Clover Industries Limited
(Incorporated in the Republic of South Africa)
Registration number: 2003/030429/06
Tax number: 9657/002/71/4
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 year ended 30 June 2016
and cash dividend declaration

KEY FINANCIAL INDICATORS

6.0%
REVENUE
Increased to R9.8 BILLION

8.9%
HEPS
Increased to 188.9 CENTS

10.9%
OPERATING PROFIT
Increased to R564.5 MILLION

11.7%
HEADLINE EARNINGS
Increased to R356.6 MILLION

1.8%
PROFIT FOR THE YEAR
Increased to R351.9 MILLION

5.7%
OPERATING MARGIN
Increased from 5.5%

16.3%
TOTAL DIVIDEND PER
SHARE FOR THE YEAR
Increased to 65.15 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)(Resigned 2 January 2016)
ER Bosch (Chief Financial Officer)(Appointed 2 January 2016)
CP Lerm (Dr) (Retired 30 June 2016)

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 13 September 2016

COMMENTARY

OPERATIONAL REVIEW

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

Headline earnings per share increased by 8,9% or 15,3 cents to 188,9 cents per share whilst earnings per share was down 2,4% to 185,9 cents (2015: 190,4 cents).

Revenue improved by 6% or R552,5 million to R9 818,7 million. The cessation of raw milk supply to Danone southern Africa (at cost with no contribution to profit) at 31 December 2014, however, masks the real revenue growth of 7,5%. Raw milk sales declined by 85,1% to R22,8 million as the supply of raw milk to Danone was systematically phased out.

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

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

Clover faced numerous economic headwinds for the year ended 30 June 2016. Clover stated in its December results that the strong 8.1% growth in national raw milk supply during our 2014/15 financial year lowered dairy product market prices throughout the peak milk season in 2015/16.

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

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

On average, the rand weakened against the euro and dollar when compared to the prior year which increased plastic packaging material. The Group also experienced sharp increases in ingredients costs.

Management embarked on a radical cost efficiency drive to mitigate the impact of higher than expected inflationary cost increases across Clover's value chain. Farm gate milk prices were reduced in August 2015 as the national milk intake was still 7,2% higher than the previous year which yielded unprecedented growth.

A prolonged drought primarily in the Highveld and Kwazulu-Natal increased feed prices due to maize shortages and the scarcity of good quality roughage. Due to the resulting lower milk prices and higher feed costs, raw milk production eased and Clover was compelled to pass price increases on to producers to protect the primary industry. At the time of writing this report the availability and cost of feed still impacts the producers and there is a current challenge to supply the forecasted market with milk, however the milk flow during this spring and summer will determine market conditions for next winter.

INVESTMENT AND FUNDING

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

Cash generated from operations, before working capital changes, totalled R709,7 million compared to R566,7 million reported in the prior year. In this year, working capital absorbed just R36,2 million of cash compared to the R406,5 million of the prior year. Due to lower farm gate milk prices and higher feed costs, milk production slowed from the exceptionally high levels of the preceding 18 months, which considerably eased the need for investment in inventory. The increases recorded in trade and other receivables was in line with Clover's growth in invoiced revenue.

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

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

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

PROSPECTS

Much of the world – including South Africa – has entered into such a precarious era and attempting to make any kind of prediction can be foolhardy. Consumers remain under pressure and discretionary spend will further be affected by rising inflation and resultant interest rate increases. The recent currency volatility and foreign exchange liquidity may also mute potential growth prospects.

A key determining factor for the industry's success would be the rainfall (La Niña) and resultant milk flow in the upcoming spring, hopefully bringing down food and beverage input costs and food price inflation.

The industry has been subject to evolving and increasing legislation, and the impact of the recently proposed sugar tax may have far reaching consequences.

Clover will continue to explore local consolidation opportunities to leverage its existing value chain, and continues to invest in new products to grow a portfolio that is not exposed to dairy price fluctuations, either acquisitively or organically. The Company remains focussed on fully utilising its capacities and the asset base that was heavily invested in during the last five years.

Clover's redesigned strategy since listing and management's ability to rapidly adapt to market changes will enable the Company to employ numerous levers to mitigate the major effects of cyclicality in the business.

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross cash dividend of R77,9 million or 40,94000 cents (34,79900 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2016 bringing the total dividend per ordinary share for the year to 65,15 cents (2015: 56,0 cents).

The dividend has been declared from income reserves.

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

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

The issued share capital at the declaration date is 190 314 350 ordinary shares. The salient dates will be as follows:

Last day to trade to receive a dividend	Tuesday, 11 October 2016
Shares commence trading "ex" dividend	Wednesday, 12 October 2016
Record date	Friday, 14 October 2016
Payment date	Monday, 17 October 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 October 2016 and Friday, 14 October 2016, both days inclusive.

On behalf of the Board

WI Büchner	JH Vorster
Chairman	Chief Executive

12 September 2016

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended

	30 June 2016 R'000	30 June 2015 R'000
Sales of products	9 102 469	8 272 084
Rendering of services	684 496	838 112
Sale of raw milk	22 769	152 822
Rental income	8 983	3 233
Revenue	9 818 717	9 266 251
Cost of sales	(7 025 497)	(6 482 147)
Gross profit	2 793 220	2 784 104
Other operating income	73 688	58 039
Selling and distribution costs	(1 944 333)	(1 996 467)
Administrative expenses	(300 461)	(309 041)
Restructuring expenses	(8 493)	(8 472)
Other operating expenses	(49 171)	(19 091)
Operating profit	564 450	509 072
Finance income	10 139	9 041
Finance cost	(122 964)	(83 105)
Share of profit in joint ventures after tax	14 268	10 939
Profit before tax	465 893	445 947
Taxes	(113 992)	(100 286)
Profit for the year	351 901	345 661
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translations of foreign operations, net of tax	26 461	3 268
Exchange differences on translations of foreign operations	(1 905)	3 268
Reclassified to profit or loss	28 366	–
Income tax effect	–	–
Net gain on cashflow hedges, net of tax	2 412	–
Cash flow hedge fair value adjustment	(22 500)	–
Reclassified to profit or loss	25 850	
Income tax effect	(938)	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	28 873	3 268
Total comprehensive income for the year, net of tax	380 774	348 929
Profit attributable to:		
Equity holders of the parent	350 906	350 345
Non-controlling interests	995	(4 684)
	351 901	345 661
Total comprehensive income attributed to:		
Equity holders of the parent	379 779	353 613
Non-controlling interests	995	(4 684)
	380 774	348 929
Earnings per share (cents)		
Basic profit for the year attributable to ordinary equity holders of the parent	185.9	190,4
Diluted profit for the year attributable to ordinary equity holders of the parent	181.8	182,0

HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE

For the year ended

	30 June	30 June

	2016 R'000	2015 R'000
Headline earnings calculation		
Profit for the period attributable to equity holders of the parent company	350 906	350 345
Gross remeasurements excluded from headline earnings	5 776	(38 950)
Profit on sale and scrapping of property, plant and equipment and gains on other assets	(20 869)	(38 950)
Bargain purchase at acquisition (Clover Good Hope)	(1 721)	–
Release of foreign currency translation reserve in abandonment of foreign operation	28 366	–
Taxation effects of remeasurements	(87)	7 948
Headline earnings attributable to shareholders of the parent company	356 595	319 343
Issued ordinary shares	190 314 350	187 731 138
Number of ordinary shares used in the calculation of:		
Earnings per share		
– weighted average	188 733 409	183 989 596
Diluted earnings per share		
– weighted average	193 021 978	192 466 775
Earnings per share attributable to ordinary equity holders of the parent		
Earnings per share (cents)	185,9	190,4
Diluted earnings per share (cents)	181,8	182,0
Headline earnings per share (cents)	188,9	173,6
Diluted headline earnings per share (cents)	184,7	165,9

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at

	30 June 2016 R'000	30 June 2015 R'000
Assets		
Non-current assets		
Property, plant and equipment	2 323 216	2 153 451
Investment properties	15	23
Intangible assets	612 191	567 557
Investment in joint ventures	31 651	31 625
Other non-current financial assets	5 657	–
Deferred tax assets	37 019	32 696
	3 009 749	2 785 352
Current assets		
Inventories	916 909	940 181
Trade and other receivables	1 308 223	1 215 579
Prepayments	16 184	17 530
Income tax receivable	–	40 330
Cash and short-term deposits	604 071	475 436
	2 845 387	2 689 056
Assets classified as held-for-sale	10 907	429
Total assets	5 866 043	5 474 837

	30 June 2016 R'000	30 June 2015 R'000
EQUITY AND LIABILITIES		
Equity		
Issued share capital	9 516	9 387
Share premium Other	882 774	838 363
Other capital reserves	74 873	72 880
Foreign currency translation reserve	24 147	(2 314)
Cash flow hedge reserve	2 412	–
Retained earnings	1 871 690	1 653 022
Equity attributable to equity holders of the parent	2 865 412	2 571 338
Non-controlling interests	23 305	13 510
Total equity	2 888 717	2 584 848
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	931 455	681 601
Employee-related obligations	73 474	74 901
Deferred tax liability	192 358	188 253
Trade and other payables	19 311	21 459
Other non-current financial liabilities	2 199	2 716
	1 218 797	968 930
Current liabilities		
Trade and other payables	1 363 332	1 330 385
Interest-bearing loans and borrowings	343 015	573 576
Other current financial liabilities	25 612	2 670
Income tax payable	9 893	–
Employee-related obligations	16 677	14 428
	1 758 529	1 921 059
Total liabilities	2 977 326	2 889 989
Total equity and liabilities	5 866 043	5 474 837

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended

	30 June 2016 R'000	30 June 2015 R'000
Balance at 1 July	2 584 848	2 272 741
Profit for the year	351 901	345 661
Other comprehensive income	28 873	3 268
Total comprehensive income	380 774	348 929
Share-based payment expense recognised	12 697	18 080
Share appreciation rights exercised, net of tax	(35 347)	(82 600)
Ordinary shares issued	44 540	104 212
Initial recognition of call options	1 005	–
Non-controlling interest arising from business combination	8 800	–
Acquisition of non-controlling interest in Lactolab (Pty) Ltd.	–	(5 500)
Dividends	(108 755)	(71 624)

Dividends forfeited	155	610
Balance at end of the year	2 888 717	2 584 848
Consists of:		
Share capital and premium	892 290	847 750
Other capital reserves	74 873	72 880
Foreign currency translation reserve	24 147	(2 314)
Cash flow hedge reserve	2 412	-
Retained earnings	1 871 690	1 653 022
Shareholder equity	2 865 412	2 571 338
Non-controlling interest	23 305	13 510
Total equity	2 888 717	2 584 848

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended

	30 June 2016 R'000	30 June 2015 R'000
OPERATING ACTIVITIES		
Profit before tax	465 893	445 947
Adjustment for non-cash and seperately disclosed items	300 723	227 031
Working capital adjustments	(36 230)	(406 539)
Income tax paid	(56 938)	(106 254)
Net cash flow from operating activities	673 448	160 185
INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment and other assets	45 533	61 684
Interest received	10 139	9 041
Acquisition of controlling interest in Clover Good Hope Proprietary Limited	(2 550)	-
Acquisition of controlling interest in Clover Frankies Proprietary Limited	(6 610)	-
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	16 097	38 055
Capital expenditure: Tangible and intangible assets	(423 071)	(489 753)
Realised foreign exchange gain	27 833	9 966
Net cash flows used in investing activities	(332 629)	(556 822)
FINANCING ACTIVITIES		
Interest paid	(122 964)	(83 105)
Dividends paid	(108 755)	(71 624)
Non-controlling interest acquired in Lactolab (Pty) Ltd	-	(5 500)
Repayment of borrowings	(254 646)	(9 646)
Proceeds from borrowings	273 939	387 972
Net cash flows from/(used in) financing activities	(212 426)	218 097
Net increase/(decrease) in cash and cash equivalents	128 393	(178 540)
Net foreign exchange differences	242	87
Cash and cash equivalents at the beginning of the year	475 436	653 889
Cash and cash equivalents at the end of the year	604 071	475 436

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 annual financial statements. No new and amended IFRS and IFRIC interpretations were adopted by the Group during the year.

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 and other dairy fluid replacement 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.
- other consists of Clover's holding company and Lactolab Proprietary Limited that renders laboratory services.

For the year ended	30 June 2016 R'000	30 June 2015 R'000
External revenue from sale of products*		
Dairy fluids	4 427 051	4 396 169
Dairy concentrated products	1 355 240	1 259 208
Ingredients	266 909	274 860
Non-alcoholic beverages	2 367 158	2 065 101
Fermented products and desserts	679 481	269 782
Other	6 630	6 964
	9 102 469	8 272 084
Margin on material		
Dairy fluids	1 795 746	1 738 282
Dairy concentrated products	400 652	403 070
Ingredients	40 146	88 480
Non-alcoholic beverages	1 314 252	1 099 622
Fermented products and desserts	195 877	68 296
Other	4 754	5 332
	3 751 427	3 403 082

* 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 R366,7 million and also acquired intangible assets at a cost of R56,4 million.

5. SHARE CAPITAL AND SHARE PREMIUM

The share premium account increased by R44,4 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 interest in Clover Good Hope Proprietary Limited

Clover entered into an agreement with Good Hope International Beverages (SA) Proprietary Limited ("Seller") to form a new entity, Clover Good Hope Proprietary Limited ("Clover Good Hope") that acquired the Good Hope soy and non-alcoholic beverages business, effective 1 May 2016. According to the "Sale of Business Agreement" Clover Good Hope has bought all of the intellectual property of the Seller in relation to the Good Hope business on the effective date. Clover effectively holds 51% of the shares in Clover Good Hope and Good Hope International Beverages (SA) Proprietary Limited holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Good Hope Proprietary Limited at residual value on initial recognition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R4,3 million; free cash flow growth per annum of between 16% to 19% and a discount rate of 18%.

The fair values allocated to the assets and liabilities are based on a provisional assessment of their fair values. According to IFRS 3.45, the Company is allowed a measurement period, not exceeding one year, to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the effective date.

The fair value of the identifiable assets and liabilities goodwill and non-controlling interest of the Good Hope business as at the date of acquisition were:

	R'000
Assets	
Intangible assets	7 391
	7 391
Liabilities	
Deferred tax liability	(669)
Total identifiable net assets at fair value	6 722
Bargain purchase arising on acquisition	(1 722)
Total value of Good Hope business	5 000
Non-controlling interest measured at residual value	2 450
Purchase consideration settled in cash	2 550

The business contributed R16,2 million of revenue and R5,8 million of margin on material to the Group results since acquisition. These amounts would have been R97,2 million and R34,8 million respectively if annualised for the full period. The bargain purchase originated since there was an incentive for the seller to sell a portion of its shareholding at a competitive price (holding a non-controlling interest in the newly formed entity of 49%) to enable the business to benefit from the Clover distribution network for future growth and improved profitability."

6.2 Acquisition of interest in Clover Frankies Proprietary Limited

Clover entered into an agreement with Frankies Olde Soft Drinks cc ("Seller") to form a new entity, Clover Frankies Proprietary Limited ("Clover Frankies") that acquired the Frankies business, effective 1 November 2015. According to the "Sale of Business Agreement" Clover Frankies has bought all of the consumables, raw materials, finished goods, equipment and material contracts of the Seller in relation to the Frankies business on the effective date. Clover effectively holds 51% of the shares in Clover Frankies and Frankies Olde Soft Drinks cc holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Frankies Proprietary Limited at residual value on initial recognition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R1,2 million; free cash flow growth per annum of between 11% to 16% and a discount rate of 18,2%.

The fair values allocated to the assets and liabilities are based on a provisional assessment of their fair values. According to IFRS 3.45, the Company is allowed a measurement period, not exceeding one year, to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the effective date.

The fair values of the identifiable assets, liabilities, goodwill and non-controlling interest of the Frankies business as at the date of acquisition were:

	R'000
Assets	
Equipment	463
Intangible assets	6 636
Inventory	997
	8 096
Liabilities	
Deferred tax liability	(676)
Total identifiable net assets at fair value	7 420
Goodwill arising on acquisition	5 540
Total value of Frankies business	12 960
Non-controlling interest valued at residual value	6 350
Purchase consideration settled in cash	6 610

Goodwill arising on acquisition represents the value paid for the Frankies business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations and Clover's extended distribution network.

The business contributed R20,6 million of revenue and R12,4 million of margin on material to the Group results since acquisition. These amounts would have been R30,9 million and R18,6 million respectively if annualised for the full period.

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. For non-current assets (level 3) fair value has been determined based on the sale agreements. 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. 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.

Assets measured at fair value	30 June 2016 (R'000)	Level 1 (R'000)	Level 2 (R'000)	Level 3 (R'000)
Derivatives not designated as hedging instruments:				
Call option to acquire remaining shares in Clover Frankies (Pty) Ltd	3 297			3 297
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	560			560
Investment in cell captive	1 800		1 800	
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	86		86	
Clover Industries shares forward purchases	5 225		5 225	
Derivatives designated as hedging instruments:				
Diesel hedge	22 500		22 500	

Liabilities measured at fair value	30 June 2015 (R'000)	Level 1 (R'000)	Level 2 (R'000)	Level 3 (R'000)
Derivatives not designated as hedging instruments:				
Diesel forward purchase	1 761		1 761	
Clover Industries shares forward purchases	3 625		3 625	

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the year ended June 2016.

Reconciliation of fair value measurement of level 3 financial assets

Call option to acquire remaining shares in Clover Frankies (Pty) Ltd	30 June 2016 (R'000)	30 June 2015 (R'000)
Initial recognition through OCI	445	
Remeasurement recognised through statement of profit or loss	2 852	
Balance at the end of the year	3 297	-
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
Initial recognition through OCI	560	
Remeasurement recognised through statement of profit or loss	-	
Balance at the end of the year	560	

There were no transfers between Level 1 and Level 2 fair value measurements during the year ended 30 June 2016 and no transfers into or out of Level 3.

Call option to acquire remaining shares in Clover Frankies
Frankies granted Clover the irrevocable right to purchase Frankies' 49% of the issued share capital in Clover Frankies ("Call shares"). The call option may be exercised by Clover any time after 30 June 2019. The purchase price of the call shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

Call option to acquire remaining shares in Clover Good Hope
Good Hope granted Clover the irrevocable right to purchase Good Hope's 49% of the issued share capital in Clover Good Hope ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the fifth anniversary of the effective date. The purchase price of the call shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

Foreign exchange contracts
Foreign exchange contracts through profit or loss are those foreign exchange forward contracts that are not designated in hedge relationship as they are intended to reduce the level of foreign currency risk for expected sales and purchases.

Clover Industries shares forward purchase
The Group had entered into a forward contract to purchase 2 132 695 Clover Industries shares, this transaction was entered into to hedge a portion of the share appreciation rights issued to management.

The fair value of the shares forward purchases was determined by Investec Bank Limited. The fair value was determined by calculation the future settlement price after the following inputs were taken into consideration, a dividend of 3,11% (2015: 2,16%), a credit spread of 2,75% (2015: 2,75%), a spot rate of R 18,51 (2015: R17,60) and a swap interest rate reflecting the term of each tranche of the hedge.

Diesel hedge
The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. Due to the recent fluctuations in the commodities market specifically relating to the international price of oil and the effect it had on the price of diesel locally the Group entered into a diesel hedge with RMB in the form of a long-futures contract. as a result this is the first financial year the Group apply hedge accounting. The futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges of offset the effect of the prices changes in diesel.

During the financial year the Group hedged 1 650 000 litres of ICE Gasoil per month at a average price of R 6,20 per litre. As at 30 June 2016 the Group has hedged its diesel usage until the end of February 2017 at 1 650 000 litres per month. The contracted ICE Gasoil prices are R 6.13 per litre for the first three months and R 5,10 for the last five months. Hedging the price volatility of forecast diesel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The fair values are based on the quoted price from RMB for an item with the same expiry date and a similar value, taking into account the ruling ICE Gasoil price at year end and the forecasted change in the ICE Gasoil prices until expiry of the instrument. The realised loss portion of the Ice Gasoil long-futures contract recognised in other operating expenses in the statement of profit or loss for the year was R 25,8 million (R 18,6 million net of tax), the unrealised profit portion of R 3,3 million (R 2,4 million net of tax) is reflected in other comprehensive income and will affect the profit or loss in the next financial year, depending on the move in the ICE Gasoil price.

8. RELATED PARTY DISCLOSURE

Transactions with related parties are made at market-related prices.

Business done with Non-Executive Directors or legal entities that are related to them, the following transactions took place:

Milk purchased from the following Non-executive Directors or companies in which they are connected by Clover SA:	30 June 2016 (R'000)	30 June 2015 (R'000)
WI Büchner	104 643	118 495
NA Smith	44 632	42 870
PR Griffin	15 362	11 888
Total milk purchased from Non-Executive Directors	164 637	173 253

9. 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 Elton Ronald Bosch, 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 Monday, 28 November 2016, at 10:00 to transact the business as stated in the Annual General Meeting notice which will be distributed to shareholders on 22 September 2016.

Record date to determine which shareholders are entitled to receive the notice of Annual General Meeting	Friday, 16 September 2016
Last day to trade in order to be eligible to attend and vote at the Annual General Meeting	Tuesday, 15 November 2016
Record date to determine which shareholders are entitled to attend and vote at the Annual General Meeting	Friday, 18 November 2016
Forms of proxy for the Annual General Meeting to be lodged by 10:00 on*	Friday, 25 November 2016

* 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.