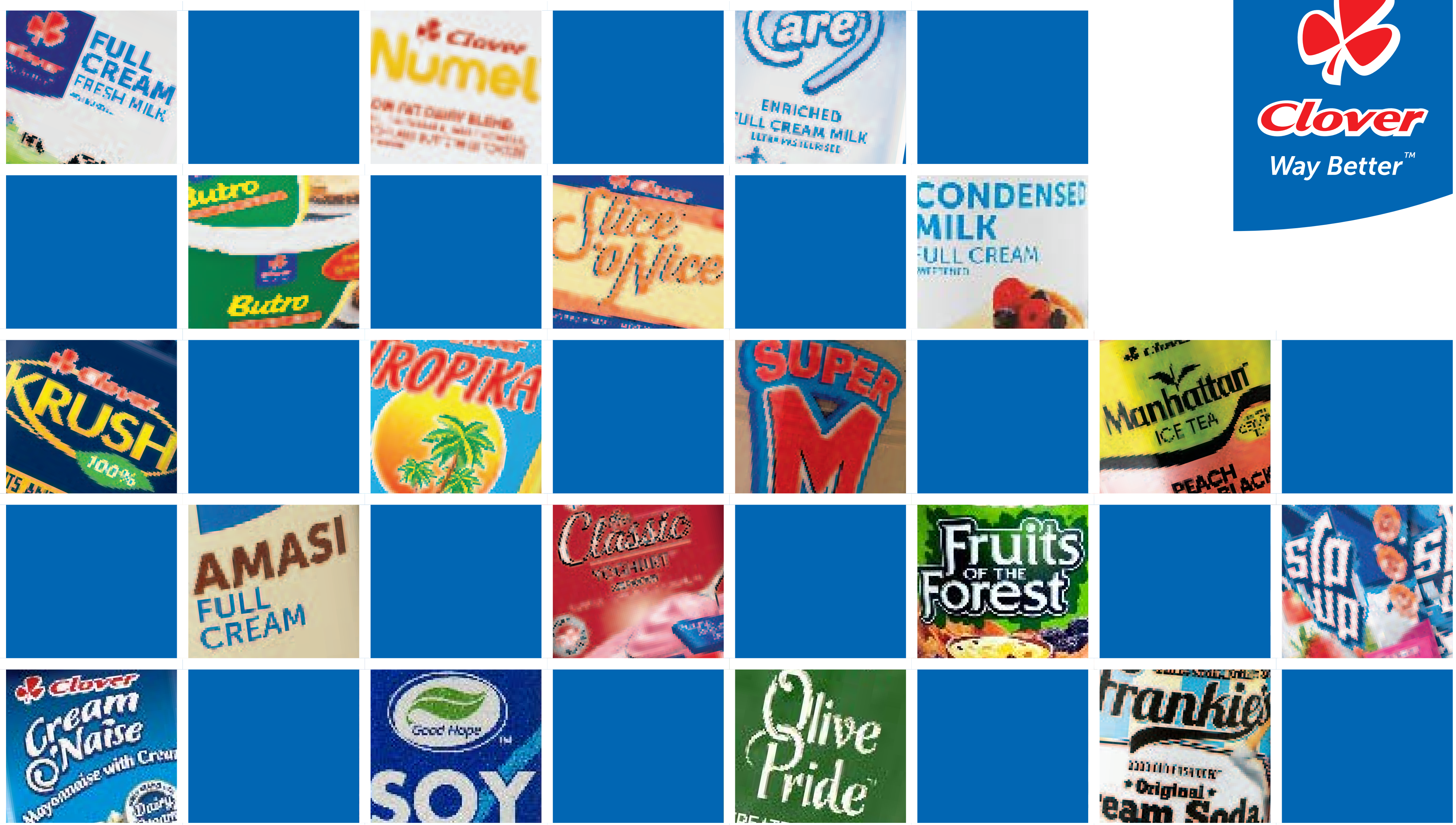


Clover Way Better™

Clover

Clover Industries Limited

Unaudited interim condensed consolidated results and cash dividend declaration

for the six months ended 31 December **2017**

KEY FINANCIAL INDICATORS

NORMALISED REVENUE*

↑ **7.7%**

R3,9 BILLION TO R4,2 BILLION

OPERATING PROFIT

↑ **14.8%**

R370,4 MILLION

HEADLINE EARNINGS

↑ **18.1%**

TO R224,4 MILLION

HEPS

↑ **17.8%**

117,6 CENTS

EPS

↑ **19.1%**

123,3 CENTS

REVENUE

↓ **17.8%**

R4,2 BILLION

INTERIM DIVIDEND PER SHARE

26,56 cents

*Refer to the financial performance section on page 2 for more detail

DIRECTORATE AND STATUTORY INFORMATION

Directors: Non-executive

WI Büchner (Chairman)

SF Booysen (Dr)# (Lead Independent)

NV Mokhesi#

B Ngonyama#

NA Smith

JW Basson# (Appointed 1 January 2018)

JFM Morgan#^ (Appointed 1 January 2018)

#Independent

^British national

Directors: Executive

JH Vorster (Chief Executive)

FF Scheepers (Chief Financial Officer) (Appointed 1 January 2018)

ER Bosch (Chief Financial Officer) (Resigned 31 December 2017)

Company Secretary

J van Heerden

Ordinary share code

JSE: CLR, NSX:CLN

ISIN: ZAE000152377

Bond Code

JSE: CLRI

Registered office

200 Constantia Drive, Constantia Kloof, 1709

Postal address

PO Box 6161, Weltevredenpark, 1715

Telephone

(011) 471 1400

Registration number

2003/030429/06

Tax number

9657/002/71/4

Transfer secretary

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors

Ernst & Young Inc.

Bankers

The Absa Group, First National Bank, Investec Bank

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited) (JSE)

IJG Securities (NSX)

COMMENTARY

OVERVIEW

After a stagnation in GDP growth, the country experienced an upturn in the second half of 2017. Expectations are that this trend will continue in the short term and will be a welcome relief after the economic pressures consumers have faced in the past couple of years.

The quarter to December 2017 was marked by retail sales growth exceeding market expectations specifically due to the increase experienced in November 2017. The higher than expected retail sales growth was derived from consumers taking advantage of Black Friday promotions. Against this, December 2017 sales were lower than expected as consumers had taken advantage of the aforementioned Black Friday deals to stock up and in addition to this, cooler and rainy weather in some parts of the country during the first part of the month further negatively impacted volumes.

As communicated during September 2017, to re-align the business to the new 'normal' a rigorous series of efficiency improvement initiatives were implemented in the latter part of the prior financial year. These initiatives include, but are not limited to, the unbundling of the volume- driven side of the business through the establishment of Dairy Farmers South Africa ("DFSA"), the launch of Project Sencillo (asset optimisation program), the ongoing roll-out of Project Masakhane, new product launches, and product re-formulations which resulted in lower ingredients and sugar costs – the aforementioned have started yielding encouraging results.

Clover's strategic decision to plough back savings achieved through the abovementioned efficiency drives into the selling prices of selected products was rewarded through an overall volume increase of 8% and market share growth across a number of products categories.

Product group sales volumes were as follows:

• Non-alcoholic beverages	-2.5%
• Concentrated products	+2.1%
• Value-added dairy fluids	+17.3%
• Fermented products and desserts	+23.2%
• Ingredients	-3.6%
• Olive oil and soya	New

The market share increases in certain product categories as well as the increase in services rendered lifted the Group's gross margin to 36%, up from 30%. The prior year gross margin, however, includes the non-value-added fresh and long-life milk products now being sold by DFSA.

The Group's operating margin increased from 6.3% to 8.8% due to a combination of 8% growth in volumes and the successful implementation of the efficiency improvement initiatives.

Clover's strategic focus on value-added product categories led to the transfer of the supply and demand side of the volume-driven business to DFSA to enable Clover to focus on more profitable product offerings that will suit the ongoing business model better, whilst remaining a substantial service provider to the dairy industry. DFSA is responsible for the procurement of raw milk as well as the selling, marketing and distribution of the non-value-added drinking milk. The milk producers hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

FINANCIAL PERFORMANCE

Headline earnings increased by 18.1% to R224,4 million. Headline earnings per share ("HEPS") of 117,6 cents reflect an increase 17.8% when compared to HEPS of 99,8 cents for the corresponding period.

With the unbundling of DFSA from the operations of Clover as mentioned earlier in this report, the comparative financial information for Sale of Product, Services Rendered, Revenue, Cost of Sales and Gross Profit are not comparable with the financial information reported for the current reporting period.

In order to provide a meaningful period to period comparison, *Pro Forma* adjustments have been done and tabulated below.

The *Pro Forma* financial information has been prepared for illustrative purposes only, to provide information about how the *Pro Forma* adjustments might have affected the financial information (as illustrated below) as at 31 December 2016 presented by Clover had the unbundling of DFSA occurred on 1 July 2016. It does not purport to be indicative of what the financial results would have been, had the loss of control of DFSA been implemented on a different date.

It should be noted that the unbundling of DFSA has no effect on any of the lines below Gross Profit as reported in the consolidated statement of comprehensive income.

	Change %	For the six months ended 31 December 2017[1] Unaudited R'000	For the six months ended 31 December 2016 After *Pro Forma* R'000	Exclusion of the revenue and cost of sales of the DFSA business[2] *Pro Forma* R'000	Income from services rendered to DFSA[3] *Pro Forma* R'000	For the six months ended 31 December 2016[4] Unaudited R'000
Sales of products	9.2%	**3 285 114**	3 008 611	(1 787 742)	–	4 796 353
Rendering of services	3.6%	**927 382**	895 219	–	572 420	322 799
Sale of raw milk		**335**	7 761	–	–	7 761
Rental income		**1 418**	2 013	–	–	2 013
Revenue	7.7%	**4 214 249**	3 913 604	(1 787 742)	572 420	5 128 926
Cost of sales	6.3%	**(2 683 786)**	(2 523 761)	1 072 645	–	(3 596 406)
Gross profit	10.1%	**1 530 463**	1 389 843	(715 097)	572 420	1 532 520

Notes

1. As per the consolidated Statement of Comprehensive Income for the six months ended 31 December 2017 with reference to the unaudited interim condensed results.
2. The sales of products relating to the non-value-added drinking milk, namely Fresh, UHT and UP milk that is excluded from Clover and is part of DFSA. The *Pro Forma* adjustment was determined with reference to actual volumes sold and realised during the corresponding period.
3. Clover provides all the production, distribution, sales and merchandising, marketing and certain administrative services to DFSA for a contracted fee. The *Pro Forma* adjustment was determined with reference to actual volumes sold and realised during the corresponding period.
4. As per the consolidated Statement of Comprehensive Income for the six months ended 31 December 2016 with reference to the unaudited interim condensed results.

The Clover Directors are responsible for the preparation of the *Pro Forma* financial information. The *Pro Forma* financial information has been prepared using accounting policies that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies of Clover. The *Pro Forma* financial information has been prepared in accordance with the Listings Requirements of the JSE Limited.

Although revenue decreased by 17.8% to R4 214,2 million, the like-for-like revenue increase was 7.7% if the revenue associated to DFSA is eliminated from the December 2016 figure as reported. In a like-for-like comparison the revenue from the sale of non-value-added fresh and long-life drinking milk of R1 787,7 million should be excluded and replaced by revenue from services rendered of R572,4 million. The normalised effect on the sale of product line is further illustrated in the revenue section of this report.

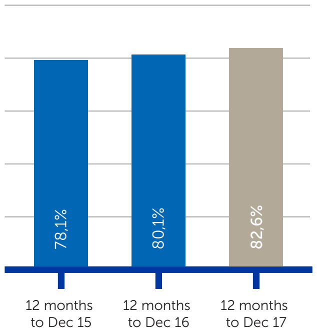
Operating profit is 14.8% higher at R370,4 million and headline operating profit increased 13.6% to R357,6 million. Attributable Profit for the period ended 31 December 2017 was 19.4% higher at R235,3 million. Earnings per share ("EPS") of 123,3 cents were 19.1% above EPS of 103,6 cents reported for the corresponding period.

The effective tax rate was 28.7% compared to 26.5% during the corresponding period. The main reason for the effective tax rate above the local statutory rate is due to the foreign withholding taxes on a dividend distributed by a subsidiary company.

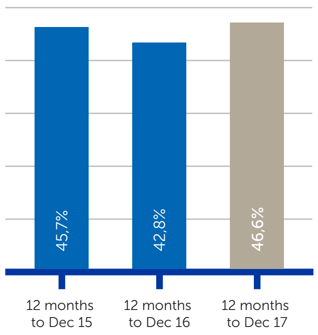
Commentary (continued)

MARKET SHARES

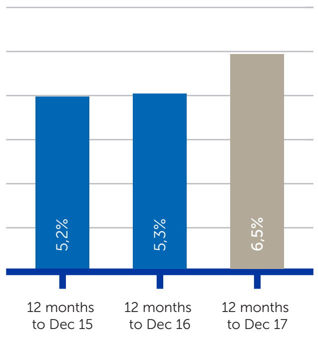
DAIRY FRUIT MIX



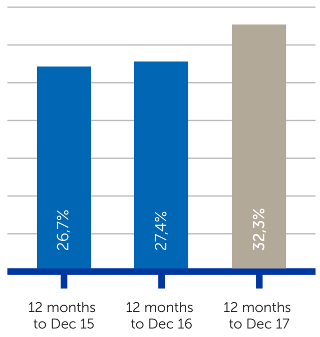
PURE JUICES



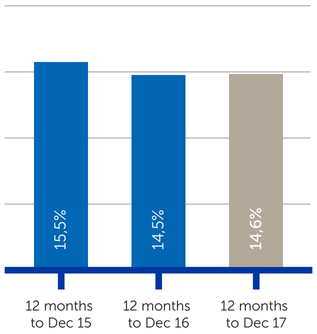
LONG LIFE FRUIT JUICES



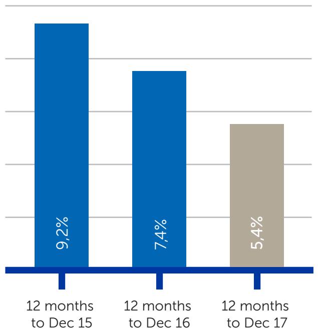
FLAVOURED MILK



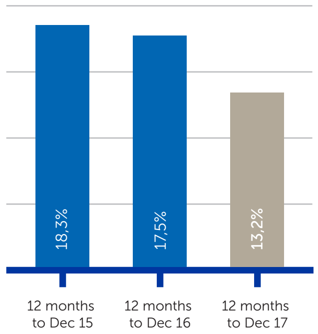
NECTAR



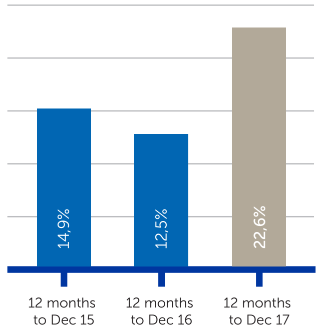
WATER BRANDS



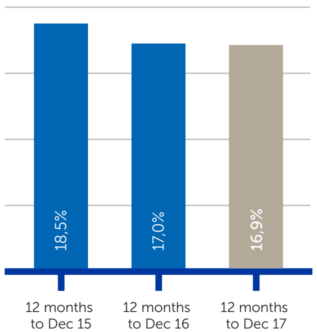
ICE TEA



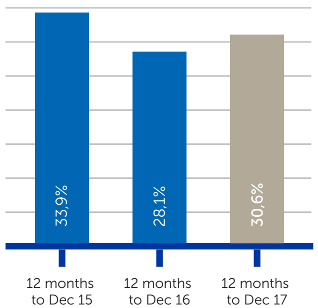
PROCESSED CHEESE SLICES



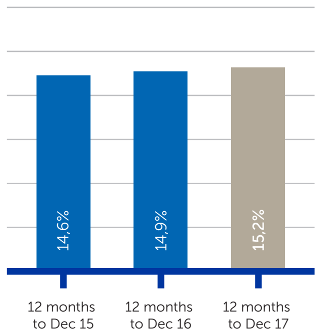
NATURAL PRE-PACKED CHEESE



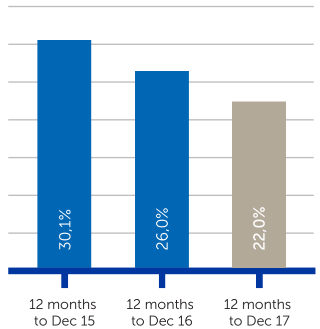
FETA CHEESE (Including house brand)



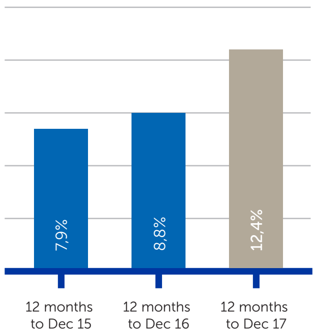
CONDENSED MILK



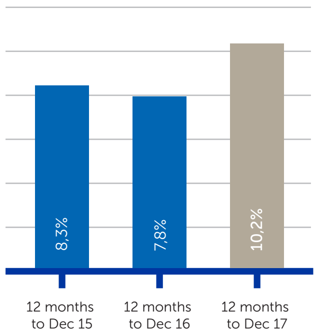
CREAM



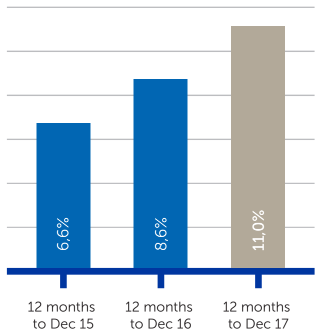
YOGHURT



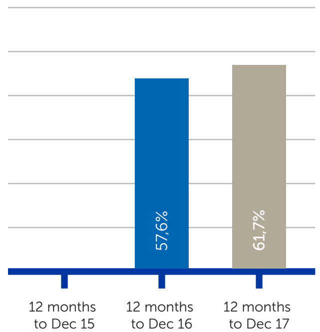
MAAS



CUSTARD



SOY MILK



Commentary (continued)

Revenue

Revenue from the sale of products decreased by R1 511,2 million or 31.5% to R3 285,1 million whilst revenue from rendering of services increased by R604,6 million. This shift in revenue lines is the result of the formation of DFSA as discussed earlier and growth therefore exists in services rendered income.

Tabulated below is a normalised like for like revenue from sale of product comparison:

	Percentage change	**Dec 2017 as reported**	Dec 2016 normalised base excluding DFSA	Dec 2016 as reported
Revenue from sale of product	9.2%	**3 285 114**	3 008 611	4 796 353
– Non-alcoholic beverages	-1.1%	**1 205 417**	1 218 294	1 218 294
– Concentrated products	+6.5%	**762 998**	716 221	716 221
– Value-added dairy fluids	+15.3%	**643 707**	558 276	2 346 018
– Fermented products and desserts	+21.2%	**481 952**	397 708	397 708
– Ingredients	-3.6%	**113 851**	118 112	118 112
– Olive oil and soya	New	**77 189**	–	–

The increase of 9.2% in revenue from sale of product, compared on a like for like basis, was achieved through increased volumes in certain categories, most notably in fermented products and deserts as well as dairy fluids where no price increases were rewarded with higher volumes. In the dairy concentrated products category, the shortage of butterfat led to above inflationary price increases and low volume growth due to the unavailability of raw materials.

Revenue from non-alcoholic beverages were down by 1.1%, mainly as a result of a volume decline in Waters and Ice Tea products despite the decision not to implement price increases on this category. The launch of new products including olive oil and soya products to the portfolio also supplemented revenue growth.

Cost of sales

Although cost of sales show a decrease of 25%, the like-for-like cost increase was 6.3% if the cost of sales associated with DFSA is eliminated from the December 2016 figure as reported. In a like-for-like comparison the cost of sales of non-value-added fresh and long-life drinking milk of R 1 072,6 million made up of cost of raw material, packaging as well as milk collection cost should be excluded. The normalised cost of sales increase of 6.3% against the normalised increase in revenue of 7.7% was achieved by a focus on efficiencies, recipe reformulations and a robust re-tendering drive on ingredients and packaging materials. An increase in primary distribution cost, driven by fuel inflation and transport of product between distribution centres eroded some of the gains. Significant cost savings were realised during the period through efficiency improvement initiatives that were implemented in the previous period.

Other operating income

Other operating income increased by 286.6% to R50,7 million. The main contributors to the increase were:

- Royalty income of R13 million from DFSA;
- Claim settlements with a supplier of R14 million;
- Profit on sale of the Stikland property of R8 million and
- A profit on the unbundling of DFSA of R4,5 million.

Operating costs

Despite inflationary increases, selling and distribution costs slightly increased by 0.2% due to the focus on efficiencies in secondary distribution, saving R53 million on the comparative period. This saving was used to invest in additional advertising and marketing and to curb selling price increases to the consumer.

The Group's continued focus on efficiencies throughout the business was also shown in the R1 million reduction in administration cost.

Clover's continued focus on new brands and new market development saw research and development cost increase by 15% to R33,6 million and advertising increased by 21.4% to R100,7 million, despite the normal annual inflationary pressures.

No significant restructuring costs were incurred during the period.

FINANCIAL POSITION AND CASH FLOW

There was a net increase of R1 million in Property, Plant and Equipment. This is as a result of capital expenditure of R101 million balanced by depreciation of R96 million and assets scrapped of R4 million. Major projects included in the capital expenditure were:

• Clayville/Queensburgh/Milkyway milk and juice consolidation	R14 million
• Port Elizabeth UHT optimisation	R9 million
• Milnerton production expansion – phase1	R8 million
• Bloemfontein yoghurt capacity expansion	R6 million
• Port Elizabeth L1 & L2 auto palletising	R5 million
• Heilbron/Queensburgh Numel range extension	R4 million
• Parow EC/WC milk consolidation	R4 million

Capital expenditure was funded primarily from operating cash flows and interest bearing borrowings.

Clover maintained its intangible assets and investments in joint ventures in line with the prior corresponding period.

The establishment of DFSA led to a reduction of R294 million in inventory as UHT and seasonal stock build up is not carried by Clover as was the case in prior periods.

Non-current financial assets increased by R387 million which is due to the granting of an interest bearing revolving credit facility ("RCF") to DFSA for its working capital requirements.

Trade and other receivables increased by R337 million. This increase is as a result of manufacturing, distribution, sales and mechanising services rendered to DFSA and volume growth achieved in the current period.

These increases were, however, largely offset by an increase of R550 million in trade and other payables due to the unbundling of DFSA.

Cash and short-term deposits increased by 18.3% or R109 million to R703 million, while interest bearing debt decreased by 12.2% or R209 million to R1 498 million. Trade and other payables however increased by 38% or R550 million to R1 995 million.

Gearing at the end of the period improved to 48% compared to 57% at December 2016.

PROSPECTS

Clover is aware of the plight of the consumer especially with an increased VAT rate and the introduction of a Health Promotion Levy ("Sugar Tax") from 1 April 2018. The Group will continue to implement further efficiency improvement initiatives across its supply chain to ensure it makes its products more affordable through limiting the impact on rising selling prices and additional taxes.

The recent political leadership changes at the beginning of 2018 have led to renewed optimism and economic growth is projected to pick up moderately in 2018 – 2019. Investment will support growth in 2019 on the assumption that business confidence increases and policy uncertainty fades.

Despite muted consumer confidence with discretionary spend under pressure, relatively tight credit conditions and persistently high unemployment, private consumption should expand as wages increase moderately and food prices stabilise.

The improved outlook for inflation owed to the stronger rand, stable oil prices as well as an expected lower interest rate environment should provide some relief to consumers.

While the after effects of the prolonged drought will be felt for some time and be exacerbated by the severe Western Cape drought, a gradual recovery in milk and fruit production volumes together with the strengthening of the rand to the dollar should result in a reduction in input cost inflation.

Clover remains optimistic that the actions taken will ensure that its business is managed successfully through potential downward cycles and that it will support the Group's return to historic profitability levels over the short to medium term.

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 26,56 cents (21,248 cents net of dividend withholding tax) per ordinary share for the six months ended 31 December 2017, payable in South African currency on Monday, 9 April 2018.

The dividend represents a 9,7% increase over the interim dividend of 24,21 cents paid in April 2017 which equates to an average inflationary increase of 4,85% per annum when compared to the interim dividend paid in April 2016.

The dividend has been declared from income reserves.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued ordinary share capital at the declaration date is 190 835 364 ordinary shares.

The company's income tax number is 9657/002/71/4.

The salient dates will be as follows:	2018
Last day to trade "*cum*" the ordinary share dividend	Tuesday, 3 April
Shares commence trading "*ex*" the ordinary share dividend	Wednesday, 4 April
Record date on	Friday, 6 April
Payment date on	Monday, 9 April

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 April 2018 and Friday, 6 April 2018, both days inclusive.

On behalf of the Board

WI Büchner
Chairman

JH Vorster
Chief Executive

5 March 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	For the six months ended 31 December 2017 Unaudited R'000	For the six months ended 31 December 2016 Unaudited R'000	For the year ended 30 June 2017 Audited R'000
Sale of products	-31.5%	3 285 114	4 796 353	9 401 842
Rendering of services	187.3%	927 382	322 799	641 499
Sale of raw milk	-95.7%	335	7 761	11 907
Rental income	-29.6%	1 418	2 013	3 351
Revenue	-17.8%	4 214 249	5 128 926	10 058 599
Cost of sales	25.4%	(2 683 786)	(3 596 406)	(7 333 041)
Gross profit	-0.1%	1 530 463	1 532 520	2 725 558
Other operating income	286.6%	50 787	13 136	60 040
Dividends received	100.0%	1 600	–	–
Selling and distribution costs	-0.2%	(1 056 452)	(1 054 556)	(2 089 364)
Administrative expenses	0.8%	(133 912)	(134 986)	(284 721)
Restructuring expenses	99.5%	(118)	(23 618)	(48 098)
Other operating expenses	-123.9%	(22 005)	(9 826)	(48 936)
Operating profit	14.8%	370 363	322 670	314 479
Finance income	213.1%	19 870	6 346	12 647
Finance cost	-5.5%	(73 115)	(69 285)	(145 765)
Share of profit of a joint venture	10.0%	10 365	9 427	18 486
Profit before tax	21.7%	327 483	269 158	199 847
Taxes	-32.4%	(94 275)	(71 222)	(41 105)
Profit for the period	17.8%	233 208	197 936	158 742

Interim condensed consolidated statement of comprehensive income (continued)

	Notes	For the six months ended 31 December 2017 R'000 Unaudited	For the six months ended 31 December 2016 R'000 Unaudited	For the year ended 30 June 2017 R'000 Audited
Profit for the period (carried forward from the previous page)		233 208	197 936	158 742
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translations of foreign operations, net of tax	5	(3 437)	(14 218)	(14 510)
Exchange differences on translations of foreign operations		(3 437)	(14 218)	(14 510)
Reclassified to profit or loss		–	–	–
Income tax effect		–	–	–
Net gain/(loss) on cash flow hedges, net of tax		–	2 389	(2 412)
Cash flow hedge fair value adjustment		–	(1 335)	(9 294)
Reclassified to profit or loss		–	4 653	5 944
Income tax effect		–	(929)	938
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(3 437)	(11 829)	(16 922)
Total comprehensive income for the period, net of tax		229 771	186 107	141 820
Profit for the period attributable to:				
Equity holders of the parent		235 335	197 130	158 258
Non-controlling interests		(2 127)	806	484
		233 208	197 936	158 742
Total comprehensive income attributable to:				
Equity holders of the parent		231 898	185 301	141 336
Non-controlling interests		(2 127)	806	484
		229 771	186 107	141 820

	% change	For the six months ended 31 December 2017 R'000 Unaudited	For the six months ended 31 December 2016 R'000 Unaudited	For the year ended 30 June 2017 R'000 Audited
Headline earnings calculation				
Profit for the period attributable to equity holders of the parent company		235 335	197 130	158 258
Gross remeasurements excluded from headline earnings		(12 725)	(7 859)	(42 674)
Loss/(Profit) on sale and scrapping of property, plant and equipment		(8 042)	1 411	(33 404)
Profit on the disposal of investment in Lactolab		(200)	(9 270)	(9 270)
Profit on the unbundling of Dairy Farmers South Africa (Pty) Ltd		(4 483)	–	–
Taxation effects of remeasurements		1 802	756	6 033
Headline earnings attributable to shareholders of the parent company	18.1	224 412	190 027	121 617
Issued ordinary shares		190 835 364	190 352 747	190 835 364
Number of ordinary shares used in the calculation of:				
Earnings per share				
– weighted average		190 835 364	190 336 801	190 433 237
Diluted earnings per share				
– weighted average		192 012 075	193 353 978	192 358 073
Earnings per share attributable to ordinary equity holders of the parent				
Earnings per share (cents)	19.1	123.3	103.6	83.1
Diluted earnings per share (cents)	20.2	122.6	102.0	82.3
Headline earnings per share (cents)	17.8	117.6	99.8	63.9
Diluted headline earnings per share (cents)	18.9	116.9	98.3	63.2

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	31 December 2017 Unaudited R'000	31 December 2016 Unaudited R'000	30 June 2017 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**2 430 145**	2 429 169	2 427 444
Investment properties	**9**	10	9
Intangible assets	**639 223**	602 189	650 663
Investment in joint venture	**49 311**	41 078	38 946
Other non-current financial assets	**393 267**	5 657	3 165
Deferred tax assets	**35 365**	36 404	45 496
	3 547 320	3 114 507	3 165 723
Current assets			
Inventories	**990 314**	1 283 862	964 630
Trade and other receivables	**1 798 293**	1 461 140	1 341 311
Prepayments	**14 137**	32 245	19 844
Income tax receivable	**–**	–	7 165
Other current financial assets	**–**	7 955	–
Cash and short-term deposits	**703 477**	594 503	544 863
	3 506 221	3 379 705	2 877 813
Assets classified as held-for-sale	**–**	16 060	4 607
	3 506 221	3 395 765	2 882 420
Total assets	**7 053 541**	6 510 272	6 048 143

	31 December 2017 Unaudited R'000	31 December 2016 Unaudited R'000	30 June 2017 Audited R'000
EQUITY AND LIABILITIES			
Equity			
Issued capital	**9 542**	9 518	9 542
Share premium	**892 692**	883 503	892 692
Other reserves	**84 105**	80 411	78 642
Retained earnings	**2 139 736**	1 991 598	1 904 349
Other components of equity	**6 200**	14 730	9 637
Equity attributable to equity holders of the parent	**3 132 275**	2 979 760	2 894 862
Non-controlling interests	**(17 306)**	23 621	(15 179)
Total equity	**3 114 969**	3 003 381	2 879 683
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	**523 405**	920 670	767 621
Non-controlling interest put liability	**57 088**	–	57 088
Employee-related obligations	**80 230**	80 617	82 595
Deferred tax liability	**248 067**	235 222	221 065
Trade and other payables	**16 494**	19 284	25 492
Other non-current financial liabilities	**8 234**	2 199	9 683
	933 518	1 257 992	1 163 544
Current liabilities			
Trade and other payables	**1 995 421**	1 444 962	1 274 700
Interest-bearing loans and borrowings	**974 556**	786 339	714 304
Other current financial liabilities	**12 975**	4 427	6 141
Income tax payable	**13 679**	2 146	–
Employee-related obligations	**8 423**	11 025	9 771
	3 005 054	2 248 899	2 004 916
Total liabilities	**3 938 572**	3 506 891	3 168 460
Total equity and liabilities	**7 053 541**	6 510 272	6 048 143

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 31 December 2017 Unaudited R'000	For the six months ended 31 December 2016 Unaudited R'000	For the year ended 30 June 2017 Audited R'000
Balance at 1 July	**2 879 683**	2 888 717	2 888 717
Profit for the period	**233 208**	197 936	158 742
Other comprehensive income	**(3 437)**	(11 829)	(16 922)
Total comprehensive income	**229 771**	186 107	141 820
Ordinary shares issued	**–**	731	–
Share-based payment reserve accrued	**5 463**	8 108	5 865
Share appreciation rights exercised	**–**	(1 909)	(281)
Non-controlling interest put option movement	**–**	–	(57 088)
Non-controlling interest arising from business combination	**–**	–	24 234
Acquisition of non-controlling interest	**–**	–	(8 354)
Dividends to non-controlling interest	**–**	(490)	–
Dividends	**–**	(77 930)	(115 292)
Dividends forfeited	**52**	47	62
Balance at end of the period	**3 114 969**	3 003 381	2 879 683
Consists of:			
Share capital and premium	**902 234**	893 021	902 234
Other capital reserves	**84 105**	80 411	78 642
Retained earnings	**2 139 736**	1 991 598	1 904 349
Other components of equity	**6 200**	14 730	9 637
Shareholder equity	**3 132 275**	2 979 760	2 894 862
Non-controlling interest	**(17 306)**	23 621	(15 179)
Total equity	**3 114 969**	3 003 381	2 879 683

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December 2017 Unaudited R'000	For the six months ended 31 December 2016 Unaudited R'000	For the year ended 30 June 2017 Audited R'000
OPERATING ACTIVITIES			
Profit before tax	**327 483**	269 158	199 847
Adjustment for non-cash items	**155 424**	147 212	286 451
Working capital adjustments	**231 585**	(483 442)	(162 227)
Income tax paid	**(37 628)**	(35 673)	(47 115)
Net cash flows (used in)/from operating activities	**676 864**	(102 745)	276 956
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	**16 511**	1 227	58 941
Interest received	**19 870**	6 346	12 647
Acquisition of controlling interest in Clover Pride Proprietary Limited	**–**	–	(29 639)
Cancellation of a finance lease	**–**	–	3 854
Disposal of shares held in Lactolab	**200**	11 714	10 275
Capital expenditure: Tangible and intangible assets	**(106 736)**	(213 947)	(322 554)
Net other investing activities	**1 364**	2 948	(11 232)
Net cash flows used in investing activities	**(68 791)**	(191 712)	(277 708)
FINANCING ACTIVITIES			
Interest paid	**(73 115)**	(69 285)	(145 765)
Dividends forfeited/(paid)	**52**	(78 420)	(115 230)
Non-controlling interest acquired in Clover Frankies Proprietary Limited	**–**	–	(4 440)
Revolving credit facility granted to Dairy Farmers South Africa Proprietary Limited	**(391 702)**	–	–
Cancellation of a finance lease	**–**	–	(3 854)
Net increase in borrowings	**16 037**	432 539	211 307
Net cash flows from financing activities	**(448 728)**	284 834	(57 982)
Net (decrease)/increase in cash and cash equivalents	**159 345**	(9 623)	(58 734)
Net foreign exchange difference	**(731)**	55	(474)
Cash and cash equivalents at the beginning of the period	**544 863**	604 071	604 071
Cash and cash equivalents at the end of the period	**703 477**	594 503	544 863

ACCOUNTING POLICIES AND NOTES

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 (IFRIC), 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.

2. SEGMENT REPORTING

The Group's manufacturing, distribution, other assets and liabilities are totally integrated between the different product groups. The Chief Executive Officer (the Chief Operating Decision Maker) is of the opinion that the operations for individual manufacturing, distribution and product groups are substantially similar to one another and that the risks and returns are likewise similar. As a result thereof, the business of the Group is considered to be a single segment, namely Clover Industries Limited ("CIL").

Group operations outside of South Africa are insignificant and therefore not disclosed separately.

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

- The value-added dairy fluids products is focused on providing the market with quality value- added dairy fluid products.
- The 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 products focus on the development and marketing of non-alcoholic, value-added branded beverages products
- The fermented products and desserts consist of yoghurt, maas and desserts
- The olive oil and soy products consist of olive oil, olive related products and soy based beverages.

	For the six months ended 31 December 2017 Unaudited R'000	For the six months ended 31 December 2016 Unaudited R'000	For the year ended 30 June 2017 Audited R'000
External revenue from sale of products			
Non-alcoholic beverages	**1 205 417**	1 218 294	2 369 071
Concentrated products	**762 998**	716 221	1 312 575
Value-added dairy fluids	**643 707**	2 346 018	4 643 600
Fermented products and desserts	**481 952**	397 708	794 403
Ingredients	**113 851**	118 112	216 424
Olive oil and soya	**77 189**	–	65 769
	3 285 114	4 796 353	9 401 842
Margin on material#			
Non-alcoholic beverages	**659 386**	683 487	1 288 742
Concentrated products	**291 392**	233 095	393 180
Value-added dairy fluids	**270 430**	935 592	1 764 858
Fermented products and desserts	**180 726**	119 310	220 274
Ingredients	**37 223**	33 587	71 265
Olive oil and soya	**28 344**	–	29 714
	1 467 501	2 005 071	3 768 033

Margin on material consist of sale of products less: charges against sales, cost of material and packaging and milk collection cost.

The Group operates mainly in the geographical area of South Africa. The revenue and assets of the operations outside South Africa are insignificant. As mentioned in note 7 below, the results of DFSA are no longer consolidated into the Group's result however, the Group retained the revenue from Dairy Fluids for value-added milk products as well as milk products sold in Botswana, Namibia, Swaziland and Lesotho.

3. EARNINGS PER SHARE

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

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months under review the Group acquired property, plant and equipment to the value of R101,3 million and also acquired intangible assets at a cost of R5,4 million.

5. ASSETS CLASSIFIED AS HELD-FOR-SALE

At 30 June 2017, the balance of R4,6 million represented a property situated in Stikland (including movable items forming part of the sale). The property was sold in October 2017.

Accounting policies and notes (continued)

6. OTHER COMPONENTS OF EQUITY

Other comprehensive income, net of tax:

The disaggregation of changes of other comprehensive income by each type of reserve in equity is shown below:

	Foreign currency translation reserve R'000	Total R'000
Foreign exchange translation differences	(3 437)	(3 437)
	(3 437)	**(3 437)**

7. UNBUNDLING OF DFSA

With effect from 1 July 2017 Clover only holds 26% of the shares in DFSA and as a consequence the results from DFSA are no longer consolidated into the Group's results.

Previously, when DFSA was a subsidiary of the Clover Group, all intercompany balances would have been eliminated on a group consolidated basis. However, with the unbundling of DFSA, the balances owing to and from the Group now reflect as part of "trade and other receivables", "trade and other payables" and "other non-current financial assets" respectively as follows:

Trade and other receivables	R'000
Trade and other receivables (excluding DFSA)	1 496 025
DFSA trade account	302 268
Total	1 798 293

Trade and other payables	R'000
Trade and other payables (excluding DFSA)	1 540 709
DFSA trade account	454 712
Total	1 995 421

Other non-current financial assets	R'000
Other non-current financial assets (excluding DFSA)	1 565
DFSA revolving credit facility	391 702
Total	**393 267**

The revolving credit facility ("RCF") is repayable by DFSA on the 20th anniversary from the effective date and bears interest at the average cost of debt to the Group. The facility is designated as a level 3 financial instrument.

The investment in associate line does not appear on the statement of financial position as the investment is less than R 1000 and the results are quoted in R'000.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group measures derivative foreign exchange contracts, forward share purchase contracts, investment in cell captive and call and put options at fair value.

The fair value of foreign exchange contracts, forward share purchase contracts and the investment in a cell captive is determined based on inputs as described in level 2 of the fair value hierarchy being quotes from financial institutions. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.

The foreign exchange contracts is shown at a fair value liability of Rnil million as at 31 December 2017. This fair value is within level 2 of the fair value hierarchy and is determined using DCF with the key inputs being yield curves, market interest rates and market foreign exchange rates.

The forward purchase of Clover Industries Limited's shares is shown at a fair value liability of R21 million as at 31 December 2017. This fair value is within level 2 of the fair value hierarchy and is determined using NAV with the key inputs being share price and yield curves.

The investment in the Guardrisk cell captive is shown at a fair value asset of R0,7 million as at 31 December 2017. This fair value is within level 2 of the fair value hierarchy and is determined using NAV with the key inputs being cash and cash equivalents, investment in unit trusts and insurance fund liabilities.

The call option to acquire remaining shares in Clover Good Hope (Pty) Ltd is shown at a fair value asset of R0,8 million as at 31 December 2017. This fair value is within level 3 of the fair value hierarchy and is determined using DCF with the key inputs being free cash flow forecast and market interest rates. There was no movement in the fair value during the current reporting period.

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the period ended.

Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and repayment periods as at year-end, the carrying amounts of the borrowings are not materially different from the calculated fair value.

The carrying values of all other financial assets or liabilities, which include trade receivables, trade payables, as well as cash and cash equivalents, approximate their fair values based on the nature or maturity period of the financial instrument.

9. EVENTS AFTER THE REPORTING PERIOD

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

10. 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.

11. PREPARATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

The interim condensed consolidated financial statements set out above were prepared under the supervision of Frantz Frederik Scheepers, CA(SA), in his capacity as Chief Financial Officer of the Group.

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

Notes

Notes


Clover
10
SOURCE OF 10 VITAMINS
CA
SOURCE OF CALCIUM
CREAMINESS


Clover
Fruits
OF THE
Forest


AMASI
FULL
CREAM


Clover
The Classic
YOGHURT