Clover Industries Limited
(Incorporated in the Republic of South Africa)
(Registration number 2003/030429/06)
JSE Ordinary Share code: CLR
NSX Ordinary Share code: CLN
ISIN No: ZAE000152377
("Clover" or "the Company" or "the Group")

SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS

for the twelve months ended 30 June 2015
and cash dividend declaration

FINANCIAL KEY INDICATORS

8,6% REVENUE Increased to R9,3 billion	69,0% HEPS Increased to 173,6 cents
80,3% OPERATING PROFIT Increased to R509,1 million	70,3% HEADLINE EARNINGS Increased to R319,3 million
82,9% PROFIT FOR THE YEAR Increased to R345,7 million	5,5% OPERATING MARGIN Increased from 3,3%
75,0% TOTAL DIVIDEND PER SHARE FOR THE YEAR Increased to 56,0 cents	

DIRECTORATE AND STATUTORY INFORMATION

Directors: Non-executive
WI Büchner (Chairman)
TA Wixley# (Lead Independent)
SF Booysen (Dr)#
JNS du Plessis#
NV Mokhesi#
B Ngonyama#
NA Smith
PR Griffin

Independent

Directors: Executive
JH Vorster (Chief Executive)
LJ Botha (Chief Financial Officer)
CP Lerm (Dr)

Company Secretary
J van Heerden
JSE Ordinary share code: CLR   ISIN: ZAE000152377
NSX Ordinary share code: CLN
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
70 Marshall Street, Johannesburg, 2001
Auditors: Ernst & Young Inc.

Bankers: The Absa Group, First National Bank, Investec Bank
Sponsors: Rand Merchant Bank (a division of FirstRand Bank Limited) (JSE), IJG Securities (NSX)
Released on 16 September 2015

COMMENTARY

OPERATIONAL REVIEW
Headline earnings increased by R131,9 million to R319,3 million. The 70,3% increase in headline earnings constitutes:
- headline operating profit, which increased by 68,8%;
- net finance costs which increased by 28,1%;
- headline income tax which increased by 79,3%;
- share of profit of a joint venture which decreased by 23,5%; and
- non-controlling interests which decreased by 302,2%.

Revenue improved by 8,6% to R9 266,3 million. The cessation of raw milk supply to Danone Southern Africa (at cost with no contribution to profit) at 31 December 2014, however, masks the real revenue growth of 13,7% when excluded.

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

High cost inflation forced the Group to increase selling prices considerably at the end of the previous financial year.

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

Given Clover's strong brands and price elasticity, finding an optimal balance between volumes, market shares and price points remain a challenge influenced by seasonality, levels of discretionary spend and input costs. This process is ongoing for each product category.

Low inventory levels at the start of the year, following the raw milk shortage experienced during the winter of 2014, contributed to volume and market share losses in cheese and hindered the strong volume growth achieved in UHT sales during the year.

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

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

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

INVESTMENT AND FUNDING
The raw milk shortage experienced during the last quarter of the previous financial year depleted UHT and cheese stocks to a large extent at 30 June 2014. During this year raw milk became available from the phasing out of milk supply to Danone which enabled the Group to restore its inventory levels with a resulting significant increase in inventory. The Group's new yoghurt, custard, ex Dairybelle UHT milk and ex Nkunzi Milkyway products further contributed to the increase in inventory. In addition the Group built up some excess milk powder stock which will be utilised in the manufacturing of its products during the 2015/16 financial year. Together with the 6% farm gate milk price increases during the year, inventory increased considerably and was mainly responsible for a R378,3 million increase in interest-bearing debt.

Non-current liabilities ended largely at the same levels as the previous year.

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

Cash generated from operations, before working capital changes, was R566,7 million compared to R338,4 million reported in the prior year. The higher cash generation followed mostly from the higher profit for the year. However, during the year under review, working capital absorbed R406,6 million of cash.

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

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

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

All services supplied to Danone Southern Africa were phased out during 2014/15 which will lead to a revenue reduction during 2015/16 as well as available capacity in Clover's supply chain. The Group intends to replace this revenue and utilise the available capacity over time with revenue from its own product sales, selective new principals and acquisitive growth. In addition certain cost savings will mitigate the effect on profit to some extent. With effect from 1 June 2015 Clover commenced with providing sales, distribution, merchandising and credit control services to Dairybelle (Pty) Ltd which will further lessen the impact of the loss of revenue from Danone.

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

New products will either be developed by Clover's in-house Product Innovation and Technology Department or in co-ordination with joint venture-like partnerships.

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

Any forecast financial information contained in this announcement has not been reviewed or reported on by Clover's external auditors.

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

The board previously stated that it will during the medium term progressively reduce the dividend cover to lower levels. The total dividends for 2014/15 represent a dividend growth of 75,0% compared to the HEPS growth of 69,0% and a dividend covered 3,1 times by HEPS.

The dividend has been declared from income reserves.

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

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

The issued share capital at the declaration date is 187 731 138 ordinary shares.

The salient dates will be as follows:

Last day to trade "cum' the ordinary share dividend	Friday, 2 October 2015
Shares commence trading "ex' the ordinary share dividend	Monday, 5 October 2015
Record date on	Friday, 9 October 2015
Payment date on	Monday, 12 October 2015

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

On behalf of the Board

WI Büchner
Chairman
15 September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended	30 June 2015 R'000	30 June 2014 R'000
Sales of products	8 272 084	7 192 650
Rendering of services	838 112	822 040
Sale of raw milk	152 822	511 485
Rental income	3 233	4 062
Revenue	9 266 251	8 530 237
Cost of sales	(6 482 147)	(6 291 191)
Gross profit	2 784 104	2 239 046
Other operating income	58 039	48 916
Selling and distribution costs	(1 996 467)	(1 770 510)
Administrative expenses	(309 041)	(195 567)
Restructuring expenses	(8 472)	(16 036)
Other operating expenses	(19 091)	(23 573)
Operating profit	509 072	282 276
Finance income	9 041	7 234
Finance cost	(83 105)	(65 043)
Share of profit in joint ventures after tax	10 939	14 306
Profit before tax	445 947	238 773
Taxes	(100 286)	(49 791)
Profit for the year	345 661	188 982
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translations of foreign operations	3 268	2 565
Total comprehensive income for the year, net of tax	348 929	191 547
Profit attributable to:		
Equity holders of the parent	350 345	186 666
Non-controlling interests	(4 684)	2 316
	345 661	188 892
Total comprehensive income attributable to:		
Equity holders of the parent	353 613	189 231
Non-controlling interests	(4 684)	2 316
	348 929	191 547

HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE CALCULATION

For the year ended	30 June 2015 R'000	30 June 2014 R'000
Headline earnings calculation		
Profit for the period attributable to equity holders of the parent company	350 345	186 666
Gross remeasurements excluded from headline earnings	(38 950)	2 516
(Profit)/loss on sale and scrapping of property, plant and equipment and gains on other assets	(38 950)	5 102
Discount on acquisition of PPE by Clover Waters through issue of shares	–	(20 716)
Non-controlling interest's portion in discount on acquisition off PPE by Clover Waters through issue of shares	–	6 215
Impairment of plant and equipment	–	11 915
Taxation effects of remeasurements	7 948	(1 718)
Headline earnings attributable to shareholders of the parent company	319 343	187 464
Issued ordinary shares	187 731 138	182 478 589
Number of ordinary shares used in the calculation of:		
Earnings per share		
– weighted average	183 989 596	182 478 589
Diluted earnings per share		
– weighted average	192 466 775	191 767 408
Earnings per share attributable to ordinary equity holders of the parent		
Earnings per share (cents)	190,4	102,3
Diluted earnings per share (cents)	182,0	97,3
Headline earnings per share (cents)	173,6	102,7
Diluted headline earnings per share (cents)	165,9	97,8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	30 June 2015 R'000	30 June 2014 R'000
Assets		
Non-current assets		
Property, plant and equipment	2 153 451	1 818 113
Investment properties	23	1 380
Intangible assets	567 557	447 493
Share of investment in joint ventures	31 625	35 066
Deferred tax assets	32 696	8 919
	2 785 352	2 310 971
Current assets		
Inventories	940 181	567 892
Trade and other receivables	1 215 579	1 022 993
Prepayments	17 530	16 194
Income tax receivable	40 330	33 877
Cash and short-term deposits	475 436	653 889
	2 689 056	2 294 845
Assets classified as held-for-sale	429	3 776
Total assets	5 474 837	4 609 592

As at	30 June 2015 R'000	30 June 2014 R'000
Equity and liabilities		
Equity		
Issued share capital	9 387	9 124
Share premium	838 363	734 414
Other reserves	72 880	283 225
Foreign currency translation reserve	(2 314)	(5 582)
Retained earnings	1 653 022	1 231 089
Equity attributable to equity holders of the parent	2 571 338	2 252 270
Non-controlling interests	13 510	20 471
Total equity	2 584 848	2 272 741
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	681 601	662 357
Employee-related obligations	74 901	67 615
Deferred tax liability	188 253	179 023
Trade and other payables	21 459	4 351
Other non-current financial liabilities	2 716	–
	968 930	913 346
Current liabilities		
Trade and other payables	1 330 385	1 186 674
Interest-bearing loans and borrowings	573 576	214 495
Other current financial liabilities	2 670	2 323
Employee-related obligations	14 428	20 013
	1 921 059	1 423 505
Total liabilities	2 889 989	2 336 851
Total equity and liabilities	5 474 837	4 609 592

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended	30 June 2015 R'000	30 June 2014 R'000
Balance at 1 July	2 272 741	2 115 425
Profit for the year	345 661	188 982
Other comprehensive income	3 268	2 565
Total comprehensive income	348 929	191 547
Share-based payment reserve accrued	18 080	17 351
Share appreciation rights exercised, net of tax	(82 600)	(24 551)
Ordinary shares issued	104 212	21 214
Non-controlling interest allocated in Clover Waters acquisition	–	16 807
Discount on acquisition of Clover Waters	–	4 218

Acquisition of non-controlling interest in Lactolab (Pty) Ltd	(5 500)	–
Dividends of subsidiaries – non-controlling interest	–	(961)
Dividends	(71 624)	(69 342)
Dividends forfeited	610	1 033
Transfer from other capital reserves	(209 957)	–
Transfer to retained earnings	209 957	–
Balance at end of the year	2 584 848	2 272 741
Consists of:		
Share capital and premium	847 750	743 538
Other capital reserves	72 880	283 225
Foreign currency translation reserve	(2 314)	(5 582)
Retained earnings	1 653 022	1 231 089
Shareholder equity	2 571 338	2 252 270
Non-controlling interest	13 510	20 471
Total equity	2 584 848	2 272 741

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended	30 June 2015 R'000	30 June 2014 R'000
Operating activities		
Profit before tax	445 947	238 773
Adjustment for non-cash items	227 031	179 885
Working capital adjustments	(406 539)	64 648
Income tax paid	(106 254)	(80 239)
Net cash flow from operating activities	160 185	403 067
Investing activities		
Proceeds from sale of property, plant and equipment and other assets	61 684	1 166
Interest received	9 041	7 234
Acquisition of Dairybelle UHT Milk business	(30 000)	–
Acquisition of Dairybelle Yoghurt business	(107 131)	–
Acquisition of Clover Milkyway business	(48 684)	–
Government grant received recognised against property, plant and equipment and expenses	38 055	32 106
Capital expenditure: Tangible and intangible assets	(489 753)	(387 999)
Net other investing activities	9 966	(4 241)
Net cash flows used in investing activities	(556 822)	(351 734)
Financing activities		
Interest paid	(83 105)	(65 043)
Dividends paid	(71 624)	(69 342)
Non-controlling interest acquired in Lactolab (Pty) Ltd	(5 500)	–
Net increase of borrowings	378 326	37 566
Net other financing activities	–	(961)
Net cash flows from/(used in) financing activities	218 097	(97 780)
Net decrease in cash and cash equivalents	(178 540)	(46 447)
Net foreign exchange differences	87	(4 223)
Cash and cash equivalents at the beginning of the year	653 889	704 559
Cash and cash equivalents at the end of the year	475 436	653 889

ACCOUNTING POLICIES AND NOTES

1. Corporate information and basis of preparation

These summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by IAS 34 Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies are consistent in all material respects with those of the previous financial period, except for the implementation of the following new accounting standards, interpretations and amendments to IFRS:

- IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments
- IFRIC 21 Levies
- IAS 19 Defined Benefit Plans: Employee Contributions – Amendments
- IFRS 2 Share-based payments – Definition of vesting conditions – AIP*
- IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination – AIP*

- IFRS 8 Operating Segments – Aggregation of operating Segments – AIP*
- IFRS 8 Operating Segments – Reconciliation of the total of the reporting segment's assets to the entity's assets – AIP*
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets Revaluation method — proportionate restatement of accumulated depreciation/amortisation – AIP*
- IAS 24 Related Party Disclosures — Key management personnel – AIP*
- IFRS 3 Business Combinations — Scope exceptions for joint ventures – AIP*
- IFRS 13 Fair Value Measurement — Scope of paragraph 52 (portfolio exception) – AIP*
- IAS 40 Investment Property — Interrelationship between IFRS 3 and IAS 40 (ancillary services) – AIP*
- IAS 36 Disclosure requirements for the recoverable amount of impaired assets – Amendments

The amendments had no significant impact on the financial statements or disclosure of the Group.

*Annual Improvement Project.

2. Segment reporting

The following information regarding the Group's product groups, for which no discrete financial information is available, are presented on voluntary basis.

The Group comprises the following main product groups:
- dairy fluids product group 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 product group focuses on the development and marketing of non-alcoholic, value-added branded beverages;
- the fermented products and desserts consist of yoghurt, maas and desserts. In the 2014 annual report the maas was included as part of the dairy fluids products however, in this annual report the maas is disclosed under fermented products and desserts; and
- other consists of Clover's holding company and Lactolab Proprietary Limited that renders laboratory services.

For the year ended	30 June 2015 R'000	30 June 2014 R'000
External revenue from sale of products*		
Dairy fluids	4 396 169	3 765 162
Dairy concentrated products	1 259 208	1 128 758
Ingredients	274 860	265 599
Non-alcoholic beverages	2 065 101	1 930 094
Fermented products and desserts	269 782	93 679
Other	6 964	9 358
	8 272 084	7 192 650
Margin on material		
Dairy fluids	1 738 282	1 421 476
Dairy concentrated products	403 070	319 659
Ingredients	88 480	68 878
Non-alcoholic beverages	1 099 622	973 475
Fermented products and desserts	68 296	17 780
Other	5 332	7 346
	3 403 082	2 808 614

*External revenue excludes revenue from the sale of raw milk.

Assets, liabilities and overheads are managed on a Group basis and are therefore not allocated to the product groups.

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

3. Earnings per share

The difference between earnings per share and diluted earnings per share is due to the impact of unexercised share appreciation rights.

4. Property, plant and equipment and intangible assets

During the year under review the Group acquired property, plant and equipment to the value of R468,1 million and also acquired intangible assets at a cost of R21,6 million.

5. Share capital and share premium

The share premium account increased by R103,9 million from the prior financial year after the settlement of vested executive management share appreciation rights by the issue of new ordinary shares.

6. Business combinations and acquisition of non-controlling interest

6.1 Acquisition of the Dairybelle UHT Milk Business

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

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R864 000; free cash flow reduction per annum of 5% and a discount rate of 17,5%.

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

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

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

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

6.2 Acquisition of the Dairybelle Yoghurt Business

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

According to the "Yoghurt Sale of Business Agreement" Real Beverages has bought all of the consumables, raw materials, finished goods, fixed assets (property, plant and equipment), intellectual property (for example certain trademarks) and material contracts of the Seller in relation to the Yoghurt Business on the effective date. The transaction is in line with the Group's stated strategy to expand its portfolio of value added and branded consumer products. The acquisition of the assets comprising the Yoghurt Business will provide the Group with access to the yoghurt market, in which Dairybelle had a meaningful presence.

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R3,6 million; free cash flow growth per annum of 11% and a discount rate of between 16.7% – 17.2%.

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

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

Cash flow on acquisition	
Net cash acquired with business	–
Cash paid	(107 131)
Net cash flow	(107 131)

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

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

6.3 Acquisition of Nkunzi Milkyway Proprietary Limited's business and assets

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

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

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R3,9 million; free cash flow growth per annum of between 7% – 23% and a discount rate of 16.5%.

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

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

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

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

6.4 Acquisition of non-controlling interests in Lactolab Proprietary Limited

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

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

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

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

R'000

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

7. Fair value of financial instruments

For financial instruments traded in an active market (Level 1), fair value is determined using stock exchange quoted prices. For other financial instruments (Level 2), appropriate valuation techniques, including recent market transaction and other valuation models, have been applied and significant inputs include market yield curves and exchange rates. There is no difference between the fair value and carrying value of financial assets and liabilities not presented below due to either the short-term nature of these items, or the fact that they are priced at variable interest rates.

Financial instruments carried at fair value in the statement of financial position:	30 June 2015 (R'000)	Level 1 (R'000)	Level 2 (R'000)
Financial liabilities at fair value through profit or loss			
Diesel hedge	1 761		1 761
Clover Industries shares forward purchases	3 625		3 625
Liabilities measured at fair value	5 386		5 386

Financial instruments carried at fair value in the statement of financial position:	30 June 2014 (R'000)	Level 1 (R'000)	Level 2 (R'000)
Financial liabilities at fair value through profit or loss			
Clover Industries shares forward purchases	2 323		2 323
Liabilities measured at fair value	2 323		2 323

There were no transfers between Level 1 and Level 2 fair value measurements during the year ended 30 June 2015 and no transfers into or out of Level 3.

Clover Industries shares forward purchase

The Group had entered into a forward contract to purchase 2 132 695 Clover Industries shares at R17,90 per share on June 2014. This transaction was entered into a hedge portion of the share appreciation rights issued to management. At 3 June 2014 it was decided to roll the current hedge into a new hedge programme.

The fair value of the shares forward purchases was determined by Investec Bank Limited. The fair value was determined by making use of the Black Scholes model. The following inputs were taken into consideration with applying the model, a dividende yeild of 2,16%, a credit spread of 2,75%, a spot rate of R17,60 and a swap interest rate reflecting the term of each trance of the hedge.

Diesel hedge

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

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

8. Events after the reporting period

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

9. Going concern

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

10. Preparation of summarised consolidated financial statements

These summarised consolidated financial statements are extracted from audited information, but are not itself audited. The directors take full responsibility for the preparation of the summarised consolidated financial statements and ensured that the financial information has been accurately extracted from the underlying audited consolidated annual financial statements.

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

11. Independent audit by auditors

The annual financial statements from which the summarised 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.

12. Annual General Meeting

The Annual General Meeting of the company will be held at 200 Constantia Drive, Constantia Kloof, Roodepoort, 1709 on Friday, 27 November 2015, at 10:00 to transact the business as stated in the Annual General Meeting notice which will be distributed to shareholders on 28 September 2015.

Record date to determine which shareholders are entitled to receive the notice of Annual General Meeting	Friday, 18 September 2015
Last day to trade in order to be eligible to attend and vote at the Annual General Meeting	Friday, 13 November 2015
Record date to determine which shareholders are entitled to attend and vote at the Annual General Meeting	Friday, 20 November 2015
Forms of proxy for the Annual General Meeting to be lodged by 10:00 on*	Thursday, 26 November 2015

* 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.