CLOVER INDUSTRIES LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

for the six months ended 31 December

2013

and cash dividend declaration

SALIENT FEATURES

- Revenue increased by **10,4%** to **R4,32 billion ***
- Operating profit increased by **70,1%** to **R235,1 million ***
- Operating margin improved from **3,5% to 5,4% ***
- Profit for the period increased by **95,4%** to **R163,8 million**
- Headline earnings increased by **93,6%** to **R141,1 million**
- Headline earnings per share increased by **90,0%** to **77,3 cents**
- Interim gross cash dividend per share of **16 cents** declared

* The results of the corresponding previous period have been restated as explained in the commentary section of this report.

DIRECTORATE AND STATUTORY INFORMATION

Directors: Non-executive

WI Büchner (Chairman)
TA Wixley* (Lead Independent)
SF Booysen (Dr)*
JNS du Plessis*
MG Elliott**
JC Hendriks (Dr)
NP Mageza**
N Mokhesi*#
B Ngonyama*#
NA Smith

* Independent
** Directors who have retired/resigned on 26 November 2013
\# Directors who were appointed on 26 November 2013

Directors: Executive

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

Company secretary
J van Heerden

Ordinary share code: CLR   **ISIN:** ZAE000152377

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., Johannesburg

Bankers: The Absa Group, First National Bank, Investec Bank

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

COMMENTARY

OVERVIEW

Clover is pleased to report significantly improved results for the six months ended on 31 December 2013.

Compared to the previous corresponding period, this reporting period benefitted from selling price increases implemented during January 2013 and July 2013 to recover higher costs driven by inflationary pressures. In addition the comparative period was affected by significant non-recurring marketing and promotional investments in new products launched during that period.

The decline of the rand against the major international currencies had a profoundly negative effect on the group during the reporting period with the immediate effect being experienced most notably on fuel and packaging costs. However, the weakening rand also contributed to exchange rate profits made by certain African subsidiaries of the group.

As expected the aggressive selling price strategy carried out during 2013 curtailed volume growth and in some product categories it also resulted in market share losses. Continuous inflationary increases on fuel, food and other goods are reducing the South African consumers' discretionary spending and this was evidenced by the weak volume performance in the beverages segment. Overall sales volumes (expressed in milk equivalent for those products containing dairy) grew by 1,2%. Excluding the effect of the exit from the Famous Brands bulk mozzarella cheese business at the end of the comparative period, overall volume growth was 3,3%.

Dairy Fluids volumes grew by 1,5% for the period. The drinking milk market in South Africa continued to be marked by very aggressive pricing by retailer house brands resulting in the UHT market significantly growing at the expense of fresh milk. Following Clover's own price strategy, UHT volumes increased by 4,7% whilst its fresh milk volumes declined by 6,6%. However both categories underperformed against the market. Maas which was reintroduced in the second half of the prior financial year experienced good sales volumes which helped the fluids segment achieve overall growth.

Concentrated dairy product volumes reduced by 10,8% but grew by 3,8% when taking into account the strategic reduction in the bulk mozzarella business during late 2012. Pre-packed natural cheese and feta cheese volumes increased by 3,3% and 28,9% respectively despite higher selling prices. The strong feta cheese volume growth was supported by the production capacity expansion during the period. Condensed milk volumes declined by 7,0% and butter volumes by 6,9%.

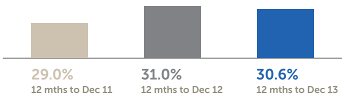
The 27,4% increase in ingredient volumes resulted from the sales of milk powder stockpiles which were produced during the 2012/13 year to facilitate project Cielo Blu factory relocations and which spilled over into this reporting period.

With effect from 1 August 2013 the newly formed Clover Waters (Pty) Ltd ("Clover Waters") acquired Nestlé South Africa's ("Nestlé") Gauteng-based Doornkloof property, bottled water manufacturing facility and water rights. As a result of the transaction, Clover Waters also obtained the right, by way of licence, to manufacture, distribute, market and sell bottled mineral water under Nestlé's Pure Life, Valvita and Schoonspruit brands as well as ice tea under the Nestea brand. These brands complement Clover's Aquartz bottled water and Manhattan ice tea brands which are now manufactured, distributed, marketed and sold by Clover Waters. Nestlé holds a 30% interest in Clover Waters.

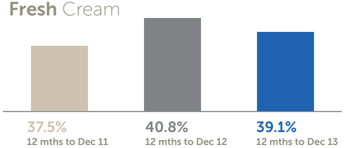
Beverage volumes increased by 4,6% boosted by the Nestle Pure Life water volumes coming through from 1 August 2013. Excluding the Nestlé Pure Life volumes the beverage volumes reduced by 5,9% due to the move of the Gauteng-based Mayfair beverages factory to the Clayville facility which created supply problems. Dairy fruit mix and fruit juice volumes declined by 11,3% and 1,7% respectively when compared to the previous corresponding period.

MARKET SHARES

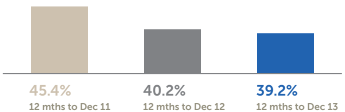
Fresh & ultra pasteurised milk



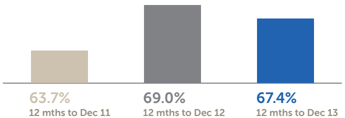
Fresh Cream



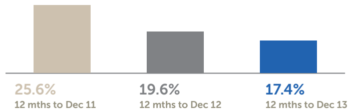
Pre-packed Cheese



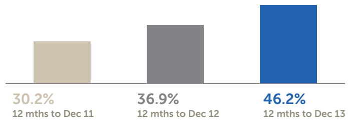
Dairy fruit mix



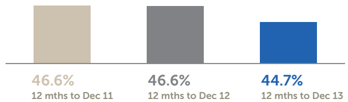
UHT milk



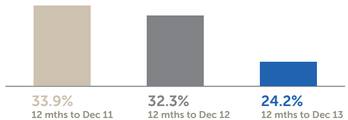
Feta cheese (incl PnP house brand)



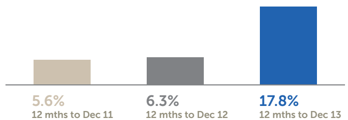
Pure juices



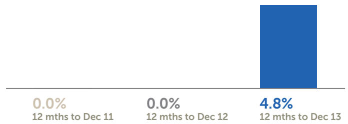
Ice tea



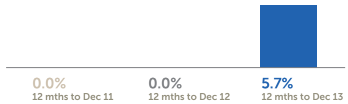
Water brands



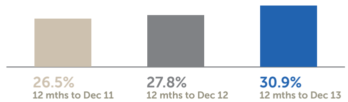
Processed cheese slices



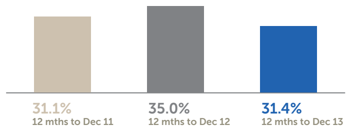
Maas



Fruit drink/Nectar



Flavoured milk



MARKET SHARES (source Aztec SA – Defined supermarkets Pick n Pay, Shoprite Checkers and Spar)

FINANCIAL PERFORMANCE

Following changes to International Financial Reporting Standards ("IFRS") the Group no longer accounts for its interest in the Clover Fonterra Ingredients joint venture using the proportional consolidation method and now equity accounts for this joint venture. The results for the comparative six-month period ended on 31 December 2012 and the year ended on 30 June 2013 have been restated accordingly and will differ from the results published at the time.

Headline earnings increased by 93,6% from R72,9 million to R141,1 million while profit for the period increased by 95,4% from R83,9 million to R163,8 million. Profit for the period includes R17,7 million of net capital profits which are excluded from the calculation of headline earnings. This includes a R20,7 million after tax gain by Clover Waters on the acquisition of the Nestlé water business. In terms of IFRS this gain is included in other income net of taxes and the tax effect thereof is not included in the taxation expense. Headline earnings per share and earnings per share increased accordingly to 77,3 cents and 87,0 cents respectively.

Revenue from the sale of product increased by 10% to R3 654,1 million with overall volume growth of 1,2% putting the average price inflation at 8,8%.

Services Rendered revenue declined by 2,5% mainly due to the cessation of the primary distribution services to Danone Southern Africa at the end of February 2013 and services rendered to the Manhattan Ice Tea joint venture prior to Clover obtaining full ownership of Manhattan Ice Tea during November 2012. Principal volumes were also lower than those during the comparative period. Unlike secondary distribution primary distribution services are largely outsourced and principals billed for the actual cost. Therefore, the primary distribution expenditure reduced accordingly with little effect on profit. The lesser income from primary distribution services was largely offset by new principal business from Red Bull and Enterprise as well as annual tariff increases.

Revenue from the sale of raw milk in the previous period was abnormally low due to a difference in interpretation of the milk supply agreement with Danone and this anomaly was rectified during the second half of the 2012/13 year. The normalisation of this situation and the growth in demand from Danone led to a 51,5% increase in raw milk sales. This revenue makes no contribution to profit as the milk is sold at cost.

Selling price inflation and the reduction in primary distribution expenditure due to the cessation of the Danone primary distribution services were the main reasons for the gross profit margin increasing from 26,4% to 28,0%. This improvement was mitigated by the sharp packaging and fuel cost increases due to the weakening rand and higher raw milk price.

In addition to the R20,7 million gain on the acquisition of the Nestlé water business, other operating income includes foreign exchange gains by Clover West Africa and Clover Botswana of R9,3 million and a R2,2 million profit on the hedging of share appreciation rights.

The new principal business of Enterprise and further Red Bull business required additional resources and although the abnormal marketing costs in the corresponding previous period did not recur, selling and distribution expenses still increased by 10%. Here again, fuel costs contributed to the above inflation rise in costs.

The improved gross margin mostly contributed to the increase in operating profit margin from 3,5% to 5,4%. Excluding the effect of the raw milk sales at no margin to Danone, the operating margin increased from 3,7% to 5,8%.

Net finance costs rose by 34,4% to R27,7 million on higher average debt levels driven by capital expenditure on Project Cielo Blu and other projects.

The Group's preference shares were redeemed during June 2013 and this together with the tax treatment of the Clover Waters capital gain explained above, reduced the effective tax rate from 31,8% to 24,6%.

Non-controlling interests' share of the current year earnings increased by 671,9% to R5,1 million largely due to the capital gain in Clover Waters.

FINANCIAL POSITION AND CASH FLOW

Property, plant and equipment increased by R273,5 million. The main contributors to the increase in capital expenditure were Project Cielo Blu which accounted for R53,6 million, the purchase of Nestlé assets for R58,5 million, the Western Cape factory consolidation for R36,7 million and the addition of a new ambient warehouse in Port Elizabeth for R47,6 million.

Inventory levels were R54,3 million lower than at 31 December 2012 and R124,8 million higher than at 30 June 2013. Inventory growth from June to December is normal and in line with the seasonal nature of the business. During the corresponding prior period, however, higher than normal inventory increases occurred as explained at the time and hence the lower inventory levels at December 2013 albeit at higher milk and collection costs.

Included in trade receivables are debtors collected on behalf of Clover's principals for whom it performs sales and debt collection services. During June 2013 Danone Southern Africa commenced with its own debt collection function with a resultant reduction of R112,7 million in the trade receivables balance when compared to December 2012. This reduction was partly softened by new principal business. The R117,2 million increase in trade receivables from June 2013 to December 2013 follows the normal seasonal sales trend.

During the 2013 calendar year new shares were issued to executive management members to settle share appreciation rights that vested on 31 May 2013. The issued capital and share premium accounts increased accordingly by R59,5 million since December 2012.

During the period Clover Waters bought the Nestlé water business in exchange for the issue of 30% of Clover Waters shares to Nestlé. The fair value of the shares at the time plus 30% of the subsequent profits of the Company mainly makes up the increase in non-controlling interests of R20,9 million after 30 June 2013.

At 31 December 2012 the Group's funding from the debtors' securitisation scheme was largely disclosed as a current liability in view of the pending loan expiry. This facility has since been renewed and is now accounted for as a non-current liability. In addition the ongoing capital expenditure on Project Cielo Blu and other projects has now depleted the free cash raised during the listing on the JSE Limited during 2010. The seasonal increase in working capital was therefore funded to some extent from short-term debt facilities with total interest bearing debt increasing by R30,6 million to R869,9 million from 30 June 2013. Gearing at the end of the period was 38,4% compared to 39,9% at December 2012 and 39,7% at June 2013. However, at June 2013, the Group had free cash available which was not taken into account in these gearing calculations. As previously mentioned, the seasonal nature of the business generally results in the December gearing level being significantly higher than in June.

Differences between the tax and book values of assets bought by Clover Waters from Nestlé contributed to a R9,7 million increase in the deferred tax liability.

The trade payables balance reduced by R241,6 million from December 2012. This reduction is a combination of the transfer of the Danone book, a reduction in trade payables relating to capital expenditure for projects completed and the lower inventory levels. Similarly the relatively small increase, given the seasonal growth in inventory, of R17,3 million from June to December 2013 is partly due to the transfer of the Danone debtors book only being completed after June 2013 and again reduced accounts payable for capital expenditure.

The Group utilised R9,8 million of cash from operations, R30,6 million from additional borrowings and R305,0 million of available cash to fund its Project Cielo Blu and other capital expenditure of R270,1 million, dividends, finance costs and the settlement of share appreciation rights.

PROSPECTS

South African consumers are confronted with a weak rand, high fuel prices, rising interest rates and high food inflation. This environment does not bode well for sales volumes during the remainder of the year. In addition Clover addressed the substantial costs pressures on raw milk prices and increased its farm gate milk prices by 5,3% from 1 February 2014 and a further 8,9% from 1 March 2014. These increases will be recovered through further selling price increases which will put additional strain on sales volumes.

The results for the first half of the 2012/13 financial year were negatively influenced by a number of factors which led to the strong growth in earnings for this reporting period. The second half of the current financial year will not benefit from a similar low base and together with the depressed trading environment, Clover believes that earnings growth will be difficult to achieve during the second half of the year.

In spite of this, the Company remains focused on delivering on its longer term strategy of exploring new possibilities in category expansions and expanding its presence in Africa.

Any reference to future performance included herein has not been reviewed and reported on by the company's auditors and does not constitute an earnings forecast.

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross cash dividend of 16 cents (13,6 cents net of dividend withholding tax) per ordinary share for the six months ended 31 December 2013, payable in South African currency on Monday, 14 April 2014.

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

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

The issued ordinary share capital at the declaration date is 182 478 589 ordinary shares.

The salient dates will be as follows:

Last day to trade "cum" the ordinary share dividend	Friday, 4 April 2014
Shares commence trading "ex" the ordinary share dividend	Monday, 7 April 2014
Record date on	Friday, 11 April 2014
Payment date on	Monday, 14 April 2014

Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2014 and Friday, 11 April 2014, both days inclusive.

On behalf of the Board

WI Büchner
Chairman

JH Vorster
Chief Executive

13 March 2014

NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended	**31 December 2013 Unaudited R'000**	31 December 2012 Unaudited R'000 Restated*	30 June 2013 Audited R'000 Restated*
Sales of products	**3 654 124**	3 322 472	6 622 638
Rendering of services	**404 837**	415 295	801 755
Sale of raw milk	**255 825**	168 831	420 508
Rental income	**2 429**	2 948	5 292
Revenue	**4 317 215**	3 909 546	7 850 193
Cost of sales	**(3 107 554)**	(2 877 781)	(5 724 174)
Gross profit	**1 209 661**	1 031 765	2 126 019
Other operating income	**35 616**	30 237	61 860
Selling and distribution costs	**(895 322)**	(813 027)	(1 563 917)
Administrative expenses	**(95 265)**	(88 461)	(204 018)
Restructuring expenses	**(8 138)**	(16 277)	(35 750)
Other operating expenses	**(11 435)**	(5 987)	(12 570)
Operating profit	**235 117**	138 250	371 624
Finance income	**3 445**	6 038	9 715
Finance cost	**(31 148)**	(26 655)	(56 432)
Share of profit of a joint venture	**9 768**	5 285	14 219
Profit before tax	**217 182**	122 918	339 126
Taxes	**(53 353)**	(39 062)	(99 267)
Profit for the period	**163 829**	83 856	239 859
Other comprehensive income			
Exchange differences on translations of foreign operations	**2 437**	(118)	(272)
Total comprehensive income for the period, net of tax	**166 266**	83 738	239 587
Profit attributable to:			
Equity holders of the parent	**158 719**	83 194	238 626
Non-controlling interests	**5 110**	662	1 233
	163 829	83 856	239 859
Total comprehensive income attributable to:			
Equity holders of the parent	**161 156**	83 076	238 354
Non-controlling interests	**5 110**	662	1 233
	166 266	83 738	239 587

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements as at 31 December 2012 and the annual consolidated financial statements as at 30 June 2013 and reflect adjustments made as detailed in Note 2.

For the period ended	**31 December 2013 Unaudited R'000**	31 December 2012 Unaudited R'000	30 June 2013 Audited R'000
Headline earnings calculation			
Profit for the period attributable to equity holders of the parent company	**158 719**	83 194	238 626
Gross remeasurements excluded from headline earnings	**(16 466)**	(12 184)	(24 050)
Loss/(Profit) on sale and scrapping of property, plant and equipment	**1 418**	607	(11 680)
Gain on fair valuing of existing investment in joint venture due to gaining control		(16 747)	(16 747)
Discount on acquisition of PPE by Clover Waters through issue of shares	**(20 716)**		
Impairment of plant and equipment	**2 832**	3 956	4 377
Taxation effects of remeasurements	**(1 190)**	1 845	318
Headline earnings attributable to shareholders of the parent company	**141 063**	72 855	214 894
Issued ordinary shares	**182 478 589**	179 111 867	181 218 149
Number of ordinary shares used in the calculation of:			
Earnings per share			
– weighted average	**182 478 589**	179 111 867	179 267 674
Diluted earnings per share			
– weighted average	**192 664 802**	191 892 884	192 750 186
Earnings per share attributable to ordinary equity holders of the parent			
Earnings per share (cents)	**87,0**	46,4	133,1
Diluted earnings per share (cents)	**82,4**	43,4	123,8
Headline earnings per share (cents)	**77,3**	40,7	119,9
Diluted headline earnings per share (cents)	**73,2**	38,0	111,5

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	**31 December 2013 Unaudited R'000**	31 December 2012 Unaudited R'000 Restated*	30 June 2013 Audited R'000 Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	**1 790 726**	1 368 886	1 517 233
Investment properties	**2 031**	38	2 003
Intangible assets	**445 920**	452 941	445 282
Share of investment in a joint venture	**42 731**	27 324	32 963
Deferred tax assets	**4 021**	8 906	6 722
	2 285 429	1 858 095	2 004 203
Current assets			
Inventories	**808 003**	862 249	683 159
Trade and other receivables	**1 127 460**	1 240 174	1 010 251
Prepayments	**10 601**	26 898	15 274
Income tax receivable	**2 276**	3 868	–
Other current financial assets	**1 688**	2 838	132
Cash and short-term deposits	**399 576**	445 157	704 559
	2 349 604	2 581 184	2 413 375
Assets classified as held-for-sale	**359**	2 172	359
	2 349 963	2 583 356	2 413 734
Total assets	**4 635 392**	4 441 451	4 417 937

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements as at 31 December 2012 and the annual consolidated financial statements as at 30 June 2013 and reflect adjustments made as detailed in Note 2.

As at	**31 December 2013 Unaudited R'000**	31 December 2012 Unaudited R'000 Restated*	30 June 2013 Audited R'000 Restated*
EQUITY AND LIABILITIES			
Equity			
Issued capital	**9 124**	8 955	9 061
Share premium	**734 414**	675 113	713 263
Other reserves	**268 157**	259 321	264 058
Retained earnings	**1 231 950**	1 006 929	1 126 734
Equity attributable to equity holders of the parent	**2 243 645**	1 950 318	2 113 116
Non-controlling interests	**23 264**	2 457	2 309
Total equity	**2 266 909**	1 952 775	2 115 425
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	**667 224**	18 257	666 640
Provisions	**73 399**	66 005	60 814
Deferred tax liability	**166 575**	141 081	137 313
Trade and other payables	**9 592**	13 161	9 267
	916 790	238 504	874 034
Current liabilities			
Trade and other payables	**1 236 189**	1 477 798	1 218 848
Interest-bearing loans and borrowings	**202 673**	760 263	172 646
Other current financial liabilities	**–**	–	250
Income tax payable	**–**	174	16 723
Provisions	**12 831**	11 937	20 011
	1 451 693	2 250 172	1 428 478
Total liabilities	**2 368 483**	2 488 676	2 302 512
Total equity and liabilities	**4 635 392**	4 441 451	4 417 937

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements as at 31 December 2012 and the annual consolidated financial statements as at 30 June 2013 and reflect adjustments made as detailed in Note 2.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended	31 December 2013 Unaudited R'000	31 December 2012 Unaudited R'000	30 June 2013 Audited R'000
Balance at 1 July	**2 115 425**	1 896 040	1 896 040
Profit for the period	**163 829**	83 856	239 859
Other comprehensive income	**2 437**	(118)	(272)
Total comprehensive income	**166 266**	83 738	239 587
Ordinary share issued	**21 213**	–	38 734
Share-based payment reserve accrued	**7 992**	8 027	18 407
Share appreciation rights exercised	**(27 392)**	(10 435)	(49 169)
Tax on portion of SAR exercised expensed against retained earnings	**7 078**	–	12 035
Dividends of subsidiaries – non-controlling interest	**(960)**	–	(720)
Non-controlling interest's share in Clover Waters	**16 806**	–	–
Dividends	**(40 145)**	(24 721)	(41 912)
Dividends forfeited	**626**	126	2 423
Balance at end of the period	**2 266 909**	1 952 775	2 115 425
Consists of:			
Share capital and premium	**743 538**	684 068	722 324
Other capital reserves	**268 157**	259 321	264 058
Retained earnings	**1 231 950**	1 006 929	1 126 734
Shareholder equity	**2 243 645**	1 950 318	2 113 116
Non-controlling interest	**23 264**	2 457	2 309
Total equity	**2 266 909**	1 952 775	2 115 425

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended	**31 December 2013 Unaudited R'000**	31 December 2012 Unaudited R'000 Restated*	30 June 2013 Audited R'000 Restated*
Operating activities			
Profit before tax	**217 182**	122 918	339 126
Adjustment for non-cash items	**65 811**	51 261	123 471
Working capital adjustments	**(222 297)**	(353 379)	(177 737)
Income tax paid	**(50 923)**	(31 113)	(60 599)
Net cash flows from operating activities	**9 773**	(210 313)	224 261
Investing activities			
Proceeds from sale of property, plant and equipment	**46**	432	17 599
Interest received	**3 445**	6 038	9 715
Acquisition of Real Juice Co Holdings	**–**	(70 556)	(70 556)
Acquisition of additional interest in Clover Manhattan	**–**	(24 700)	(24 700)
Capital expenditure: Tangible and intangible assets	**(270 084)**	(250 573)	(454 400)
Net other investing activities	**3 875**	3 515	6 803
Net cash flows used in investing activities	**(262 718)**	(335 844)	(515 539)
Financing activities			
Interest paid	**(31 148)**	(26 655)	(56 432)
Dividends paid	**(40 145)**	(24 721)	(41 912)
Dividends paid to non-controlling interest holders	**(960)**	–	(720)
Share appreciation rights paid out	**(10 397)**	(1 880)	(10 435)
Net increase/(repayment) of borrowings	**30 612**	335 457	396 223
Net cash flows (used in)/from financing activities	**(52 038)**	282 201	286 724
Net (decrease)/increase in cash and cash equivalents	**(304 983)**	(263 956)	(4 554)
Cash and cash equivalents at the beginning of the period	**704 559**	709 113	709 113
Cash and cash equivalents at the end of the period	**399 576**	445 157	704 559

* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements as at 31 December 2012 and the annual consolidated financial statements as at 30 June 2013 and reflect adjustments made as detailed in Note 2.

1. Corporate information and basis of preparation

These interim condensed 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:

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (Revised)

The nature and the effect of the relevant significant changes are disclosed below

2. Share of investment in a joint venture

Clover Industries indirectly holds a 51% interest in Clover Fonterra through Clover SA. Clover Fonterra is involved in the marketing and distribution of dairy -related products. Under IAS 31 Investment in Joint Ventures (prior to the transition to IFRS 11), the Group's interest in Clover Fonterra was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionally consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is required to be accounted for using the equity method. As a result Clover had to restate its comparative figures. The effect of applying IFRS 11 is as follows;

Impact on the statement of comprehensive income	For the six months ended 31 December 2012 R'000	For the year ended 30 June 2013 R'000
Decrease in reported revenue	**(67 736)**	**(146 268)**
Decrease in cost of sales	55 479	116 075
Decrease in gross profit	**(12 257)**	**(30 193)**
Decrease in other operating income	(29)	(79)
Decrease in selling and distribution costs	4 916	10 508
Decrease in operating profit	**(7 370)**	**(19 764)**
Decrease in finance income	30	9
Decrease in finance costs	–	5
Increase in share of profits of joint venture	5 285	14 219
Decrease in profit before tax	**(2 055)**	**(5 531)**
Decrease in income tax expense	2 055	5 531
Net impact on profit after tax	–	–

Impact on the statement of financial position	As at 31 December 2012 R'000	As at 30 June 2013 R'000
Increase in investment in joint venture	27 324	32 963
Decrease in deferred tax asset (non-current)	(457)	(727)
Decrease in inventories and trade receivables (current)	(34 603)	(35 062)
Decrease in cash and short-term deposits (current)	(13 471)	(13 503)
Decrease in trade and other payables (current)	20 458	15 247
Decrease in income tax payable (current)	415	674
Decrease in provisions (current)	334	408
	–	–

3. Segment reporting

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

For the period ended	**31 December 2013 Unaudited R'000**	31 December 2012 Unaudited R'000 Restated	30 June 2013 Audited R'000 Restated
External revenue from sale of products*			
Dairy fluids	**1 952 432**	1 696 028	3 404 737
Dairy concentrated products	**581 776**	554 446	1 054 741
Ingredients	**121 987**	106 391	264 344
Non-alcoholic beverages	**992 549**	960 241	1 888 244
Other	**5 380**	5 366	10 572
	3 654 124	3 322 472	6 622 638
Margin on material			
Dairy fluids	**769 383**	609 329	1 311 960
Dairy concentrated products	**172 730**	154 328	327 440
Ingredients	**31 219**	26 705	56 709
Non-alcoholic beverages	**525 085**	498 932	986 939
Other	**4 060**	4 141	8 157
	1 502 477	1 293 435	2 691 205

*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 operating segments.

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

4. Earnings per share

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

5. Property, plant and equipment and intangible assets

During the six months under review the Group acquired property, plant and equipment to the value of R264,1 million and also acquired intangible assets at a cost of R6,0 million.

6. Acquisition of interest in Clover Waters Proprietary Limited

As communicated in our annual report, Clover entered into an agreement with Nestle (South Africa) Proprietary Limited to form a new entity, Clover Waters Proprietary Limited, that acquired Nestle's Gauteng-based Doornkloof property, bottled water manufacturing facility and water rights. This newly formed entity will have the right by way of licence, to manufacture, distribute, market and sell bottled mineral water under Nestle's Pure Life, Valvita and Schoonspruit brands as well as ice tea under the Nestea brand. These brands will complement Clover SA's Aquartz bottled water and Manhattan ice tea brands which will also be manufactured, distributed, marketed and sold by Clover Waters.

Clover SA effectively holds 70% of the shares in Clover Waters and Nestle (South Africa) 30%. The effective date of the transaction was 1 August 2013, and was funded by means of an assets for share swop arrangement to the value of R 35,0 million.

The Group has elected to measure the non-controlling interest in Clover Waters Proprietary Limited at fair value.

The fair value of the identifiable assets and liabilities of Clover Waters Proprietary Limited as at the date of acquisition was:

	R'000
Assets	
Property, plant and equipment	58 445
Intangible assets	39 287
	97 732
Liabilities	
Deferred tax liability	(14 009)
Income tax payable	(6 985)
	(20 994)
Total identifiable net assets at fair value	76 738
Non-controlling interest measured at fair value	(21 025)
Discount on acquisition	(20 716)
Purchase consideration transferred	**34 997**
Purchase consideration transferred	
Net cash acquired with subsidiary	–
Net assets transferred as consideration	34 997
Total consideration	**34 997**

No goodwill was recognised on the acquisition; however, expected synergies include supply chain efficiencies, administration and shared service efficiencies, optimisation of sourcing arrangements and distribution channels.

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.

Fair value hierarchy

Financial instruments carried at fair value in the statement of financial position:	31 December 2013 (R'000)	Level 1 (R'000)	Level 2 (R'000)
Financial assets at fair value through profit or loss			
Clover Industries shares forward purchases	**1 688**	–	1 688
Assets measured at fair value	**1 688**	**–**	**1 688**

There were no transfers between Level 1 and Level 2 fair value measurements during the six months ending 31 December 2013 and no transfers into or out of Level 3.

8. Events after the reporting period

No significant events occurred subsequent to the end of the period.

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 interim condensed consolidated financial statements.

10. Preparation of unaudited interim condensed consolidated results

The interim condensed financial statements set out above 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 interim condensed financial statements have not been audited or reviewed by the Group's independent auditors.


KRUSH
TROPICAL
FULL
CREAM

www.clover.co.za

Clover
Way Better™