income	**–**	47 394

** Sundry income includes income from canteen sales and a distribution from cell captive.*

5 INCOME AND EXPENSES (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		5.3 Other operating expenses		
(13 830)	(10 466)	Write down to net realisable value of consumable stock (engineering spares)		
(3 750)	(7 991)	Loss on hedge for share appreciation rights forward purchases		
–	(552)	Loss on hedge for diesel purchases		
–	(11 485)	Movement in provision on impairment of trade receivables		
(980)	–	Fair value adjustment on cell captive		
–	(11 232)	Realised foreign exchange loss		
(5 702)	–	Unrealised foreign exchange loss		
(7 009)	(6 750)	Royalties		
(277)	(460)	Sundry*		
(31 548)	(48 936)	**Total other operating expenses**		
		5.4 Operating profit		
		Operating profit before finance income/(cost) has been determined after taking into account the following expenses:		
		Other expenses		
(66 673)	(49 621)	Research expenses		
(237 814)	(313 801)	Distribution and transport cost		
		Rentals		
(50 205)	(41 579)	• land and buildings		
(42 122)	(45 221)	• equipment		
(5 991)	(7 449)	• vehicles		
(1 267)	(763)	• machines		
(4 962)	(4 445)	• other		
		Direct operating expenses of investment properties earning rental income		
(100)	(188)	• maintenance		
(409 134)	(463 067)	**Total other expenses**		
		Personnel expenses		
(1 580 679)	(1 630 170)	Wages, salaries, bonuses and car allowances		
(23 442)	(23 115)	Company contributions		
(104 386)	(109 706)	Pension and provident fund contributions		
(36 080)	(36 974)	Medical aid fund contributions		
(47 921)	(64 059)	Other personnel expenses		
(2 007)	(46 779)	Retrenchment cost		
(1 794 515)	(1 910 803)	**Total personnel expenses**		

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

5 INCOME AND EXPENSES (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Auditors' remuneration		
(9 282)	(11 071)	Audit fees current year	**(1 689)**	(1 842)
–	(224)	Prior year (under)/over provision		
(941)	(403)	Other fees		
(10 223)	(11 698)	**Total auditors' remuneration**	**(1 689)**	(1 842)
		Depreciation, amortisation and impairment		
(60 727)	(79 055)	Depreciation of property, plant and equipment	**(1)**	(1)
–	(6)	Depreciation of investment properties		
(26 676)	(21 944)	Amortisation of trademarks, right of use assets and licences		
(87 403)	(101 005)	**Total depreciation and amortisation included in selling, distribution, restructuring and administrative expenses**	**(1)**	(1)
		5.5 Finance income		
11 141	10 601	Bank interest	**3 734**	4 852
1 551	948	Interest received on call deposits		
34 267	–	Interest on revolving credit facility advanced		
659	1 098	Other	**246**	245
47 618	12 647	**Total finance income**	**3 980**	5 097
		5.6 Finance cost		
(16 199)	(26 366)	Bank loans and overdrafts		
(85 515)	(89 117)	Debtors' securitisation		
(33 543)	(25 520)	Debentures		
(6 623)	(4 762)	Other	**–**	(13)
(141 880)	(145 765)	**Total finance cost**	**–**	(13)
		5.7 Restructuring expenses		
		Restructuring expenses has been determined after taking into account the following expenses:		
(2 007)	(46 779)	Retrenchment expenses		
(2 116)	–	Reallocation cost of existing assets as part Project Sencillo		
–	(1 319)	Other		
(4 123)	(48 098)	**Total restructuring expenses**		

6 TAXATION

6.1 The major components of the tax expenses are:

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Local income tax		
		Current income tax		
(68 546)	(14 975)	• current year	**(2 998)**	(12 399)
–	2 808	• prior year	**–**	(1 145)
		Deferred income tax		
(55 408)	(12 906)	• current year		
9 147	3 105	• prior year		
(4 839)	(590)	• deferred tax asset write-down		
–	970	• rate change		
(4 627)	(5 794)	Withholding tax on foreign income		
		Foreign taxation		
		Current income tax		
(14 519)	(12 457)	• current year		
–	239	• prior year		
		Deferred taxation		
(717)	(1 505)	• current year		
–	–	• prior year		
(139 509)	(41 105)	**Total income tax expense**	**(2 998)**	(13 544)
273 375	348 112	**Estimated taxation losses available for reduction of future taxable income**		

6.2 Reconciliation of income tax rate

Group 2018 %	Group 2017 %		Company 2018 %	Company 2017 %
28.00	28.00	Standard income tax rate	**28.00**	28.00
		Adjusted for:		
(5.36)	(7.58)	Non-taxable income*	**(23.12)**	(18.03)
127.22	2.72	Non-deductible expenses#		
(2.83)	(0.98)	Special deductions%		
2.03	3.62	Special inclusions&		
0.04	0.15	Tax losses/(profits) of foreign subsidiaries not deductible/(taxable)		
(3.22)	(1.65)	Effect of foreign jurisdictions tax at lower rates		
(9.25)	(3.07)	Prior year adjustments	**–**	0.92
(5.98)	(2.59)	Share of joint venture profit equity accounted		
–	(0.49)	Rate change		
7.80	0.23	Deferred tax asset write-down and deferred tax asset not recognised		
(1.20)	(0.23)	Tax deduction realised on share appreciation rights exercised		
3.88	2.44	Foreign withholding taxes in foreign jurisdictions and utilisation of foreign tax credits		
141.13	20.57	**Effective income tax rate**	**4.88**	10.89

** 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.

7 EARNINGS AND HEADLINE EARNINGS PER SHARE

GROUP 2018 Number of shares	GROUP 2017 Number of shares		COMPANY 2018 Number of shares	COMPANY 2017 Number of shares
		7.1 Diluted weighted average number of ordinary shares		
190 835 364	190 433 237	Weighted average number of issued ordinary shares		
1 844 741	1 924 836	Increase in number of shares as a result of unexercised share appreciation rights		
192 680 105	192 358 073	**Diluted weighted average number of ordinary shares**		

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		7.2 (Loss)/profit for the year		
(38 021)	158 258	(Loss)/profit for the year attributable to equity holders of the parent company		

GROUP 2018 Cents per share	GROUP 2017 Cents per share		COMPANY 2018 Cents per share	COMPANY 2017 Cents per share
		7.3 Earnings per share		
		Basic		
(19.9)	83.1	Attributable to equity holders of the parent		
		Diluted		
(19.7)	82.3	Attributable to equity holders of the parent		

7 EARNINGS AND HEADLINE EARNINGS PER SHARE (continued)

7.4 Headline (loss)/earnings per share

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Headline (loss)/earnings attributable to equity holders of the parent company		
(38 021)	158 258	(Loss)/profit for the year attributable to equity holders of the parent company		
		Gross remeasurements excluded from headline earnings		
(1 273)	(33 404)	Profit on sale of property, plant and equipment and gains on other assets		
(753)	–	Non-controlling interest portion of profit on sale of property, plant and equipment		
(4 483)	–	Profit on unbundling of Dairy Farmers of South Africa		
(200)	(9 270)	Profit on the sale of an investment in subsidiary		
		Taxation effects of remeasurements		
497	4 641	Profit on sale of property, plant and equipment and gains on other assets		
45	1 392	Profit on the sale of an investment in subsidiary		
(44 188)	121 617	Headline (loss)/earnings attributable to equity holders of the parent company		

GROUP 2018 Cents per share	GROUP 2017 Cents per share		COMPANY 2018 Cents per share	COMPANY 2017 Cents per share
		Headline (loss)/earnings per share		
		Basic		
(23.1)	63.9	Attributable to equity holders of the parent		
		Diluted		
(22.9)	63.2	Attributable to equity holders of the parent		

8 DIVIDENDS DECLARED AND PAID

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		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
–	490	Cash paid to NCI shareholders		
50 686	114 802	Cash paid to ordinary shareholders	**50 686**	114 802

GROUP 2018 Cents per share	GROUP 2017 Cents per share		COMPANY 2018 Cents per share	COMPANY 2017 Cents per share
26.56	65.15	To ordinary shareholders (2017: which elected to receive cash)	**26.56**	65.15

9 ASSETS CLASSIFIED AS HELD-FOR-SALE

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
4 607	10 907	Net book value at the beginning of the year made up as follows:		
264	2 225	– Plant and equipment		
4 343	8 682	– Freehold land and buildings		
2 719	10 506	Transfers from Property, plant and equipment		
(4 607)	(15 114)	Disposals		
–	(1 692)	Disposal of subsidiary		
2 719	4 607	Net book value at the end of the year made up as follows:		
–	264	– Plant and equipment		
2 719	4 343	– 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 during the year. An offer to purchase was received by CSA for the property (land and buildings) situated at Bethlehem but the transfer was not yet finalised as at 30 June 2018. Transfer took place after year end. The balance at year end represents only the Bethlehem property.

10 PROPERTY, PLANT AND EQUIPMENT

	GROUP						COMPANY
	2018						2018
	Freehold land and buildings R'000	Leasehold properties R'000	Plant and equipment R'000	Vehicles R'000	Capital work-in-progress R'000	Total R'000	Freehold land and buildings R'000
Cost							
Balance at 1 July 2017	1 027 009	53 226	2 339 556	4 865	248 031	3 672 687	250
Capitalised	19 529	5 735	292 175	262	(317 701)	–	–
Capital expenditure	–	–	–	–	217 383	217 383	–
Transfer to assets classified as held-for-sale	(4 452)	–	–	–	–	(4 452)	–
Disposals and scrappings	(287)	–	(89 613)	(357)	–	(90 257)	–
Unbundling of Dairy Farmers of South Africa (Pty) Ltd	–	–	(41)	–	(344)	(385)	–
Foreign exchange translations	–	1 433	2 825	52	54	4 364	–
Balance at 30 June 2018	1 041 799	60 394	2 544 902	4 822	147 423	3 799 340	250
Accumulated depreciation and impairment							
Balance at 1 July 2017	(247 407)	(14 151)	(980 952)	(2 733)	–	(1 245 243)	(18)
Depreciation for the year	(29 262)	(3 013)	(168 323)	(360)	–	(200 958)	(1)
Disposals and scrappings	287	–	63 428	355	–	64 070	–
Transfer to assets classified as held-for-sale	1 733	–	–	–	–	1 733	–
Unbundling of Dairy Farmers of South Africa (Pty) Ltd	–	–	2	–	–	2	–
Foreign exchange translations	–	(215)	(903)	(35)	–	(1 153)	
Balance at 30 June 2018	(274 649)	(17 379)	(1 086 748)	(2 773)	–	(1 381 549)	(19)
Net book value as at 30 June 2018	767 150	43 015	1 458 154	2 049	147 423	2 417 791	231

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 2018 was R20,5 million (2017: R19,9 million). Additions during the year were R 2,64 million (2017: R Nil) of plant, equipment and vehicles 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.

Assets with an original cost price of R56 million (2017: R76,8 million) are still in use, although it has been fully depreciated.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	GROUP						COMPANY
	2017						2017
	Freehold land and buildings R'000	Leasehold properties R'000	Plant and equipment R'000	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	2 094 691	7 138	329 918	3 443 676	250
Capital expenditure	–	–	–	–	317 385	317 385	–
Capitalised	70 748	10 980	316 220	355	(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	–	–	(56 186)	(2 519)	–	(58 705)	–
Reclassification between asset classes	(2 162)	5 232	(3 070)	–	–	–	–
Foreign exchange translations	–	(2 001)	(4 291)	(109)	(467)	(6 868)	–
Balance at 30 June 2017	**1 027 009**	**53 226**	**2 339 556**	**4 865**	**248 031**	**3 672 687**	**250**
Accumulated depreciation and impairment							
Balance at 1 July 2016	(228 813)	(8 639)	(879 190)	(3 818)	–	(1 120 460)	(17)
Depreciation for the year	(26 673)	(5 444)	(150 641)	(543)	–	(183 301)	(1)
Transfer to assets classified as held-for-sale	7 646	–	4 649		–	12 295	–
Disposals and scrappings	–	–	42 969	1 555	–	44 524	–
Reclassification between asset classes	433	(392)	(41)		–	–	–
Foreign exchange translations	–	324	1 302	73	–	1 699	–
Balance at 30 June 2017	**(247 407)**	**(14 151)**	**(980 952)**	**(2 733)**	**–**	**(1 245 243)**	**(18)**
Net book value as at 30 June 2017	**779 602**	**39 075**	**1 358 604**	**2 132**	**248 031**	**2 427 444**	**232**

11 INVESTMENT PROPERTIES

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Cost		
270	270	Balance at the beginning of the year		
270	270	**Balance at the end of the year**		
		Accumulated depreciation		
(261)	(255)	Balance at the beginning of the year		
–	(6)	Depreciation for the year		
(261)	(261)	**Balance at the end of the year**		
		Carrying amounts		
9	15	Balance at the beginning of the year		
9	9	**Balance at the end of the year**		
338	284	Rental income derived from investment properties		
(135)	(188)	Direct operating expenses generating rental income		
203	96	**Net profit arising from investment properties carried at net book value**		

The fair value of the property is R1.6 million (2017: R1,4 million).

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

The valuation was determined by using the capitalisation of future rentals technique. It was based on a net annual rental income of R203 000 (2017: R181 000) and a rental capitalisation into perpetuity factor of 13% (2017: 13%) and is considered to be a Level 3 fair value disclosure.

12 INTANGIBLE ASSETS

	GROUP					
	2018					
	Goodwill R'000	Trademarks 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 2017	402 324	180 721	125 323	9 579	48 685	766 632
Capital Expenditure	–	–	–	–	3 425	3 425
Capitalised	–	–	25 079	–	(25 079)	–
Disposals and scrappings	–	–	(5 536)	–	–	(5 536)
Balance at 30 June 2018	402 324	180 721	144 866	9 579	27 031	764 521
						–
Accumulated amortisation and impairment						–
Balance at 1 July 2017	(1 311)	(36 876)	(72 927)	(4 855)	–	(115 969)
Amortisation for the year	–	(12 684)	(11 672)	(2 841)	–	(27 197)
Disposals and scrappings	–	–	5 316	–	–	5 316
Balance at 30 June 2018	(1 311)	(49 560)	(79 283)	(7 696)	–	(137 850)
Net book value as at 30 June 2018	401 013	131 161	65 583	1 883	27 031	626 671

12 INTANGIBLE ASSETS (continued)

	GROUP					
	2017					
	Goodwill R'000	Trademarks 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**

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% (2017: 5%-10%) and adjusted for non-cash items; movements in working capital; and a before tax discount rate of 19,16% (2017: 19,27%).

Goodwill has been allocated to Clover Industries Group (excluding the Frankies Business and Clover Pride) and then to the Frankies Business 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.

12 INTANGIBLE ASSETS (continued)

	GROUP	
	2018 R'000	2017 R'000
Goodwill has been allocated to the following cash-generating units for purposes of the impairment review:		
Clover Industries*	**373 894**	373 894
Frankies CGU	**5 540**	5 540
Clover Pride	**21 579**	21 579
Clover Industries Group	**401 013**	401 013

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

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

13.1 Other financial assets

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Financial assets at fair value through profit or loss		
1 329	2 309	Investment in Guardrisk Cell Captive		
		Derivatives not designated as hedges		
1 795	–	Call option to acquire remaining shares in Clover Pride		
2 657	856	Call option to acquire remaining shares in Clover Good Hope		
		Non-current financial assets at amortised cost		
439 042	–	Revolving credit facility (RCF) made available to Dairy Farmers of South Africa (Pty) Ltd		
(439 042)	–	Allowance for impairment		
5 781	3 165	**Total financial instruments at fair value**		
5 781	3 165	**Total other financial assets**		
	–	Total current		
5 781	3 165	Total non-current		

Clover has granted DFSA two 20 year revolving credit facilities ("RCF") of R450 million and R100 million respectively in order for DFSA to fund its operations and the inventory it initially acquired from the Group at the time the DFSA business was established. In terms of the requirements of IAS 39 management tested the revolving credit facility for impairment taking into account all relevant information available up to the point of publishing these results. As discussed in detail on pages 11 and 29, due to untenable tension between losing milk producers or losing market share, the CEO of DFSA has resigned with effect from 30 April 2019. Unfortunately, the Chairman of DFSA also resigned at the same time, and felt it prudent that the B-shareholders (the producers) appoint their own new independent chairman along with a new CEO. Given the imminent change of leadership of DFSA, the board of Clover decided to rather impair the full RCF of R439,0 million at 30 June 2018. The impairment of the RCF will be assessed on a continuous basis.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Reconciliation of allowance for impairment:		
–	–	**Balance at the beginning of the year**		
439 042	–	Charge for the year		
–	–	Impairment loss written off		
439 042	–	**Balance at the end of the year**		

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 two 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 R2,4 million; free cash flow growth per annum of between 5% to 10% and a discount rate of 17,98%

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 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 R9,8 million; free cash flow growth per annum of between 5% to 6% and a discount rate of 18.54%

GROUP			COMPANY	
2018	2017		2018	2017
		13.2 Other financial liabilities		
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedging instruments:		
–	638	Foreign exchange contracts		
16 415	13 521	Clover Industries shares forward purchases		
		Financial liabilities designated as hedging instruments:		
		Derivatives designated as hedging instruments:		
–	1 665	Cash flow hedge – Diesel hedge		
16 415	15 824	**Total financial instruments at fair value**		
16 415	15 824	**Total other financial liabilities**		
13 639	6 141	Total current		
2 776	9 683	Total non-current		

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 1 824 195 (2017: 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 calculating the future settlement price after the following inputs were taken into consideration, a dividend of 1,61% (2017: 3,92%), a credit spread of 2,80% (2017: 2,75%), a spot rate of R16,40 (2017: R16,55) and a swap interest rate reflecting the term of each tranche of the hedge.

Expiry date	2018 Number of forwards	2018 Forward price per share (Rand)	2017 Number of forwards	2017 Forward price per share (Rand)
2 October 2017			308 500	23.20
29 June 2018			308 500	23.97
31 July 2018	**519 442**	**24.29**	519 442	24.29
3 June 2019	**476 810**	**26.48**	476 810	26.48
28 June 2019	**519 443**	**25.72**	519 443	25.72
1 July 2019	**308 500**	**25.60**		
Total	**1 824 195**		2 132 695	

13.3 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 2018, the Group held the following financial instruments carried at fair value in the Statement of financial position:

	GROUP			
	30 June 2018 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	**2 657**	–	–	**2 657**
Call option to acquire remaining shares in Clover Pride (Pty) Ltd	**1 795**	–	–	**1 795**
Investment in cell captive	**1 329**	–	**1 329**	–
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Clover Industries shares forward purchases	**16 415**	–	**16 415**	–

During the reporting period ended 30 June 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	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.

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

Type of financial instrument Fair value 2018	Fair value R'000	Valuation technique	Significant inputs
Financial assets at fair value through profit or loss	**5 781**		
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	**2 657**	**DCF**	Free cash flow forecast Market interest rate
Call option to acquire remaining shares in Clover Pride (Pty) Ltd	**1 795**	**DCF**	Free cash flow forecast Market interest rate
Investment in cell captive	**1 329**	**NAV**	Cash and cash equivalents Investment in unit trusts Insurance fund liabilities (which carrying value approximates their fair values)
Financial liabilities at fair value through profit or loss	**16 415**		
Clover Industries shares forward purchase	**16 415**	**DCF**	Share price Yield curves

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 (which carrying values approximates their fair values)
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

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Reconciliation of fair value measurement of level 3 financial assets		
		Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
856	560	Balance at the beginning of the year		
–	–	Initial recognition through OCI		
1 801	296	Remeasurement recognised through statement of profit or loss		
2 657	856	**Balance at the end of the year**		
		Call option to acquire remaining shares in Clover Pride (Pty) Ltd		
–	–	Balance at the beginning of the year		
–	–	Initial recognition through OCI		
1 795	–	Remeasurement recognised through statement of profit or loss		
1 795	–	**Balance at the end of the year**		

Refer to Note 29.1 (iv) to 29.1 (v) for further disclosure.

14 DEFERRED TAXATION

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
(175 569)	(155 339)	Balance at the beginning of the year	77	77
(54 537)	(20 230)	Movements during the year:		
(56 125)	(14 411)	Charge to profit or loss		
(4 839)	(590)	Deferred tax write down		
9 147	3 105	Prior year over provision		
–	970	Change in rate		
(359)	520	Foreign currency translation effect		
–	938	Charge from/(to) other comprehensive income		
(617)	79	(Charge)/Credit to the statement of changes in equity		
(1 744)	(10 841)	Unbundling of Dairy Farmers of South Africa (Pty) Ltd / Acquisition of subsidiaries		
(230 106)	(175 569)	**Balance at the end of the year**	77	77
		The balance is constituted as follows:		
		Deferred tax assets		
1 615	1 668	Doubtful debts provision	77	77
4 236	3 356	Credit note accrual		
534	1 138	Leases straight-lined		
45 960	47 205	Employee related expenses that are only deductible when paid		
4 149	5 400	Income received in advance		
19 599	21 138	Other accruals		
68 836	96 882	Assessed loss carried forward		
2 371	1 636	Foreign tax credits		
4 351	4 578	Other financial liabilities		
151 651	183 001	**Total deferred tax assets**	77	77
		Deferred tax liabilities		
(373 776)	(351 872)	Property, plant and equipment		
(2 687)	(2 069)	Prepayments		
(3 614)	(3 150)	Consumable stores		
(1 540)	(1 358)	Pension fund asset		
(140)	(121)	Other		
(381 757)	(358 570)	**Total deferred tax liabilities**		
(230 106)	(175 569)	**Net deferred tax (liability)/asset**	77	77

14 DEFERRED TAXATION (continued)

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 14, however, groups all deferred tax assets and liabilities in the Group, irrespective of the net position of individual Group companies.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Reflected in the Statement of financial position as follows:		
30 203	45 496	Deferred tax assets	**77**	77
(260 309)	(221 065)	Deferred tax liabilities		
(230 106)	(175 569)	**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.

15 INVENTORIES

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
154 165	170 659	Raw materials		
128 317	99 221	Work-in-progress		
125 201	115 403	Consumable stores		
461 408	579 347	Finished goods		
869 091	964 630	**Total inventories**		

The amount of the write-down of inventories recognised as an expense is R17.2 million (2017: R22,4 million). This expense is included in the cost of sales line item as a cost of inventories.

16 TRADE AND OTHER RECEIVABLES

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
1 181 770	1 182 775	Trade receivables	–	13 061
42 676	36 515	Trade receivables from principals		
186 870	11 640	Trade receivables from JV's and associates		
88 122	127 622	Other receivables and deposits	50 969	275
2 725	2 585	Loans to executive directors and other executives	2 725	2 585
		Inter-company loan: Clover SA	549 363	547 578
		Loan: CIL Share Purchase Plan Trust	9	9
(5 856)	(6 517)	Allowance for impairment	(275)	(275)
(17 217)	(13 309)	Credit note accrual		
1 479 090	1 341 311	**Total trade and other receivables**	602 791	563 233

Clover SA securitised its trade debtors, excluding debtors generated from export sales, through a special-purpose entity, Clover Capital. Clover Capital is consolidated into the results of the Group.

The loans to directors and other executives were made to finance ordinary shares in CIL issued to them on 31 May 2010. The terms of the loans are as follows: they will bear interest at 90% of the prime rate of Absa Bank, interest will be capitalised on a monthly basis, repayable by management on the sale of the ordinary shares or within two months of leaving the employment of Clover or within six months in the case of death. All proceeds of the ordinary shares are ceded to CIL as security for the loans. The loan agreements have been amended to make provision for a final repayment date of the respective loans linked to the normal retirement date for each of the executives. See note 28.2 for further details.

See note 29.5 for age analysis on trade receivables and on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

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

As at 30 June 2018, trade receivables with an initial value of R5,9 million (2017: R6,5 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
6 517	3 847	**Balance at the beginning of the year**	275	275
(230)	4 978	(Credit)/charge for the year		
(431)	(2 308)	Impairment loss written off		
5 856	6 517	**Balance at the end of the year**	275	275

17 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 2018, the Group had available R318 million (2017: R14 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 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Cash at bank and on hand		
234	335	On hand		
178 602	73 584	Outstanding deposits		
173 843	54 829	Call deposits	**16 335**	53 592
408 014	416 115	Cash in banks	**12 699**	9 649
760 693	544 863	**Total cash and short-term deposits**	**29 034**	63 241

18 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares

GROUP 2018 Number of shares	GROUP 2017 Number of shares		COMPANY 2018 Number of shares	COMPANY 2017 Number of shares
		Authorised		
		2 billion (2017: 2 billion) ordinary shares with a par value of 5 cents (2017: 5 cents) each		
		Shares issued		
190 835 364	190 314 350	Ordinary shares in issue at the beginning of the year	**190 835 364**	190 314 350
		Share appreciation rights exercised:		
–	38 397	Issued on 15 September 2016	–	38 397
–	482 617	Issued on 24 April 2017	–	482 617
190 835 364	190 835 364	**Ordinary shares in issue at the end of the year**	**190 835 364**	190 835 364

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Ordinary share capital		
9 542	9 542	190,8 million (2017: 190,8 million) ordinary shares of 5 cents (2017: 5 cents) each	**9 542**	9 542
		Ordinary share premium		
892 692	892 692	Ordinary share premium on 190,8 million (2017: 190,8 million) ordinary shares	**892 692**	892 692
902 234	902 234	**Total ordinary share capital and ordinary share premium**	**902 234**	902 234
		Shares were issued as follows during the year		
		Ordinary shares:		
–	26	Ordinary shares of 0,5 cents (2016: 0,5 cents) each	–	26
–	9 918	Ordinary share premium of R19,04 (2016: R17,19) per share	–	9 918
–	9 944	**Total ordinary share capital raised during the year**	–	9 944

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		19 OTHER CAPITAL RESERVES		
		Share-based payments reserve		
78 082	73 868	Balance at the beginning of the year	**2 169**	2 169
(2 593)	5 865	Share based (credit)/expense		
(4 223)	(1 651)	Share appreciation rights exercised		
71 266	78 082	Balance at the end of the year	**2 169**	2 169
		Call options		
560	1 005	Balance at the beginning of the year		
–	–	Initial recognition of call options		
–	(445)	Transfer to retained earnings		
560	560	Balance at the end of the year		
		Put liability		
–	–	Balance at the beginning of the year		
33 863	–	Remeasurement of put liability		
33 863	–	Balance at the end of the year		
105 689	78 642	**Total other capital reserves at the end of the year**	**2 169**	2 169
		20 OTHER COMPONENTS OF EQUITY		
		20.1 Foreign currency translation reserve		
9 637	24 147	Balance at the beginning of the year		
		Movements:		
7 523	(14 510)	Foreign exchange translation differences		
7 523	(14 510)	Net foreign exchange translation movement		
17 160	9 637	Balance at the end of the year		

21 INTEREST-BEARINGS LOANS AND BORROWINGS

GROUP 2018 R'000	GROUP 2017 R'000			COMPANY 2018 R'000	COMPANY 2017 R'000
			21.1 Secured liabilities		
920 135	900 000	(a)	Secured by securitisation of trade debtors (refer to note 16).The first tranche of R 400 million is repayable 30 June 2018 (which was settled on 2 July 2018), and is charged a fixed interest rate of 9,28% (2017: 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.		
21 232	23 170	(b)	Secured by plant and equipment with a book value of R20,5 million (2017: R19,9 million). Repayable in monthly instalments. Payments due within the next year are R5,8 million (2017: R5,9 million). Variable interest rate portion: 8,5% – 10,5% (2017: 8,5% – 10,5%). Maturity: between July 2016 and March 2022. Fixed interest rate portion 9.0% and 10,5% (2017: 9,0% and 10,5%).		
941 367	923 170		**Total secured liabilities**		
			21.2 Unsecured liabilities		
–	4 889	(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	(b)	Bank overdraft Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate:10.25% - 10,5% (2017: 10.5%)		
–	302 033	(c)	Call loans Variable interest rate: 8,1% – 9,0% (2017: 8,6% – 9,0%)		
255 894	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.		
153 489	–	(e)	Debentures issued to financial institutions and investment funds with fixed redemption date, interest is charged at JIBAR plus 2.55% and is repayable on 1 April 2021.		
409 383	558 755		**Total unsecured liabilities**		
1 350 750	1 481 925		**Total secured and unsecured liabilities**		
			Current portion transferred to current liabilities:		
426 308	405 899		• Secured liabilities		
259 383	308 405		• Unsecured liabilities		
685 691	714 304		Total current portion transferred to current liabilities		
665 059	767 621		Total non-current interest-bearing borrowings		
1 350 750	1 481 925		**Total current and non-current interest-bearing loans and borrowings**		

22 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. Remeasurements of the liability are recorded in equity (refer to note 19 for more details).

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
23 226	57 088	**Non-controlling interest put options**		
23 226	57 088	Total non-controlling interest put options		
–	–	Current portion reflected under current liabilities		
23 226	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 R2,4 million; free cash flow growth per annum of between 5% to 10% and a discount rate of 17,98%. The fair value of 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 29.1 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 following inputs: estimated annual free cash flow of R9,8 million; free cash flow growth per annum of between 5% to 6% and a discount rate of 18.54%. The fair value of 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 29.1 for more details regarding the sensitivity of the valuation inputs.

23 EMPLOYEE-RELATED OBLIGATIONS

23.1 Long-service bonus

The projected-credit method is used for the calculation of the long-service bonus provision.

Payments are recognised as utilisations.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		The determination of the long-service bonus is based on the following assumptions:		
7 202	7 754	Active members		
6.4%	6.3%	Salary escalation ratio		
7.7%	8.1%	Discounting rate		
65	65	Normal retirement age		
21 425	21 846	Balance at the beginning of the year		
8 340	5 086	Amounts provided		
(6 046)	(5 507)	Amounts utilised		
23 719	21 425	**Total long-service bonus provision**		

Refer to note 33 for further detail on the long-service bonus provision.

23.2 Leave pay

A provision for leave pay is recognised for the number of days leave due to employees at 30 June valued at a rate per day based on the basic salary of each employee at 30 June. Leave payments and leave days taken are recognised as utilisations.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
70 941	68 305	Balance at the beginning of the year		
12 261	11 714	Amounts provided		
(11 218)	(9 078)	Amounts utilised		
71 984	70 941	**Total leave pay provision**		

23.3 Total employee-related obligations

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
75 424	82 595	Non-current portion		
20 279	9 771	Current portion transferred to current liabilities		
95 703	92 366	**Total non-current and current employee-related obligations**		

24 TRADE AND OTHER PAYABLES

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
988 637	1 056 019	Trade payables	8 988	8 240
45 410	30 692	Other payables	1 650	1 773
95 024	126 322	Accrual for variable remuneration and other personnel related creditors		
8 239	13 556	VAT creditor		
1 908	4 065	Leases straight-lined		
493 214	41 484	Payable to joint ventures and associates		
55 192	28 054	Payable to NCI shareholders		
1 687 624	1 300 192	**Total trade and other payables**	10 638	10 013
11 448	25 492	Non-current portion included in other payables transferred to non-current liabilities		
1 676 176	1 274 700	Current portion	10 638	10 013
1 687 624	1 300 192	**Total trade and other payables**	10 638	10 013

The terms for trade payables and other short-term payables range from seven days after date of invoice to 45 days after month-end. Interest is payable on a monthly basis. Payables to joint ventures range from 30 days to 45 days after the end of the month in which the transaction took place.

Non-current payables range from one to three years after the date of accrual

25 NOTES TO THE STATEMENT OF CASH FLOWS

25.1 Tax paid

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
7 165	(9 893)	Amount receivable/(due) at the beginning of the year	(3 432)	928
(87 887)	(30 057)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	(2 998)	(13 544)
(3 702)	(7 165)	Amount (receivable)/due at the end of the year	356	3 432
(84 424)	(47 115)	**Total tax paid**	(6 074)	(9 184)

25 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

25.2 Movement in borrowings reconciliation

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
1 481 925	1 274 470	**Opening balance**		
1 458 755	1 242 680	- Borrowings (secured and unsecured)		
23 170	31 790	- Finance lease liabilities		
(158 755)	216 073	**Cash flow movements related to borrowings during the period:**		
(308 755)	(280 902)	- Repayment of borrowings		
150 000	496 975	- Proceeds from borrowings		
		Non-cash flow movements related to borrowings during the period:		
29 518	–	- Accrued finance charges included in the closing balance		
(1 938)	(8 618)	**Movement in finance lease liabilities during the period:**		
(4 578)	(4 764)	- Payments made during the year		
2 640	–	- New finance leases entered into - non-cash flow item		
–	(3 854)	- Cancellation of finance lease		
–	–	- Finance charges included in the closing balance - non-cash flow item		
1 350 750	1 481 925	**Closing balance**		
1 329 518	1 458 755	- Borrowings (secured and unsecured)		
21 232	23 170	- Finance lease liabilities		

26 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

26.1 Defined-contribution funds

26.1.1 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 2018: 994 (2017: 1 082).

26.1.2 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 2018: 6 052 (2017: 6 752).

26.2 Amounts recognised in profit or loss

Contributions for the Group for the current year:

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
37 350	40 170	Pension fund		
67 036	69 536	Provident fund		
104 386	109 706	**Total contributions recognised in profit or loss**		

27 COMMITMENTS AND CONTINGENCIES

27.1 Operating lease commitments - Group as lessee

The Group entered into an outsourcing agreement whereby the Group is provided with milk collection vehicles. The Group also entered into commercial leases on motor vehicles and machinery. These leases have an average life of between three and ten years with renewal options included on some of the contracts. There are no restrictions placed upon the lessee by entering into these lease contracts.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Future minimum lease payments are as follows:		
110 748	158 053	Within one year		
171 344	217 014	After one year but not more than five years		
22 157	23 305	More than five years		
304 249	398 372	**Total lease payments payable**		

27 COMMITMENTS AND CONTINGENCIES (continued)

27.2 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 alternatively 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 substitution right by the supplier, and accordingly the outsourcing arrangement does not meet the definition of a lease.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Future minimum contractual payments are as follows:		
223 116	205 477	Within one year		
615 413	762 505	After one year but not more than five years		
5 197	158	More than five years		
843 726	968 140	**Total contractual payments payable**		

27.3 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.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Future minimum rentals receivable under non-cancellable operating leases are as follows:		
2 841	2 654	Within one year		
12 280	12 321	After one year, but not more than five years		
15 121	14 975	**Total lease payments receivable**		

27 COMMITMENTS AND CONTINGENCIES (continued)

27.4 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 2018 Minimum payments R'000	GROUP 2018 Present value of payments R'000		GROUP 2017 Minimum payments R'000	GROUP 2017 Present value of payments R'000
7 699	5 843	Within one year	**11 974**	9 755
19 124	15 389	After one year but not more than five years	**23 321**	18 304
26 823	21 232	Total minimum lease payments	**35 295**	28 059
(5 591)	–	*Less:* Amounts representing finance charges	**(7 236)**	–
21 232	21 232	Present value of minimum lease payments	**28 059**	28 059

27.5 Capital commitments

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
21 685	40 908	Capital expenditure authorised and contracted for		
72 626	43 424	Capital expenditure authorised but not contracted for		
94 311	84 332	Total capital commitments		

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

28 RELATED PARTY DISCLOSURE

Transactions with related parties are made at market-related prices. Outstanding balances at the year-end are unsecured. No interest is paid on current accounts. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28.1 With regard to operating activities with subsidiaries and joint ventures, the following transactions took place during the year:

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		(a) Fees earned by CIL for services rendered to Group Companies		
		Clover SA – Subsidiary	**18 734**	51 812
		Total fees earned by CIL for services rendered to Group Companies	**18 734**	51 812
		(b) Income earned by Clover SA for services rendered, royalties and interest to joint ventures and associate		
1 228 925	–	DFSA – Associate		
4 991	4 821	Clover Fonterra – Joint Venture		
5 873	3 190	Clover Futurelife – Joint Venture		
1 239 789	8 011	**Total income earned by Clover SA for services rendered, royalties and interest to joint ventures and associate**		
		(c) Amounts due to CIL from Group Companies		
		Clover SA – Subsidiary	**549 363**	547 578
		Total amounts due to CIL from Group Companies	**549 363**	547 578
		(d) Amounts due to Clover SA from joint ventures and associate		
179 939	–	DFSA – Associate (trade receivable)		
3 233	1 274	Clover Fonterra – Joint Venture		
3 698	4 840	Clover Futurelife – Joint Venture		
186 870	6 114	**Total amounts due to Clover SA from joint ventures and associate**		
		(d) Amounts owing by Clover SA to joint ventures and associate		
426 886	–	DFSA – Associate		
64 783	37 934	Clover Fonterra – Joint Venture		
1 545	3 550	Clover Futurelife – Joint Venture		
493 214	41 484	**Total amounts owing by Clover SA to joint ventures and associate**		
		(e) CIL received the following dividends during the year from Group Companies		
		Clover SA – Subsidiary	**50 686**	80 000
		Total dividends received by CIL from Group Companies	**50 686**	80 000

28 RELATED PARTY DISCLOSURE (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		28.2 Loans advanced to senior management outstanding		
		Other executives		
2 725	2 585	JHF Botes (Dr)	**2 725**	2 585
2 725	2 585	**Total**	**2 725**	2 585

Refer to note 16 for more details around the terms of the loans.

29 FINANCIAL INSTRUMENTS

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

29.1 Financial risk management

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

– credit risk

– liquidity risk

– market risk: foreign currency, interest rate and share price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated and separate financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee, is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee is assisted in its oversight role by Clover Risk Management, assisted by Deloitte Risk Management. Risk management undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the committee.

29 FINANCIAL INSTRUMENTS (continued)

a. Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Credit risk primarily relates to potential exposure on bank and cash balances, investments, derivatives and trade receivables. The Group limits its exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group is exposed to credit risk in the form of trade receivables. The maximum exposure is the carrying amount as disclosed in note 29.5. Historically, Group bad debts have been negligible and the management of debtors payment terms have been very successful. Trade receivables comprise a large number of debtors, but with significant concentration in value on the country's major retail and wholesale chains, credit is extended in terms of the Group's credit policies. In the opinion of the Board there was no significant credit risk at year-end which had not been adequately provided for.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 76,0% (2017: 76,7%) 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.

In the current year the Group rendered services to DFSA in the ordinary course of business which is payable 30 days from statement. The Group also made available a revolving credit facility ("RCF"), as disclosed in note 13.1, in order for DFSA to fund its operations and the stock it initially acquired from the Group at the time the DFSA business was established. The facility has been made available to DFSA for an initial period of 20 years and the value of the facility will increase annually with CPI. The Group will not be able to call this facility unless certain default events occur. The maximum amount of the RCF was capped at R550 million for the current year however DFSA had at the end of the financial year only utilised R439 million of this facility The RCF was however fully impaired at year-end for reasons set out in note 13.1. As part of the Group's actions taken to mitigate credit risk a general notarial bond has been registered over the stock of DFSA. In addition, DFSA relies on the Group to collect its debtors on its behalf and in terms of the agreement between the parties, the Group may also set off the recovery of these debtors against any outstanding monies owing to the Group in the event of default. Due to the infant stage of DFSA, the Group has subordinated R100 million of the RCF to DFSA in favour of other creditors (which are mainly the milk producers supplying to DFSA). DFSA has successfully settled the trade debt account on a monthly basis and serviced the interest charges owing to the Group during the current financial year. As at year end the ageing of the trade account is in a healthy state and all amounts are neither past due nor impaired.

b. Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Refer to note 29.4 for detailed analysis of liquidity exposure.

The Group manages liquidity risk by monitoring actual and budgeted cash flows and ensuring that adequate borrowing facilities are maintained.

29 FINANCIAL INSTRUMENTS (continued)

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 21.

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% (2017: 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 49% (2017: 27.3%) will mature at year-end based on the carrying value of borrowings reflected in the financial statements. However the Group was successful to secure the same level of funding for the next three years.

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	2018 R'000	2017 R'000
Municipalities	**18 136**	15 642
Other*	**329**	329
	18 465	15 971

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.

The Group hedges amounts greater than R2 million (2017: 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.

29 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 2018				GROUP 2017		
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%		
		(21 577)	Loss on Pulas			(21 556)
		25	Profit on Naira			32
-10%			**Rand – weakening**	-10%		
		21 577	Profit on Pulas			21 556
		(25)	Loss on Naira			(32)

(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 2018 R'000		GROUP 2017 R'000
	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	
425 959	Fixed-rate instruments	400 000
924 791	Variable-rate instruments	1 081 925
1 350 750		1 481 925
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2017: 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	
(9 248)	Decrease in profit before tax	(10 819)
	Decrease of 100 basis points	
9 248	Increase in profit before tax	10 819

29 FINANCIAL INSTRUMENTS (continued)

GROUP 2018 R'000		GROUP 2017 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 1 824 195 (2017: 2 132 695) of the share appreciation right issued to management. Refer to note 13 for more details.	
	Forward share purchases sensitivity	
	An increase/decrease of 10% (2017: 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	
3 016	Increase in profit before tax	3 484
	Decrease of 10 % in share price	
(3 016)	Decrease in profit before tax	(3 464)
	(iv) 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 13 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	
(20)	decrease in profit before tax	1 195
	Decrease of 10% in terminal growth rate	
20	Increase in profit before tax (limited to current option value)	(856)
	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	
(747)	Decrease in profit before tax (limited to current option value)	(856)
	Decrease of 10 % in the discount rate	
1 036	Increase in profit before tax	4 547
	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 22 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	
–	No effect	(2 480)
	Decrease of 10 % in the discount rate	
–	No effect	

29 FINANCIAL INSTRUMENTS (continued)

GROUP 2018 R'000		GROUP 2017 R'000
	(v) 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 13 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	
1 207	Increase in profit before tax	1 433
	Decrease of 10% in terminal growth rate	
(1 119)	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	
(1 795)	Decrease in profit before tax	–
	Decrease of 10 % in the discount rate	
4 427	Increase in profit before tax	5 619
	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 22 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	
–	Decrease in profit before tax	(1 148)
	Decrease of 10 % in the discount rate	
–	No effect on net profit before tax	–

29.2 Capital management

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

A combination of retained earnings, senior debt, term asset finance, commodity finance and general banking facilities are used to fund the business. The bulk of the Group's debtors forms part of a securitisation programme. This programme came into effect during 2001. Senior debt raised by the programme currently amounts to R900 million (2017: R900 million). The securitisation provides access to senior debt equal to 75% (2017: 75%) 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 13,9% (2017: 5,4%), which excludes exceptional items, was achieved. In comparison the weighted average interest expense on interest-bearing borrowings was 10,0% (2017: 10,6%).

29 FINANCIAL INSTRUMENTS (continued)

GROUP 2018 R'000		GROUP 2017 R'000

29.3 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 22.

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.

29.4 Liquidity risk profile

Maturity profile of financial instruments

The following tables summarises the maturity profile of Clover's financial liabilities at 30 June 2018 and 30 June 2017, based on contractual undiscounted payments.

GROUP 2018 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
3 850	3 850	5 843	13 281	–	26 824	Secured loans
442 876	22 336	527 788	–	–	993 000	Secured by securitisation of trade debtors
274 662	7 111	14 262	160 745	–	456 780	Unsecured loans
–	–	–	–	18 465	18 465	Guarantees
9 547	4 092	2 776	–	–	16 415	Financial liabilities
1 657 871	18 305	10 241	1 210	–	1 687 627	Trade and other payables
2 388 806	55 694	560 910	175 236	18 465	3 199 111	**Total financial liabilities**

29 FINANCIAL INSTRUMENTS (continued)

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

COMPANY

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

2018 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
10 638	**–**	**–**	**–**	**–**	**10 638**	Trade and other payables
10 638	**–**	**–**	**–**	**–**	**10 638**	**Total financial liabilities**

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
10 013	–	–	–	–	10 013	Trade and other payables
10 013	–	–	–	–	10 013	**Total financial liabilities**

29 FINANCIAL INSTRUMENTS (continued)

29.5 Credit risk

GROUP Carrying value 2018 R'000	GROUP Carrying value 2017 R'000		COMPANY Carrying value 2018 R'000	COMPANY Carrying value 2017 R'000
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
1 181 770	1 182 775	Trade receivables		
140 453	178 380	Other receivables	**602 791**	563 233
760 693	544 863	Cash and short-term deposits	**29 034**	63 241
179 940	–	Trade receivable from associate#		
2 262 856	1 906 018	**Total financial assets**	**631 825**	626 474
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
854 294	906 736	Retail chain stores		
203 989	123 878	Wholesale chain stores		
123 487	152 161	Industrial/catering/general trade		
1 181 770	1 182 775	**Total**		
		The ageing of trade receivables at the reporting date is as follows:		
1 116 180	1 127 639	Neither past due nor impaired*		
50 018	41 753	Past due, but not impaired 0–30 days		
8 129	5 940	Past due but not impaired 31–120 days		
7 443	7 443	Past due but not impaired 120 days		
1 181 770	1 182 775	**Total**		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
6 517	3 847	Balance at the beginning of the year	**275**	275
(236)	4 978	(Decrease)/Increases in impairments		
(424)	(2 308)	Impairment loss written off		
5 857	6 517	**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.*

29 FINANCIAL INSTRUMENTS (continued)

GROUP Carrying value 2018 R'000	GROUP Carrying value 2017 R'000		COMPANY Carrying value 2018 R'000	COMPANY Carrying value 2017 R'000

29.5 Credit risk (continued)

 # The balance of this receivable relates to DFSA and is owing to the Group for services rendered during the ordinary course of business. DFSA is still in its infant stage and is funding its working capital requirements via a revolving credit facility made available to it from the Group. The ageing of the trade account is in a healthy state and all amounts are neither past due or nor impaired. Refer to note 29.1 para (a) for more details about credit risk management.

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.

30.1 INVESTMENT IN SUBSIDIARY, JOINT VENTURES AND ASSOCIATE

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Total investment in subsidiary	**326 735**	326 735
		Share of investment in joint ventures		
–	–	Clover Futurelife		
46 035	38 946	Clover Fonterra		
46 035	38 946	**Total of investment in joint ventures**		
		Share of investment in an associate		
–	–	DFSA		
–	–	Total of investment in a associate		

30.1 INVESTMENT IN SUBSIDIARY, JOINT VENTURES AND ASSOCIATE (continued)

			Effective interest in capital		Gross Investment in subsidiaries and joint ventures[1]		Profit/(loss) after taxation[3]	
			2018 %	2017 %	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Clover SA[2]	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**326 735**	326 735	**342 390**	171 180
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	**100**	100	**403 958**	466 958	**80 823**	(45 019)
Clover MilkyWay	South Africa	Dairy manufacturing and sales	**100**	100	**75 000**	80 000	**10 141**	(5 317)
Clover Frankies	South Africa	In the process of being liquidated	**100**	100	**–**	19 854	**–**	(3 851)
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**45 035**	44 425
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	*****	*	**(3 043)**	2 494
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**2 376**	1 306
Clover West Africa	Nigeria	In the process of being liquidated	**100**	100	**468**	468	**(90)**	(1 027)
Clover Waters	South Africa	Marketing, sales, distribution and production of water and iced tea	**70**	70	**147 021**	146 985	**(7 324)**	(3 536)
Clover Good Hope	South Africa	Manufactures, distributes, sells and markets a range of soy based milk alternatives	**51**	51	**16 270**	14 822	**(1 747)**	1 829
Clover Pride	South Africa	Manufactures, distributes, sells and markets a range of food products	**51**	51	**33 025**	31 768	**2 268**	1 007
Clover Fonterra#	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**46 035**	38 946	**21 104**	18 486
Clover Futurelife#	South Africa	Manufactures, distributes, sells and markets a range of functional food products	**50.1**	50.1	*****	*	**(706)**	(7)
Dairy Farmers of South Africa[4]	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.*
[4] *Clover will not share in any distributions of DFSA and accordingly no portion of the profits or equity will be attributed to the Group. The investment is accordingly carried at cost.*

30.2 FINANCIAL STATEMENTS DETAILS OF SUBSIDIARIES WITH NCI

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Clover Good Hope		
		Subsidiary's statement of financial position		
18 737	29 878	Current assets including cash and cash equivalents of R1,8 million (2017: R9,7 million) and inventory of R5,8 million (2017: R7,7 million)		
7 413	6 959	Non-current assets including property, plant and equipment of Rnil million (2017: Rnil million) and intangibles of R6,6 million (2017: R7 million)		
–	(508)	Non-current liabilities including deferred tax R0 million (2017: R0.5 million)		
(18 280)	(25 034)	Current liabilities including trade and other payables of R18 million (2017: R25 million)		
(7 870)	(11 295)	Equity (net asset value)		
51%	51%	Portion of the Group's ownership		
4 014	5 760	Net asset value of the investment		
		Subsidiary's revenue and (loss)/profit		
74 891	90 405	Revenue		
(70 038)	(73 663)	Cost of sales		
(8 499)	(10 372)	Sales, marketing, distribution and administrative expenses		
–	(283)	Other operating (expenses)/income		
(1 111)	(1 090)	Net finance cost		
(4 757)	4 997	Profit before taxation		
1 332	(1 411)	Income tax expense		
(3 425)	3 586	**(Loss)/profit for the year**		
51%	51%	Portion of the Group's ownership		
(1 747)	1 829	Group's share of (loss)/profit for the year		
–	–	Dividend received		

30.2 FINANCIAL STATEMENTS DETAILS OF SUBSIDIARIES WITH NCI (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Clover Waters		
		Subsidiary's statement of financial position		
96 686	53 894	Current assets including cash and cash equivalents R28,6m million (2017: R2,6 million) and inventory R24,3 million (2017: R24,5 million)		
128 585	150 236	Non-current assets including property, plant and equipment R97 million (2017: R112 million) and deferred tax asset of Rnil (2017:R4,9 million)		
(198 643)	(166 916)	Current liabilities including trade and other payables of R198 million (2017: R138,2 million)		
(26 628)	(37 214)	Equity (net asset value)		
70%	70%	Portion of the Group's ownership		
18 640	26 050	Net asset value of the investment		
		Subsidiary's revenue and (loss)/profit		
233 045	252 564	Revenue		
(158 435)	(163 763)	Cost of sales		
(61 476)	(74 626)	Sales, marketing, distribution and administrative expenses		
(4 032)	(14 140)	Other operating expenses		
(14 710)	(12 605)	Net finance cost		
(5 608)	(12 570)	Loss before taxation		
(4 855)	7 518	Income tax		
(10 463)	(5 052)	**(Loss) for the year**		
70%	70%	Portion of the Group's ownership		
(7 324)	(3 536)	Group's share of loss for the year		
–	–	Dividend received		

30.2 FINANCIAL STATEMENTS DETAILS OF SUBSIDIARIES WITH NCI (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Clover Pride		
		Subsidiary's statement of financial position		
29 953	23 096	Current assets including cash and cash equivalents of R0,4 million (2017: R0,4 million) and inventory R22,9 million (2017:R13,9 million)		
56 915	59 493	Non-current assets including property, plant and equipment of R0,5 million (2017: 0.5 million(and intangibles R59,0 million (2017: 59,0 million)		
(62)	(117)	Non-current liabilities including deferred tax R0,1 million (2017: 0,1 million)		
(21 203)	(20 563)	Current liabilities including trade and other payables of R21.2 million (2017: R20,4 million)		
(65 603)	(61 909)	Equity (net asset value)		
51%	51%	Portion of the Group's ownership		
33 458	31 574	Net asset value of the investment		
		Subsidiary's revenue and profit		
87 408	22 358	Revenue		
(64 951)	(15 016)	Cost of sales		
(15 069)	(3 562)	Sales, marketing, distribution and administrative expenses		
–	(797)	Other operating (expense)/income		
(1 226)	(241)	Net finance cost		
6 162	2 742	Profit before taxation		
(1 714)	(767)	Income tax expense		
4 448	1 975	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
2 268	1 007	Group's share of profit for the year		
–	–	Dividend received		

Refer to note 3.1 for the joint ventures namely Clover Fonterra Ingredients and Clover Futurelife and 3.2 for Dairy Farmers of South Africa

31 SHARE-BASED PAYMENTS

31.1 Equity-settled share appreciation rights scheme

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

On 31 May 2010 the ordinary and preference shareholders approved the Clover Share Appreciation Rights (SAR) Plan 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 plan 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 87 to 101.

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%.

Allocation to new executive director - expected volatility of 28,9%, risk free rate of 7,90% and a dividend yield of 3,05%.

Allocation to existing executive committee member - expected volatility of 29,1%, risk free rate of 8,01% and a dividend yield of 3,35%.

31 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 (2017: 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	All rights have been exercised	R11,00	- (2017: 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	The employee has left the service of the Group	R13,50	- (2017: 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	Two 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	Two 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	Three years	R16,83	1 924 018 (2017: 2 256 153)	R4,97	Full allocation vests on 1 July 2016
Clover's Share Appreciation Rights Plan (2010) – Sixth allocation	20 June 2014	Four years	R17,31	594 872 (2017: 697 562)	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	Two 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	Four years	R17,34	722 334 (2017: 2 779 769)	R5,38	Full allocation vests on 30 June 2018
Clover's Share Appreciation Rights Plan (2010) – Eighth allocation	30 June 2016	Three years	R18,44	2 679 262 (2017: 2 679 262)	R5,58	Full allocation vests on 30 June 2019
Clovers Share Appreciation Rights Plan (2010) - Ninth allocation	30 June 2017	Four years	R16,75	3 108 839 (2017: 3 108 839)	R 4.40	Full allocation vest on 30 June 2020
Clovers Share Appreciation Rights Plan (2010) - Allocation to new executive director FF Scheepers	01 November 2017	Six years	R13,56	1 000 000 (2017: 0)	R 4.53	One third on 1 November 2020, a third on 1 November 2021 and final third on 1 November 2022
Clover's Share Appreciation Rights Plan (2010) – Second allocation to executive committee member J van Heerden	14 February 2018	Seven years	R15,15	200 000 (2017: 0)	R 4.87	One third on 14 February 2021, a third on 14 February 2022 and final third on 14 February 2023

31 SHARE-BASED PAYMENTS (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Provision against income		
(2 593)	5 865	Share-based payment (credit)/expense		

There were no changes made to the share appreciation rights or the executives' interests therein after 30 June 2018 up to the approval of the annual financial statements.

32 DIRECTORS' REMUNERATION AND INTERESTS

32.1 Directors' remuneration

	2018							
	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	5 823	–	1 727	–	820	27	249	8 646
FF Scheepers (appointed 1 January 2018)	2 313	–	587	–	339	10	97	3 346
ER Bosch (resigned 31 December 2017)	1 784	–	–	–	237	17	70	2 108
Total remuneration of executive directors	9 920	–	2 314	–	1 396	54	416	14 100
Non-executive directors								
WI Büchner	–	1 341	–	–	–	–	–	1 341
JW Basson (Dr) (appointed 1 January 2018)	–	178	–	–	–	–	–	178
SF Booysen (Dr)	–	1 010	–	–	–	–	–	1 010
JFM Morgan (appointed 1 January 2018)	–	178	–	–	–	–	–	178
NA Smith	–	536	–	–	–	–	–	536
N Mokhesi	–	835	–	–	–	–	–	835
B Ngonyama	–	665	–	–	–	–	–	665
Total remuneration of non-executive directors	–	4 743	–	–	–	–	–	4 743
Total directors' remuneration	9 920	4 743	2 314	–	1 396	54	416	18 843
Other executives (prescribed officers)								
H Lubbe	3 449	–	876	–	523	65	180	5 093
JHF Botes (Dr)	3 464	–	884	–	545	63	179	5 135
MM Palmeiro	2 844	–	1 507	–	429	25	794	5 599
J van Heerden	2 899	–	737	–	430	86	254	4 406
Total remuneration of other executives	12 656	–	4 004	–	1 927	239	1 407	20 233

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

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	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.*

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	2018 R'000	2017 R'000
Share appreciation rights exercised and settled by the issue of shares		
Executive directors		
JH Vorster	–	–
CP Lerm (Dr)*	–	332 135
Executives (Prescribed officers)	–	–
	–	332 135

All share appreciation rights exercised by executives as part of the MPCRE (refer to page 98: – legacy scheme SAR issues) were settled in shares.

** Retired 30 June 2016*

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

32.2 Interest of directors and other executives in share appreciation rights

The interest of executive and non-executive directors in the shares of the Company provided for in the form of share appreciation rights are set out in the table below:

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2017	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2018	Number of rights that have vested as at 30 June 2018	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	Fourth	1 036 716	696 716			**696 716**	696 716		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	271 953			**271 953**	271 953		17.31	All on 30 June 2017.
	Seventh	975 927	975 927		683 149^	**292 778**	292 778		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.
FF Scheepers (appointed 1 January 2018)	Allocation of newly appointed	1 000 000	–	1 000 000		**1 000 000**			13.56	One third on 1 November 2020, a third on 1 November 2021 and final third on 1 November 2022
ER Bosch (resigned 31 December 2017)	Allocation of newly appointed	953 620	953 620		953 620*	**–**		15.26	13.50	One-third on 1 June 2015, a third on 1 June 2016 and final third on 1 June 2017.
	Fifth	332 135	332 135		332 135^	**–**			16.83	All on 1 July 2016.
	Sixth	342 301	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	All on 30 June 2020.
Total executive directors		9 594 524	7 380 356	1 000 000	3 232 140	**5 148 216**	2 141 036			

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2017	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2018	Number of rights that have vested as at 30 June 2018	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*	–	–	16.90	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	102 690			**102 690**	102 690		17.31	All on 30 June 2017.
	Seventh	370 992	370 992		259 694^	**111 298**	111 298		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	102 690			**102 690**	102 690		17.31	All on 30 June 2017.
	Seventh	372 023	372 023		260 416^	**111 607**	111 607		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.

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2017	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2018	Number of rights that have vested as at 30 June 2018	Share price on date exercised	Grant price	Date from which exercisable
MM Palmeiro	Allocation of newly appointed	925 500	925 500			**925 500**	925 500		14.15	One-third on 1 October 2015, a third on 1 October 2016 and final third on 1 October 2017.
	Fifth	380 159	380 159			**380 159**	380 159		16.83	All on 1 July 2016.
	Sixth	391 795	117 538			**117 538**	117 538		17.31	All on 30 June 2017.
	Seventh	417 246	417 246		292 072^	**125 174**	125 174		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**	167 142		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		190 115^	**81 478**	81 478		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.
	Top-up allocation	200 000	–	200 000		**200 000**			15.15	One third on 14 February 2021, a third on 14 February 2022 and final third on 14 February 2023.
Total other executives		12 406 132	9 862 973	200 000	1 060 075	**9 002 897**	5 476 251			
Total		22 000 656	17 243 329	1 200 000	4 292 215	**14 151 113**	7 617 287			

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 2018, a total of 11 240 883 (30 June 2017: 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

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

32.3 Interest of directors and other executives of the Company in ordinary share capital

Number of shares at 30 June 2018				Number of shares at 30 June 2017		
Direct	Indirect	Associates		Direct	Indirect	Associates
			Executive directors			
4 088 925	**4 500 000**	**403 364**	JH Vorster	4 583 334	4 500 000	403 364
4 088 925	**4 500 000**	**403 364**		4 583 334	4 500 000	403 364
			Non-executive directors			
–	**486 492**	**–**	WI Büchner*	–	591 492	–
–	**900 085**	**–**	NA Smith	–	900 085	–
–	**–**	**–**	TA Wixley^	48 222	–	–
–	**–**	**–**	PR Griffin^	15 245	–	–
–	**1 386 577**	**–**		63 467	1 491 577	–
4 088 925	**5 886 577**	**403 364**	**Total directors' interests in ordinary share capital**	4 646 801	5 991 577	403 364
			Other executives (prescribed officers)			
242 222	**–**	**–**	H Lubbe	242 222	–	–
951 998	**–**	**–**	JHF Botes (Dr)	951 998	–	–
1 194 220	**–**	**–**	**Total interest of other executives in ordinary share capital**	1 194 220	–	–

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 23 714 200 (2017: 23 700 000) ordinary shares in the Company.*

^ *Resigned 28 November 2016*

33 LONG-SERVICE BONUS

33.1 Introduction

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

33.2 Background

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

The benefit is as follows:

Employees with an employment date before 1 January 2001

Employees receive a bonus of three times their monthly basic salary after 15 years service and one time their monthly basic salary every five years thereafter. In addition, employees with more than 30 years service will receive a gift to the value of R7 600.

Employees with an employment date after 1 January 2001

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

33.3 Valuation method

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

33.4 Valuation results

Past service liability

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

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
18 067	18 497	Employees with employment date before 01/01/2001		
5 652	2 928	Employees with employment date after 01/01/2001		
23 719	21 425	**Total past service liability**		

The valuation results as at 30 June 2018 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 R560 000. The results as at 30 June 2017 are based on the previous best estimates.

33 LONG-SERVICE BONUS (continued)

GROUP 2018 %	GROUP 2017 %		COMPANY 2018 %	COMPANY 2017 %
		33.5 Past service liability build-up		
		The build-up of the total past service liability for the past year, using the best estimate assumptions are as follows:		
7.70	7.50	a) The following discount rate per annum was used for the calculation of interest cost		
6.40	6.30	b) The following salary escalation rate per annum and merit increases were used		
		c) For current service cost an assumption is made that there are no withdrawals during the financial year		
		d) For benefits paid it is assumed that all benefits were paid as estimated by Clover		

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		The increase in the past service liability is summarised as follows:		
		Past services liability build-up		
21 426	21 847	Opening balance		
1 545	1 870	*Plus:* Interest cost		
938	1 083	Current service cost		
(6 046)	(5 032)	*Less:* Benefits paid		
5 856	1 658	Actuarial loss		
23 719	21 426	**Closing balance**		

34 EVENTS AFTER THE REPORTING PERIOD

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

Clover made a R90 million cash injection in September 2018 in DFSA that will be capitalised once shareholder approval is obtained as required by DFSA's Memorandum of Incorporation. This will not increase Clover's voting rights or shareholding and underpins Clover's ongoing commitment to support its milk source, service fees and the sustainability of DFSA.

DFSA has in turn committed to also build up a reserve of R90 million through the reduction of milk prices paid to its producers. Clover's capitalisation of DFSA and the build-up of the aforementioned reserve will add stability to DFSA to navigate through future cycles. Refer to the report on governance, risk and compliances on pages 24 - 32 for further information regarding the DFSA.

Subsequent to year-end, the board has approved a final gross cash dividend of R92,9 million (2017: Rnil) or 48,68 cents (2017: nil cents) per ordinary share for the year ended 30 June 2018 which will be paid Monday, 8 October 2018.

Abbreviations

The following abbreviations are used in the financial statements

Company names

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 S.A. (Pty) Limited:	Clover SA
Clover Swaziland (Pty) Limited (incorporated in Swaziland):	Clover Swaziland
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.

Shareholder analysis

Shareholder spread	No of Shareholdings	%	No of Shares	%
1 - 1,000 shares	1 403	50.72	318 021	0.17
1,001 - 5,000 shares	634	22.92	1 507 557	0.79
5,001 - 10,000 shares	161	5.82	1 169 061	0.61
10,001 - 50,000 shares	251	9.07	5 778 917	3.03
50,001 - 100,000 shares	93	3.36	6 912 049	3.62
100,001 shares and over	224	8.10	175 149 759	91.78
Totals	**2766**	**100**	**190 835 364**	**100**

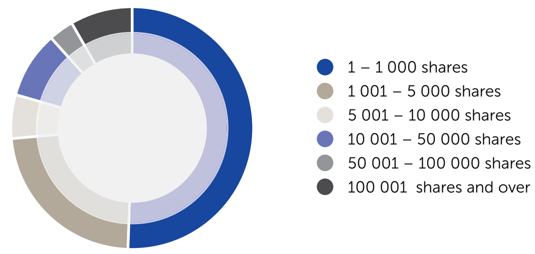
Distribution of shareholders	No of Shareholdings	%	No of Shares	%
Banks/Brokers	71	2.57	23 700 000	11.05
Close Corporations	22	0.80	46 000	0.02
Endowment Funds	23	0.83	172 013	0.08
Individuals	2 058	74.40	42 488 608	19.80
Insurance Companies	39	1.41	3 007 122	1.40
Investment Companies	4	0.14	4 861 396	2.27
Medical Schemes	4	0.14	494 444	0.23
Milk Producers Trust	2	0.07	23 700 000	11.05
Mutual Funds	113	4.09	45 564 402	21.24
Other Corporations	14	0.51	443 654	0.21
Private Companies	34	1.23	10 166 774	4.74
Producers	66	2.39	5 700 474	2.66
Public Companies	1	0.04	466 236	0.22
Retirement Funds	182	6.58	37 111 760	17.30
Trusts	133	4.81	16 469 337	7.68
Totals	**2766**	**100**	**214 392 220**	**99.93**

Public/non - public shareholders	No of Shareholdings	%	No of Shares	%
Non - Public Shareholders	17	0.61	35416086	18.56
Directors of the company	13	0.47	10521866	5.51
Executives Management of the company	2	0.07	1194220	0.63
Strategic Holdings (more than 10%)	2	0.07	23700000	12.42
Public Shareholders	2749	99.39	178976134	81.37
Totals	**2766**	**100**	**214 392 220**	**99.93**

Beneficial shareholders holding 3% or more	No of Shares	%
Clover Milk Producers Trust	23 700 000	12.42
Allan Gray	15 016 816	7.87
Government Employees Pension Fund	11 530 526	6.04
Letko Brosseau	11 058 505	5.79
Vorster, JH	8 588 925	4.50
HSBC	7 797 605	4.09
Eskom Pension & Provident Fund	5 563 532	2.92
Totals	**83 255 909**	**43.63**

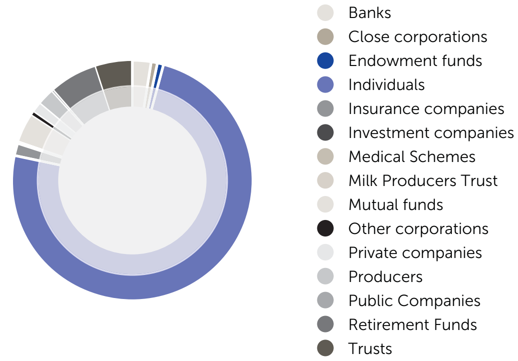
Shareholder spread

Number of shareholders (percentage)



Distribution of shareholders

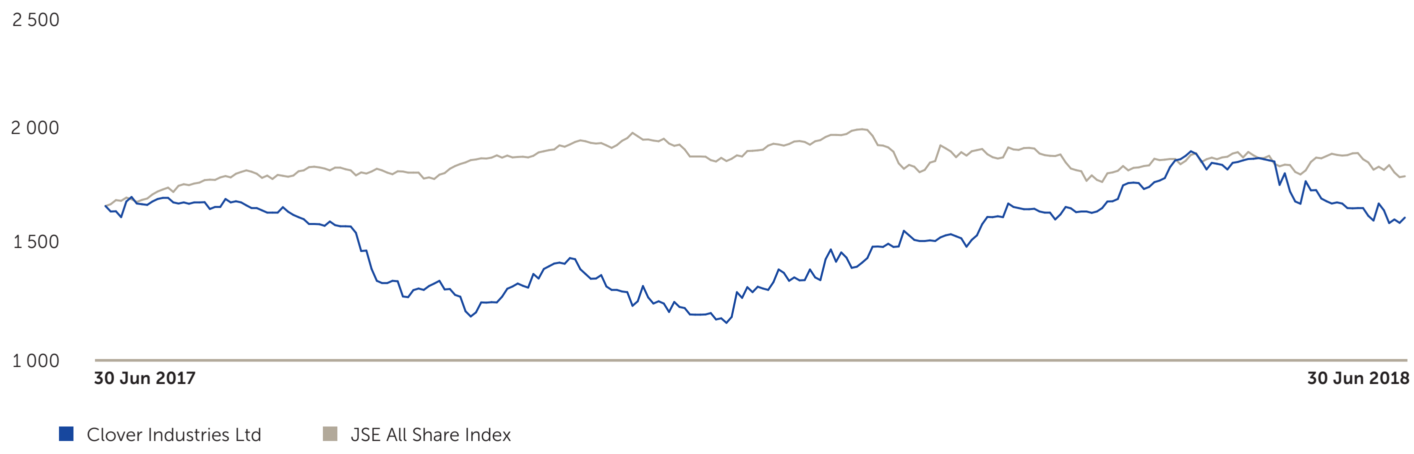
Number of shareholders (percentage)



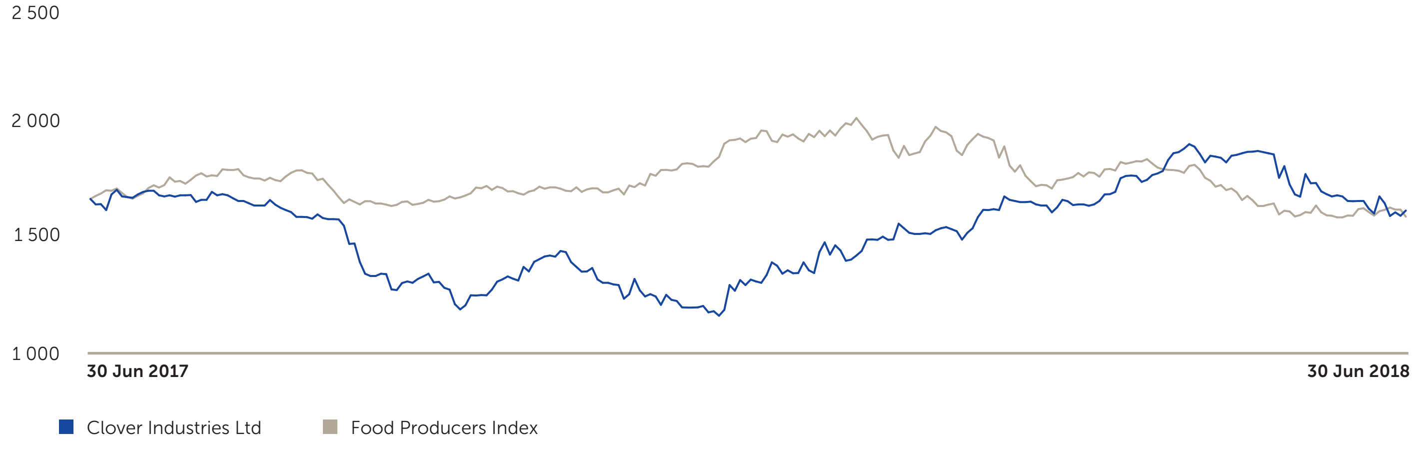
Company:	**Clover Industries Limited**
Register date:	**29 June 2018**
Issued Share Capital:	**190 835 364**

Shareholder analysis continued (continued)

Clover Industries Ltd vs All Share Index



Clover Industries Ltd vs Food Producers Index



ANNEXURE I TO THE RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

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 would have an impact on the 2018 financial year.

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, assessed in terms of IFRS 10, 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 is currently 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.

It is important to note that in the 2017 *pro forma* financial information of the Group, released on SENS on 12 September 2017 as an annexure to the financial results for the year ended 30 June 2017 ("2017 *Pro Forma* Financial Information"), it was anticipated that Clover would procure packaging material from third party suppliers and on-sell the packaging material to DFSA at no margin. The 2017 *pro forma* financial information was compiled as if Clover acted as the principal. Post the implementation of the unbundling on 1 July 2017, the legal agreement was clarified to infer that Clover is acting as an agent for packaging material procured on behalf of DFSA. In terms of this clarification the Revenue and Cost of Sales pertaining to the procurement of the packaging material does not form part of the 2018 audited results of the Group. Accordingly, the directors are of the view that the *Pro Forma* adjustment (refer note 4) as disclosed in the 2017 *Pro Forma* Financial Information needs to be amended by excluding the sale of packaging material procured and sold to DFSA in order to do a like for like comparison.

The *pro forma* financial information, as presented in the 2018 Group Results, have 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 JSE 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 dated 11 September 2017 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	Interest charged on working capital facility [4] Pro forma adjustment R'000	After Pro Forma Adjustments R'000	30 June 2018 Normalised [5] R'000
Sales of products	9 401 842	(3 549 806)			5 852 036	**6 435 663**
Rendering of services	641 499		1 192 922		1 834 421	**1 873 581**
Sale of raw milk	11 907				11 907	**335**
Rental income	3 351				3 351	**2 898**
Revenue	10 058 599	(3 549 806)	1 192 922		7 701 715	**8 312 477**
Cost of sales	(7 333 041)	2 321 032			(5 012 009)	**(5 357 424)**
Gross profit	2 725 558	(1 228 774)	1 192 922		2 689 706	**2 955 053**
Other operating income	60 040				60 040	**(82 913)**
Selling and distribution costs	(2 089 364)				(2 089 364)	**(2 117 936)**
Administrative expenses	(284 721)				(284 721)	**(273 310)**
Restructuring expenses	(48 098)				(48 098)	**(4 123)**
Other operating expenses	(48 936)				(48 936)	**(31 548)**
Operating profit	314 479	(1 228 774)	1 192 922		278 627	**611,049**
Finance income	12 647			35 852	48 499	**47 618**
Finance costs	(145 765)				(145 765)	**(141 880)**
Share of profit in a joint venture	18 486				18 486	**21 104**
Profit before tax	199 847	(1 228 774)	1 192 922	35 852	199 847	**537 891**
Taxation	(41 105)	344 057	(334 018)	(10 039)	(41 105)	**(139 509)**
Profit for the year	158 742	(884 717)	858 904	25 813	158 742	**398 382**

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
	4 607		4 607
Total assets	6 048 143		6 048 143

	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 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%.
5. As per the normalised *pro forma* consolidated statement of comprehensive income for the year ended 30 June 2018 with reference to the Annexure II.
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.

ANNEXURE II TO THE RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

PRO FORMA REGARDING THE EFFECT OF THE IMPAIRMENT ON THE RCF TO DFSA ON THE CONSOLIDATED RESULTS OF CLOVER INDUSTRIES LIMITED ("Clover")

Background

The board of Clover Industries Limited ("Clover" or "the Group") received unforeseen notice of the resignation of the DFSA CEO on 11 September 2018. His decision to resign is understood to be as result of the enormous conflict between losing milk producers or losing market share during what has been a very challenging time for the dairy industry generally.

The Chairman of DFSA also took the decision to resign and to give the opportunity to the producer shareholders to appoint their own independent chairman and CEO to take DFSA forward. The DFSA board will begin the process to identify replacements and the current CEO will stay on until 30 April 2019 to assist with identifying a suitable replacement and to ensure a seamless handover.

Whilst the Clover board had received no indications of the resignations at the time it published its trading statement on 07 August 2018, following the resignation of the DFSA Chairman and CEO, it believed it prudent to adopt a conservative approach and provide for the full impairment of the R439 million revolving credit facility it extended to DFSA as at year-end.

This Annexure ("Annexure II") to the results announcement includes the 30 June 2018 audited results which have been adjusted to reflect the reversal of the impairment (a) on 30 June 2018 for purposes of the *pro forma* adjustments made to the *pro forma* consolidated statement of comprehensive income and (b) as at 30 June 2018 for purposes of the *pro forma* adjustments made to the *pro forma* consolidated statement of financial position.

The *pro forma* financial information, as presented in the 2018 Group results, have been prepared for illustrative purposes only, to provide information on how the normalised earnings and headline earnings have been calculated had no impairment taken place.

Because of its nature, the *pro forma* financial information may not be a fair reflection of the Group's results of operations, financial position, changes in equity or cash flows. No other adjustments have been made to the *pro forma* financial information.

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 JSE Listings Requirements and the revised Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants.

This *pro forma* financial information was 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.

These latest developments should not deter from the exceptional performance delivered by Clover as highlighted in the normalised results discussed earlier in this report.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2018 Audited [1] R'000	Reversal of impairment *Pro forma* adjustment [2] R'000	After *Pro Forma* Normalised R'000	30 June 2017 Adjusted [3] R'000
Sales of products	6 435 663		6 435 663	5 852 036
Rendering of services	1 873 581		1 873 581	1 834 421
Sale of raw milk	335		335	11 907
Rental income	2 898		2 898	3 351
Revenue	8 312 477		8 312 477	7 701 715
Cost of sales	(5 357 424)		(5 357 424)	(5 012 009)
Gross profit	2 955 053		2 955 053	2 689 706
Other operating income	82 913		82 913	60 040
Selling and distribution costs	(2 117 936)		(2 117 936)	(2 089 364)
Administrative expenses	(273 310)		(273 310)	(284 721)
Restructuring expenses	(4 123)		(4 123)	(48 098)
Other operating expenses	(31 548)		(31 548)	(48 936)
Operating profit	611 049		611 049	278 627
Impairment of revolving credit facility to DFSA	(439 042)	439 042	–	–
Finance income	47 618		47 618	48 499
Finance costs	(141 880)		(141 880)	(145 765)
Share of profit in a joint venture	21 104		21 104	18 486
Profit before tax	98 849	439 042	537 891	199 847
Taxation	(139 509)		(139 509)	(41 105)
(Loss)/Profit for the year	(40 660)	439 042	398 382	158 742
Profit for the year attributable to equity holders of the parent company	(38 021)	439 042	401 021	158 258
Headline earnings attributable to shareholders of the parent company	(44 180)	439 042	394 854	121 617
Earnings per share attributable to ordinary equity holders of the parent				
(Loss)/Earnings per share (cents)	(19,9)	230,0	210,1	83,1
Diluted (loss)/earnings per share (cents)	(19,7)	227,8	208,1	82,3
Headline (loss)/earnings per share (cents)	(23,1)	230,0	206,9	63,9
Diluted headline (loss)/earnings per share (cents)	(22,9)	227,8	204,9	63,2

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2018 Audited [1] R'000	Reversal of impairment *Pro forma* adjustment [4] R'000	After *Pro Forma* Normalised R'000	30 June 2017 Adjusted [3] R'000
ASSETS				
Non-current assets				
Property, plant and equipment	2 417 791		2 417 791	2 427 444
Investment properties	9		9	9
Intangible assets	626 671		626 671	650 663
Investment in joint venture	46 035		46 035	38 946
Other non-current financial assets	5 781	439 042	444 823	3 165
Deferred tax assets	30 203		30 203	45 496
	3 126 490	439 042	3 565 532	3 165 723
Current assets			–	
Inventories	869 091		869 091	964 630
Trade and other receivables	1 479 090		1 479 090	1 341 311
Prepayments	16 829		16 829	19 844
Income tax receivable	3 702		3 702	7 165
Cash and short-term deposits	760 693		760 693	544 863
	3 129 405		3 129 405	2 877 813
Assets classified as held-for-sale	2 719		2 719	4 607
Total assets	6 258 614	439 042	6 697 656	6 048 143

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 June 2018 Audited [1] R'000	Reversal of impairment *Pro forma* adjustment [4] R'000	After *Pro Forma* Normalised R'000	30 June 2017 Adjusted [3] R'000
EQUITY AND LIABILITIES				
Equity				
Issued share capital	9 542		9 542	9 542
Share premium	892 692		892 692	892 692
Other capital reserves	105 689		105 689	78 642
Foreign currency translation reserve	17 160		17 160	9 637
Retained earnings	1 817 322	439 042	2 256 364	1 904 349
Equity attributable to equity holders of the parent	2 842 405	439 042	3 281 447	2 894 862
Non-controlling interests	(17 818)		(17 818)	(15 179)
Total equity	2 824 587	439 042	3 263 629	2 879 683
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	665 059		665 059	767 621
Non-controlling interest put liability	23 226		23 226	57 088
Employee-related obligations	75 424		75 424	82 595
Deferred tax liability	260 309		260 309	221 065
Trade and other payables	11 448		11 448	25 492
Other non-current financial liabilities	2 776		2 776	9 683
	1 038 242		1 038 242	1 163 544
Current liabilities			–	
Trade and other payables	1 676 176		1 676 176	1 274 700
Interest-bearing loans and borrowings	685 691		685 691	714 304
Other current financial liabilities	13 639		13 639	6 141
Employee-related obligations	20 279		20 279	9 771
	2 395 785		2 395 785	2 004 916
Total liabilities	3 434 027		3 434 027	3 168 460
Total equity and liabilities	6 258 614	439 042	6 697 656	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 2018 with reference to the audited annual financial statements.

2 The *pro forma* was determined with reference to the impairment of the entire revolving credit facility advanced to DFSA as at 30 June 2018. There is no tax effect due to this adjustment. The adjustment is not excluded for purposes of determining headline earnings.

3 As per the *pro forma* consolidated statement of comprehensive income and the *pro forma* consolidated statement of financial position for the year ended 30 June 2017 with reference to Annexure I.

4 The *pro forma* was determined with reference to the impairment of the entire revolving credit facility advanced to DFSA as at 30 June 2018. The facility is designated as a financial asset at amortised cost. The carrying value of the revolving credit facility approximates the fair value due to the rolling nature of the facility and interest being charged.

Notes

Notes

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