Highlights

- Revenue increased by **10,4%** to **R7,2 billion**
- Operating profit increased by **16,4%** to **R371,2 million**
- Operating margin increased to **5,1%** from 4,9%
- Headline earnings increased by **18,6%** to **R207,8 million**
- Headline earnings per share increased by **1,9%** to **116,0 cents**
- Cash dividend per ordinary share of **13,40 cents** declared

Clover Industries Limited
Abridged audited consolidated results
for the year ended 30 June 2012 and cash dividend declaration

Clover

Way Better™

Consolidated statement of comprehensive income

For the year ended	30 June 2012 R'000	30 June 2011 R'000
Sales of products	**6 109 268**	5 510 436
Rendering of services	**763 723**	642 133
Sale of raw milk	**346 287**	386 070
Rental income	**4 585**	3 682
Revenue	**7 223 863**	6 542 321
Cost of sales	**(5 233 222)**	(4 801 323)
Gross profit	**1 990 641**	1 740 998
Other operating income	**14 716**	13 974
Selling and distribution costs	**(1 422 643)**	(1 243 160)
Administrative expenses	**(191 382)**	(173 287)
Restructuring expenses	**(9 573)**	(16 907)
Other operating expenses	**(10 527)**	(2 610)
Operating profit	**371 232**	319 008
Finance income	**28 598**	24 625
Finance cost	**(52 460)**	(62 065)
Profit before tax	**347 370**	281 568
Taxes	**(137 654)**	(97 534)
Profit for the year	**209 716**	184 034
Other comprehensive income		
Exchange differences on translations of foreign operations	**(822)**	(856)
Total comprehensive income for the year, net of tax	**208 894**	183 178
Profit attributable to:		
Equity holders of the parent	**205 290**	179 588
Non-controlling interests	**4 426**	4 446
	209 716	184 034
Total comprehensive income attributable to:		
Equity holders of the parent	**204 388**	178 992
Non-controlling interests	**4 506**	4 186
	208 894	183 178
Headline earnings calculation		
Profit for the year attributable to shareholders of the parent company	**205 290**	179 588
Gross remeasurements excluded from headline earnings	**3 918**	(4 173)
Profit on sale of property, plant and equipment	**(878)**	(7 277)
Non-controlling interest portion of profit on sale of property, plant and equipment	**–**	1 324
Impairment of plant and equipment	**4 796**	1 780
Taxation effects of remeasurements	**(1 408)**	(248)
Headline earnings attributable to shareholders of the parent company	**207 800**	175 167
Number of ordinary shares used in the calculation of:		
Earnings per share (weighted average)	**179 111 867**	153 882 447
Diluted earnings per share (weighted average)	**191 127 152**	164 890 519
Earnings per share attributable to ordinary equity holders of the parent		
Earnings per share (cents)	**114,6**	116,7
Diluted earnings per share (cents)	**107,4**	108,9
Headline earnings per share (cents)	**116,0**	113,8
Diluted headline earnings per share (cents)	**108,7**	106,2
Dividends per share (cents)	**30,0**	43,0

Consolidated statement of financial position

As at	30 June 2012 R'000	30 June 2011 R'000
Assets		
Non-current assets		
Property, plant and equipment	**1 168 047**	1 013 289
Investment properties	**492**	961
Intangible assets	**357 767**	347 102
Deferred tax assets	**492**	3 262
	1 526 798	1 364 614
Current assets		
Inventories	**602 053**	460 247
Trade and other receivables	**996 995**	865 725
Prepayments	**25 631**	29 000
Other current financial assets	**173**	750
Cash and short-term deposits	**711 470**	824 212
	2 336 322	2 179 934
Assets classified as held-for-sale	**423**	940
	2 336 745	2 180 874
Total assets	**3 863 543**	3 545 488
Equity and liabilities		
Equity		
Issued share capital	**8 955**	8 955
Share premium	**675 113**	675 113
Other reserves	**254 286**	252 784
Retained earnings	**955 890**	805 499
Equity attributable to equity holders of the parent	**1 894 244**	1 742 351
Non-controlling interests	**1 796**	9 444
Total equity	**1 896 040**	1 751 795
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	**21 686**	432 833
Provisions	**61 637**	62 526
Deferred tax liability	**116 950**	32 017
Trade and other payables	**6 904**	13 357
	207 177	540 733
Current liabilities		
Trade and other payables	**1 316 794**	1 068 836
Interest-bearing loans and borrowings	**421 376**	173 829
Other current financial liabilities	**4 308**	–
Income tax payable	**5 672**	243
Provisions	**12 176**	10 052
	1 760 326	1 252 960
Total liabilities	**1 967 503**	1 793 693
Total equity and liabilities	**3 863 543**	3 545 488

Consolidated statement of cash flows

For the year ended	30 June 2012 R'000	30 June 2011 R'000
Operating activities		
Profit before tax	**347 370**	281 568
Adjustment for non-cash items	**141 710**	153 197
Working capital adjustments	**(28 202)**	(122 585)
Income tax paid	**(44 519)**	(55 264)
Net cash flow from operating activities	**416 359**	256 916
Investing activities		
Proceeds from sale of property, plant and equipment	**4 181**	10 676
Interest received	**28 598**	24 625
Goodwill purchased through the buy-out of Clover Beverages non-controlling interests	**–**	(49 387)
Acquisition of non-controlling interest	**(20 792)**	(21 045)
Capital expenditure: tangible and intangible assets	**(273 682)**	(216 326)
Other investing activities	**5 545**	(1 854)
Net cash flows used in investing activities	**(256 150)**	(253 311)
Financing activities		
Interest paid	**(52 460)**	(62 065)
Dividends paid	**(53 734)**	(58 720)
Proceeds from issue of ordinary shares	**–**	577 335
Transaction cost on issue of shares	**–**	(14 807)
Repayment of borrowings	**(169 974)**	(52 790)
Proceeds from borrowings	**6 375**	–
Other financing activities	**(3 158)**	2 380
Net cash flows (used in)/from financing activities	**(272 951)**	391 333
Net (decrease)/increase in cash and cash equivalents	**(112 742)**	394 938
Cash and cash equivalents at the beginning of the year	**824 212**	429 274
Cash and cash equivalents at the end of the year	**711 470**	824 212

Accounting policies and notes

Corporate information and basis of preparation

Clover Industries Limited ("Clover" or "the Group") is a company incorporated and domiciled in South Africa.

These abridged consolidated financial statements were prepared in accordance with IAS 34: Interim Financial Reporting, and the Companies Act, 2008 (Act 71 of 2008), as amended.

The accounting policies adopted in the preparation of the abridged consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those followed in the preparation of the annual financial statements for the year ended 30 June 2011, except for the adoption of the following new and amended Standards:

- IAS 24 Amendments to IAS 24 – Related Party Disclosures, effective date 1 January 2011.
- IFRIC 14 Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement, effective date 1 January 2011.
- IFRS 7 Financial Instruments: Disclosure – Transfer of Financial Assets, effective date 1 July 2011.
- Numerous minor improvements to IFRS.

Segment report

Segment information is presented in respect of the Group's operating segments. The operating segments are based on the Group's management and internal reporting structure.

The Group comprises the following operating segments:

- Dairy fluids segment is focused on providing the market with quality dairy fluid products.
- The dairy concentrated products consist of cheese, butter, condensed milk and retail milk powders.
- The ingredients products consist of bulk milk powders, bulk butter, bulk condensed milk, bulk creamers, calf feed substitutes, whey powder and buttermilk powder.
- The non-alcoholic beverages segment focuses on the development and marketing of non-alcoholic, value-added branded beverages products.
- Other consists of Clover Industries Ltd holding company and Lactolab (Pty) Ltd that renders laboratory services.

Segmental report

For the year ended	30 June 2012 R'000	30 June 2011 R'000
External revenue (excluding sale of raw milk)		
Dairy fluids	**3 092 413**	2 959 585
Dairy concentrated products	**1 020 961**	922 306
Ingredients	**428 494**	332 258
Non-alcoholic beverages	**1 557 476**	1 287 553
Other	**9 924**	8 734
	6 109 268	5 510 436
Margin on material		
Dairy fluids	**1 225 251**	1 227 429
Dairy concentrated products	**300 797**	224 199
Ingredients	**83 903**	71 397
Non-alcoholic beverages	**805 551**	656 297
Other	**7 418**	6 160
	2 422 920	2 185 482

The Group operates mainly in the geographical area of South Africa. The revenue and assets of the operations outside South Africa are insignificant.

Overview

Clover is proud to announce another set of solid results for the year ended 30 June 2012. Revenue increased by 10,4% to R7,2 billion from R6,5 billion, operating profit by 16,4% to R371,2 million from R319,0 million and the operating margin for the year improved from 4,9% to 5,1%.

Clover continued its strategy of investing in and concentrating on branded and value-added products. In most categories Clover increased its market share except, notably, UHT (long life) milk – where there were new low-priced entrants to the market.

As a result of continuous input cost pressures at farm level, milk prices were increased by 60 cents a litre during the months of January, February and March, which had the desired effect of stimulating milk flow. However, the milk price was subsequently reduced by 20 cents a litre from August 2012, ahead of the high milk producing season in order not to over stimulate milk flow. Cost pressures on farms have, however, not abated, and adjustments will be made when considered necessary subject to market conditions.

Clover's major capital expansion and repositioning programme – Project Cielo Blu – is still on track for completion towards the end of 2013. No major delays, other than the delay at the Queensburgh distribution facility due to a new network design, or material over-expenditure, have occurred to date. The continuous drive to lower operational costs by increasing efficiencies has had positive results, with cost savings being invested back into lower selling prices to achieve the desired volume growth.

Consolidated statement of changes in equity

For the year ended 30 June 2012	Ordinary and preference share capital R'000	Ordinary and preference share premium R'000	Preference share capital and premium transferred to debt R'000	Other capital reserves R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 30 June 2010	15 136	365 786	(259 382)	248 565	(6 377)	684 631	1 048 359	28 108	1 076 467
Profit for the year						179 588	179 588	4 446	184 034
Other comprehensive income					(596)		(596)	(260)	(856)
Total comprehensive income					(596)	179 588	178 992	4 186	183 178
Ordinary shares issued	2 763	574 572					577 335		577 335
Share issue cost allocated to share premium		(14 807)					(14 807)		(14 807)
Share-based payment reserve				11 192			11 192		11 192
Dividends of subsidiaries								(1 805)	(1 805)
Non-controlling interest acquired through the buy-out of Clover Beverages minorities								(21 045)	(21 045)
Dividends						(58 720)	(58 720)		(58 720)
Balance at 30 June 2011	17 899	925 551	(259 382)	259 757	(6 973)	805 499	1 742 351	9 444	1 751 795
Profit for the year						**205 290**	**205 290**	**4 426**	**209 716**
Other comprehensive income					**(902)**		**(902)**	**80**	**(822)**
Total comprehensive income					**(902)**	**205 290**	**204 388**	**4 506**	**208 894**
Acquisition of non-controlling interest				**(8 987)**			**(8 987)**	**(11 805)**	**(20 792)**
Share appreciation rights exercised				**(1 724)**		**(2 716)**	**(4 440)**		**(4 440)**
Share-based payment reserve				**13 115**			**13 115**		**13 115**
Dividends of subsidiaries								**(349)**	**(349)**
Dividends forfeited						**1 551**	**1 551**		**1 551**
Dividends						**(53 734)**	**(53 734)**		**(53 734)**
Balance at 30 June 2012	**17 899**	**925 551**	**(259 382)**	**262 161**	**(7 875)**	**955 890**	**1 894 244**	**1 796**	**1 896 040**

Financial performance

Headline earnings improved by 18,6% to R207,8 million from R175,2 million in the prior year. The 16,4% increase in operating profit and a 36,3% reduction in net finance costs largely contributed to the increase in headline earnings. Headline earnings per share increased by 1,9% to 116,0 cents (2011: 113,8 cents) as a result of the greater number of shares in issue during the current year.

Revenue from the sale of products increased by 10,9%, with 2,4% of this relating to volume growth and the rest being attributable to a combination of inflationary price increases and improved product mix. Revenue from rendering of services increased by 18,9% or R121,6 million as a result of increased distribution capacity and consequent principal volume growth, together with the additional Epic Foods and Danone merchandising business. Revenue from the sale of raw milk to Danone, which is made at cost, decreased by 10,3% due to greater direct raw milk purchases by Danone in the market.

Raw material costs increased by 10,2%, mostly as a result of the farm-gate milk price increases of more than 20% early in the second half of the year.

Packaging costs increased by 6,7%, slightly above inflation, mainly because of the influence of higher oil prices on plastic packaging.

Despite the direct impact of higher fuel prices and staff costs on milk collection costs, the overall increase of only 5,3% was brought about by the increased UHT production capacity created in Port Elizabeth as part of Project Cielo Blu. Higher staff costs, volume growth and inflation in electricity costs caused production costs to rise by 9,3%.

Primary distribution costs are heavily influenced by volume growth and fuel costs. The high volume growth in Principal distribution volumes and Clover's own volume growth, and fuel cost increases, pushed the increase to 11,7% for the year.

Resulting from the above the gross margin increased to 27,6% from 26,6%.

High staff inflation, increased distribution volumes and higher fuel prices all contributed to the 14,4% increase in selling and distribution expenses. Clover's investment in the production of its "Way Better" advertising campaign, which was accounted for during this year, also contributed to the increase in selling expenses.

Administrative expenses increased by 10,4% or R18,1 million with the above staff cost inflation portion accounted for by a departmental restructuring of a business unit from marketing to administration.

The 2010/2011 restructuring expenses included a sum of R8,5 million associated with the listing on the JSE resulting in a 43,4% decrease in the year under review.

As is the case with headline earnings, the increase in operating profit and the reduced net interest charge increased profit for the year by 14,0% to R209,7 million (2011: R184,0 million). However, the effective tax rate of 39,6%, largely resulting from prior year tax adjustments, eroded the earlier gains to some extent.

Segmental performance

Dairy Fluids' external revenue, excluding raw milk sales, increased by 4,5% on volume growth of 2,6%. The margin on material ("MOM") percentage weakened from 41,5% to 39,6%. Selling price increases were insufficient to recover the increase in raw material costs, and in particular the increase in raw milk prices during the second half of the year, to maintain the MOM percentage. A higher than normal national autumn and early winter milk supply constrained attempts to increase selling prices further, which would have risked volume losses. MOM, as a result, decreased to R1 225,3 million or 0,2%.

Concentrated Dairy Product volumes increased by 0,1% and external revenue by 10,7%. The volume of the bulk commodity product component further reduced by 19,5% in line with the Group's strategy. The branded component volume, however, increased by 15,6%. The improved mix and the higher selling prices increased the MOM percentage to 29,5% from 24,3%. MOM increased to R300,8 million or 34,2%.

International dairy ingredient prices weakened substantially during the second half of the year, affecting the volumes of milk powder sales due to the availability of cheaper imported product. Ingredient volumes consequently decreased by 13,1%, albeit from an already low base in line with the Group's strategy. A much higher butter component, however, caused revenue to increase by 29,0% and the MOM percentage to only reduce slightly from 21,5% to 19,6%. MOM increased by 17,5% to R83,9 million.

The Beverages segment performed very well, with sales volumes increasing by 8,6% and revenue by 21,0%. The MOM percentage increased to 51,7% from 51,0% and MOM by 22,7% to R805,6 million. This resulted from the higher selling prices and tight control over raw material costs.

Financial position and cash flows

The increase in property, plant and equipment stems mostly from the capital expenditure associated with Project Cielo Blu and other capital projects.

Inventory levels increased sharply by 30,8%. This was the cumulative result of the farm-gate milk price increase of more than 20%, volume growth, imported UHT milk to facilitate the move of production capacity in terms of Project Cielo Blu and lower UHT sales volumes in the last quarter of the year after Clover's selling price increases.

Clover's volume growth and increased Principal volumes, together with the higher selling prices accounted for the 15,1% increase in trade and other receivables from 30 June 2011. Trade receivable days outstanding remained at very low levels.

Trade and other payables increased by R241,5 million or 22,3%. Increased farm-gate milk prices, increased principal sales, creditors for capital projects and the year-end which occurred over a weekend resulted in this above-normal increase. Principal sales are included in trade receivables, with a corresponding liability included in trade payables reflecting the amount payable to principals for their sales.

Cash generated from operations, before working capital changes, is R444,6 million compared to R379,5 million reported in the prior year. During the year under review, working capital absorbed cash in the sum of R28,2 million.

The Group ended with a net decrease in its cash position for the year of R112,7 million.

Prospects

The global economy is set to remain uncertain in the year ahead and Clover is bracing itself for another difficult year economically in South Africa.

In spite of this, Clover is confident that the continued implementation of Project Cielo Blu, ongoing cost-savings drives and other margin-enhancing projects approved by the Board will ensure Clover retains a healthy market share and strong balance sheet.

Events after the reporting period

Subsequent to year end the competition authorities approved the acquisition of The Real Juice Co. Holdings (Pty) Ltd by Clover.

Going concern

The Directors are satisfied that the Group is a going concern and have therefore continued to adopt the going concern basis in preparing the abridged audited consolidated financial statements.

Cash dividends

Notice is hereby given that the directors have declared an annual gross cash dividend of 13,40 cents (11,39 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2012.

The dividend has been declared from income reserves and no secondary tax on companies' credits has been used.

A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt. The Company's income tax number is 9657/002/71/4.

The issued share capital at the declaration date is 179 111 867 ordinary shares.

The salient dates will be as follows:

Last day to trade to receive a dividend	Friday, 28 September 2012
Shares commence trading "ex" dividend	Monday, 1 October 2012
Record date	Friday, 5 October 2012
Payment date	Monday, 8 October 2012

Share certificates may not be dematerialised or rematerialised between Monday, 1 October 2012 and Friday, 5 October 2012, both days inclusive.

On behalf of the Board

JAH Bredin
Chairman

JH Vorster
Chief Executive

11 September 2012

Preparation of abridged annual consolidated results

The audited financial statements summarised in this section were prepared under supervision of Louis Jacques Botha, CA(SA) in his capacity as Chief Financial Officer of the Group.

Independent audit by auditors

The annual financial statements from which the abridged consolidated financial statements were derived, have been audited by the Group's independent auditors, Ernst & Young Inc. A copy of their unmodified report is available for inspection at the Company's registered office.

Annual General Meeting

The Annual General Meeting of the Company will be held at 200 Constantia Drive, Constantia Kloof, Roodepoort, 1709 on Friday, 30 November 2012, at 09:00 to transact the business as stated in the Annual General Meeting notice which will be distributed to shareholders on 21 September 2012. The salient dates are as follows:

Record date to determine which shareholders are entitled to receive the notice of Annual General Meeting	14 September 2012
Last day to trade in order to be eligible to attend and vote at the Annual General Meeting	16 November 2012
Record date to determine which shareholders are entitled to attend and vote at the Annual General Meeting	23 November 2012
Forms of proxy for the Annual General Meeting to be lodged by 09:00 on*	29 November 2012

*Any proxies not lodged by this time must be handed to the Chairperson of the Annual General Meeting immediately prior to the Annual General Meeting.

Company registration number: 2003/030429/06

Ordinary share code: CLR
ISIN: ZAE000152377

Preference share code: CLRP
ISIN: ZAE000152385

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