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Clover Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 2003/030429/06)
JSE share code: CLR   Short name: Clover   ISIN: ZAE000152377

PRELISTING STATEMENT

This prelisting statement relates to an offer by Clover Industries Limited (the "issuer") for subscription by way of private placement for up to 47,619,048 new ordinary shares (assuming an Offer Price (as defined below) at the midpoint of the Offer Price Range (as defined below)) having a par value of R0.05 each in the share capital of the issuer (the "Offer Shares"), subject to certain conditions, to Eligible Investors to raise up to R500 million (the "Offer"). The issuer intends to grant the stabilisation manager an option exercisable for a period of up to 30 days after the Listing Date to purchase up to 7,142,857 ordinary shares (assuming an Offer Price at the midpoint of the Offer Price Range) having a par value of R0.05 each in the share capital of the Issuer on the same terms and conditions as those applicable to the Offer, solely to cover over-allotments (the "Over-allotment Option". This prelisting statement is not an invitation to the general public to subscribe for or purchase the Offer Shares, but is issued in compliance with the listings requirements (the "Listings Requirements") of the JSE Limited (the "JSE") and with the Companies Act 61 of 1973, as amended (the "Companies Act"), for the purpose of providing information about the issuer and its operations.

It is currently estimated that the price at which the Offer Shares will be offered for subscription pursuant to this prelisting statement (the "Offer Price") will be between R9.00 and R12.00 per Offer Share (the "Offer Price Range"). However, the Offer Price may be outside the Offer Price Range.

All of the Offer Shares are offered by the issuer for subscription. The Offer Shares rank *pari passu* with the existing ordinary shares in all respects.

The Offer Shares will be delivered in dematerialised form only and accordingly no physical documents of title will be issued to successful applicants. Successful applicants may, in accordance with the Companies Act and the Listings Requirements, materialise their Offer Shares after the initial issue thereof.

At the Listing Date (as defined below), the (a) authorised share capital of the issuer will be comprised of 2,000,000,000 ordinary shares and 100,000,000 preference shares, having a par value of R0.05 and R0.10 respectively, and (b) issued share capital of the issuer will be comprised of 171,969,010 fully paid ordinary shares and 89,442,022 fully paid preference shares. The issuer's total share premium at the Listing Date (as defined below) will be R853,960,389 (assuming the issue of 47,619,048 new shares pursuant to the Offer). Following closing of the Offer, all the issued ordinary shares of the issuer are expected to be listed on the stock exchange operated by the JSE. As at the Listing Date (as defined below) no shares will be held by the issuer or its subsidiaries as treasury shares.

Opening date of the Offer:	09:00 on Monday, 29 November 2010
Expected last date for indication of interest for the purpose of the bookbuild:	16:00 on Wednesday, 8 December 2010
Expected listing date (the "Listing Date"):	09:00 on Tuesday, 14 December 2010

All times referred to in this prelisting statement are times in South Africa. Any changes to the aforegoing dates and times will be released on SENS and published in the press.

The Offer is subject to the conditions set out in the "Particulars of the Offer – The Offer" section on page 70. The JSE has granted the issuer a listing in respect of 171,969,010 ordinary shares (the "Listing") in the "Food Producer" sector under the abbreviated name "Clover", symbol "CLR" and ISIN ZAE000152377.

Placement Agent	Bookrunner, merchant bank and sponsor
RMB Morgan Stanley	**Rand Merchant Bank**

The Offer is made to Eligible Investors (as defined below) only and is subject to achieving the JSE's shareholder spread requirements. The Listing will not proceed if the JSE's shareholder spread requirements are not met.

The issuer intends to list the preference shares in its preference share capital on the JSE simultaneously with the listing of its ordinary shares (including the Offer Shares). Such listing will take place by way of an introduction and will not entail any offer for subscription for new preference shares or a sale of preference shares. The Offer which is the subject matter of this prelisting statement is in respect of ordinary shares only and this prelisting statement does not pertain to the listing of preference shares which is dealt with in a separate prelisting statement. The prelisting statement in respect of the preference shares will be published on Monday, 29 November 2010 and will be made available on the Clover website, www.clover.co.za. Copies of the prelisting statement in respect of the preference shares are also available during normal business hours from the issuer and the offices of the bookrunner, merchant bank and sponsor.

The board of directors of the issuer, whose names are given on page 32 of this prelisting statement, collectively and individually accept full responsibility for the accuracy of the information contained herein and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this prelisting statement contains all information required by law and the Listings Requirements.

The independent reporting accountants and auditors, whose reports are contained in this prelisting statement, have given and have not withdrawn their written consent to the inclusion of their reports in the form and context in which they appear herein. Each of the bookrunner, merchant bank and sponsor, placement agent, legal advisers, independent reporting accountants and auditors named in this prelisting statement have consented in writing to act in those capacities as stated in this prelisting statement and have not withdrawn its consent prior to the publication of this prelisting statement.

As the Offer is not an offer to the public as contemplated under the Companies Act, a copy of this prelisting statement is not required to be registered with the Companies and Intellectual Property Registration Office ("CIPRO") in terms of Section 155(1) of the Companies Act.

This prelisting statement is only available in English and copies thereof may be obtained during normal business hours from Monday, 29 November 2010 until Wednesday, 8 December 2010 from the issuer and Rand Merchant Bank, a division of FirstRand Bank Limited, at their respective physical addresses which appear in the "Corporate Information" section on page iii of this prelisting statement.

Investing in the Offer Shares involves risks. See "Risk Factors" beginning on page 63 of this prelisting statement.

For a list of definitions of terms used in this document, including this cover page, see the "Definitions, Glossary and Interpretation" section on page 6.

Date of issue: 29 November 2010

SALIENT INFORMATION RELATING TO THE OFFER

Certain Definitions

For purposes of this prelisting statement, references to:

- the "issuer" refer to Clover Industries Limited, the issuer of the Offer Shares. References to the "company", "Group" and "Clover" refer to Clover Industries Limited and its subsidiaries and joint ventures, except where the context requires otherwise;
- "Shares" refer to ordinary shares in the authorised and/or issued capital of the issuer and, unless the context otherwise requires, shall not incorporate or include a reference to the preference shares in the authorised and/or issued share capital of the issuer.

Last Practicable Date

Unless the context clearly indicates otherwise, all information provided in this prelisting statement is provided at the last practicable date, being Thursday, 18 November 2010.

Special Note in Regard to the Offer/Important Legal Notices

Notwithstanding that this document constitutes a prelisting statement, it is not an offer to the general public and only constitutes an offer for subscription for the Offer Shares to Eligible Investors (as defined below) and is only addressed to persons to whom it may lawfully be made. The distribution of this prelisting statement and the making of the Offer may be restricted by law. Persons into whose possession this prelisting statement comes must inform themselves about and observe any such restrictions. This prelisting statement does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of Offer Shares to occur inside or outside South Africa.

To the extent that this prelisting statement is provided to persons outside of South Africa the following is noted:

United Kingdom

This prelisting statement is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(1) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "relevant persons").

The Offer Shares offered pursuant to this prelisting statement have not been offered or sold nor will they be offered or sold in circumstances which have resulted or will result in an offer to the public in the United Kingdom within the meaning of the United Kingdom Public Offer of Securities Regulations 1995.

Any invitation, offer or agreement to subscribe, purchase or otherwise acquire any Offer Shares offered pursuant to this prelisting statement will be engaged in only with relevant persons and where all applicable provisions of the United Kingdom Financial Services and Markets Act 2000 ("FSMA") have been complied with. Any person in the United Kingdom who is not a relevant person should not act or rely on this prelisting statement or any of its contents. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Offer Shares offered pursuant to this prelisting statement, except in circumstances in which section 21(1) of FSMA does not apply.

General

This prelisting statement and the Offer do not constitute an offer into or from the United States, Canada, Australia, Japan or any other jurisdiction where the dissemination of this prelisting statement or the making of the Offer may be illegal or fails to conform to the laws of such jurisdiction ("Affected Jurisdiction"). To the extent that this prelisting statement may be sent to any Affected Jurisdiction, it is provided for information purposes only. Persons in Affected Jurisdictions may not accept the Offer. No person accepting the Offer should use the mail of any such Affected Jurisdiction nor any other means, instrumentality or facility in such Affected Jurisdiction for any purpose, directly or indirectly, relating to the Offer. It shall be the responsibility of any persons resident in a jurisdiction outside of South Africa to inform themselves about and observe any applicable legal requirements in the relevant jurisdiction.

Special Note Regarding Forward-Looking Statements

The following cautionary statements identify important factors that could cause the issuer's actual results to differ materially from those projected in the forward-looking statements made in this prelisting statement. Any statements about the issuer's expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words such as "aim", "anticipate", "believe", "could", "estimate", "expect", "forecast", "intend", "may", "plan", "predict", "project", "should", "seek" or "will", or in each case, their negative, or similar expressions. These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prelisting statement.

Any forward-looking statement speaks only as of the date on which it is made, and the issuer undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for the issuer to predict such factors. In addition, the issuer cannot assess the effect of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

Currency

The issuer publishes its consolidated financial statements expressed in the South African Rand. References to "South African Rand", "Rand" or "R" are to the lawful currency of South Africa.

Presentation of Financial and Other Information

The issuer prepares its consolidated financial statements on the basis of a 12 month financial year ending on 30 June.

This prelisting statement includes the consolidated financial statements of the issuer and its subsidiaries as of and for the years ended 30 June 2010, 30 June 2009 and 30 June 2008 as well as a report by the independent reporting accountants and auditors thereon. The aforesaid consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board.

On 30 June 2010, the issuer's authorised share capital comprised of 100,000,000 ordinary shares of R0.10 each and 100,000,000 preference shares of R0.10 each, and the issuer's issued share capital was comprised of 61,924,981 ordinary shares of R0.10 each and 89,442,022 preference shares of R0.10 each. On 4 November 2010, 250,000 ordinary shares were issued to Dr James Henry Ferreira Botes following which the issued share capital was equal to 62,174,981 ordinary shares. On 12 November 2010, to meet the Listings Requirements and facilitate the Listing, each of the issuer's ordinary shares were subdivided into two ordinary shares and its ordinary share capital was increased by 1,800,000,000 ordinary shares, resulting in the issuer's authorised share capital being 2,000,000,000 ordinary shares of R0.05 each and 100,000,000 preference shares of R0.10 each and the issuer's issued share capital being 124,349,962 ordinary shares of R0.05 each and 89,442,022 preference shares of R0.10 each. The issuer's total share premium as at the Listing Date will be R853,960,389 (assuming 47,619,048 Offer Shares are issued pursuant to the Offer). As at the Listing Date no shares will be held by the issuer or its subsidiaries as treasury shares.

This prelisting statement includes the *pro forma* financial effects of the IPO restructure (as described above and defined below) and the issue of the Offer Shares on the issuer's financial position, as well as a report by the independent reporting accountants and auditors thereon.

Some financial and other information in this prelisting statement has been rounded and, as a result, the figures shown as totals in this prelisting statement may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Market and Industry Information

Information relating to markets, market size, market share, market position, growth rates, average prices and other industry data pertaining to the issuer's business contained in this prelisting statement consists of estimates based on data compiled by professional organisations and analysts, on data from external sources, on the issuer's knowledge of sales and markets and on its calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, thus requiring the issuer to rely on internally developed estimates. While the issuer has compiled, extracted and reproduced market or other industry data from external sources which the issuer believes are reliable, including third-party or industry or general publications, the issuer has not independently verified all such data. The issuer cannot assure readers of this prelisting statement of the accuracy and completeness of, or take any responsibility for, such data. Similarly, while the issuer believes its internal estimates to be reasonable, they have not been verified by any independent sources, and the issuer cannot assure readers of this prelisting statement as to their accuracy.

CORPORATE INFORMATION

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EXECUTIVE SUMMARY

This summary highlights information from this prelisting statement. It is not complete and does not contain all of the information that readers of this prelisting statement should consider before investing in the Offer Shares. Investors should read this prelisting statement carefully in its entirety, including the "Risk Factors" section, the financial statements provided and the notes to those financial statements.

1. INTRODUCTION, BACKGROUND AND RATIONALE FOR THE LISTING

Clover is a leading and competitive branded consumer goods and products group operating in South Africa and selected African countries, reaching a wide range of geographically dispersed customers and consumers with a range of quality value-added dairy and non-dairy products, delivered through one of the largest ambient and chilled distribution networks in Southern Africa.

Clover has been operating, in one form or another, since 1898 and has enjoyed a long and successful history as part of the development of South Africa's dairy and FMCG industry. Clover was converted from a co-operative society into a public company in December 2003. Subsequent to the conversion, Clover has evolved into a dynamic demand-driven branded consumer products business with attractive growth prospects. As part of its evolutionary process, Clover implemented the capital restructuring on 31 May 2010 in terms of which Clover, *inter alia*:

(i) severed the link between its ordinary shares and its delivery agreements in respect of the supply of milk to Clover embodied in the issuer's memorandum and articles of association such that parties other than suppliers of milk to Clover could hold ordinary shares; and

(ii) amended the rights, privileges and conditions attaching to the preference shares so as to constitute the preference shares as debt instruments which (i) carry a dividend at 90% of the prime rate of interest charged by ABSA Bank Limited, and (ii) fall to be redeemed on 3 June 2013.

The capital restructuring was a milestone in Clover's corporate development and resulted in both economic benefits and voting control vesting in the ordinary shares. In addition, the de-linking of the ordinary shares from the delivery agreements enabled persons other than dairy producers to acquire ordinary shares, facilitating Clover's ability to raise equity capital. Capital scarcity has historically been a key constraint for Clover's growth and development.

The Board and management of Clover have identified key value-enhancing capital projects to redress historical inefficiencies in the distribution network, increase profitability and expand capacity to support current and future growth plans. Clover's primary value-enhancing capital project is called Project Cielo Blu. Project Cielo Blu intends to relocate production facilities closer to milk sources in order to reduce distribution and related costs and expand the capacity of key distribution centres and warehouses in order to create sufficient capacity to support current and future growth.

Clover is now seeking a listing in the Food Producer's sub-sector on the main board of the JSE under the short name of "Clover", the share code "CLR" and with number ISIN: ZAE000152377.

The purpose of the Listing is therefore:

(i) to raise R350 million to implement Project Cielo Blu; and

(ii) to raise R150 million to fund transaction costs and for general corporate purposes including funding of working capital.

The Listing is also expected to increase liquidity significantly in Clover's ordinary shares and to unlock value for current shareholders.

2. COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

Clover is a market leader in the production, distribution, sales and merchandising of branded consumer goods. Clover's leading market position is a result of its ability to leverage its core competencies across its product portfolio and is expected to be sustained by:

- **An Iconic South African consumer brand "Clover" with market recognition and pricing power**

  Clover is a highly recognisable and iconic South African consumer products brand associated with a comprehensive range of quality dairy and non-dairy products and beverages occupying the number one, or at least strong number two position, in most of its key product categories. Clover's strong brand, reputation and quality offering has created substantial customer and consumer loyalty and allows Clover products to carry a brand premium, which is a distinguishing feature for Clover.

  Although Clover is primarily a producer of dairy products, it has over the recent past focused on growing its branded beverages product range with significant success. The beverages product range comprises well known non-dairy products such as Clover Krush, its market leading short life juice product range, Manhattan Ice Tea, its leading ice tea product range, Aquartz, a leading bottled water product range and Tropika, its market leading dairy fruit-juice blend. The growth of the beverages business has been supported by the strength of the Clover brand as well as its expertise in production, distribution, sales and merchandising. The success of the beverages business is testament to the ability of Clover to leverage its core competencies to develop new and profitable products.

- **Exposure to an attractive industry with favourable fundamentals**

  The South African dairy industry forms part of the broader South African consumer products industry and is supported by strong macro and industry-specific fundamentals. The attractiveness of the industry is expected to be underpinned by, *inter alia,*:

  – improving fundamentals in the South African consumer market on the back of a sustained economic recovery and a recovery in consumer spending, supported by, *inter alia,* a recovery in household net wealth, lower debt service costs, strong wage growth and low inflation;

  – growth in the relatively low level of South African dairy and juice consumption relative to other emerging markets and certain developed markets; and

  – improved market penetration and accessibility through the expansion of the formal retail trade into previously underserviced areas.

- **Access to one of the largest chilled and ambient distribution networks in South Africa**

  Clover operates arguably one of the largest distribution networks in chilled and ambient FMCG products in South Africa. The national distribution network is able to access a cross section of the South African retail and wholesale trade with deep penetration (approximately 14,000 delivery points, including agency delivery points) and high frequency of delivery.

  The distribution and supply chain management capabilities of Clover form an integral part of the business and Clover's expertise are well regarded, particularly in light of the perishable nature of the products and the high frequency of delivery.

  The attractiveness of the distribution platform is complemented by the sales and merchandising expertise of the business which ensures that once the product reaches the store, it is merchandised, positioned and marketed appropriately in order to maximise sales potential. Fresh milk products, due to their perishable nature, are amongst the most difficult products to sell and merchandise. Clover has mastered this aspect of the business and has multi-disciplinary teams that work together to gain a deeper understanding of the demands of the industry. Clover currently has one of the largest sales and merchandising operations in the country with approximately 200 sales personnel and approximately 2,000 merchandisers operating in 1,900 stores across South Africa.

  The reach and scale of the distribution network is an enabling platform, key asset, core competency and competitive advantage for Clover and is expected to facilitate the continued growth of the business. The attractiveness and efficiency of the distribution platform coupled with the ability of Clover to provide superior value-added sales and merchandising services is evidenced by the success of Clover's principal business in terms of which Clover distributes a basket of products for leading independent FMCG businesses such as Unilever.

- **Value-enhancing optimisation and expansion projects (Project Cielo Blu)**

  Clover intends to implement value-enhancing expansion and optimisation projects to increase the efficiency of the business platform and create capacity to support current and future growth of the business.

  Clover's primary capital project is named Project Cielo Blu. The intention behind Project Cielo Blu is to invest in the production and distribution infrastructure of the business to, *inter alia*:

  - redress historical inefficiencies in the supply chain network resulting from the pre-1994 regulatory environment;
  - improve production and distribution efficiencies in the business;

- create sufficient capacity within the production and distribution network to support Clover's growth plans for the next 5 to 7 years; and
- improve profitability.

Clover also intends, as part of Project Cielo Blu, to relocate its Johannesburg central beverages factory to the Midrand production facility. This relocation is expected to result in greater distribution efficiencies through reduced transportation costs, increased production capacity, lower fixed costs and lower raw material costs. The beverages portfolio is a key growth asset for the Group and Clover expects robust growth to continue in the beverages portfolio, supported by adequate and efficient production and distribution.

Project Cielo Blu is expected to cost in aggregate R350,000,000 over the next four years and is expected to generate significant annual savings for the business (increasing over the duration of the project to approximately R99,000,000 per annum, before depreciation and taxation after completion).

- **Strong and unique relationships with its milk producers**

  Milk is an essential ingredient in Clover's products and Clover's access to a secure and stable source of milk supply is a key strength and advantage of the business. Clover utilises a unique milk supply system which ensures that milk producers provide it with sufficient milk to meet forecasted product demand. The milk supply system creates significant loyalty between Clover and the milk producers and creates flexibility for Clover to manage its level of milk supply to meet forecast demand. This supply system is a distinguishing feature for Clover and allows Clover to mitigate some of the volatility associated with periods of milk surplus.

- **Attractive growth opportunities**

  Clover's brand, market position, expertise across the supply chain (from production to distribution, sales and merchandising) and its investment in infrastructure through Project Cielo Blu positions it to exploit attractive organic and acquisitive growth opportunities. Organic opportunities comprise product and brand extensions to exploit attractive market gaps coupled with specific strategies to stimulate volume growth within the existing product portfolio. Clover also considers acquisitive growth a pillar of the business and management are continually seeking value-enhancing mergers and acquisitions. Management believe that significant opportunities exist in consolidating a fragmented secondary dairy industry, in creating a larger beverages platform and in merging with like-minded food producers. In addition, Clover has successfully established operations in several African countries and continues to seek attractive African opportunities that meet its strict investment criteria.

- **Dynamic management team with significant experience in the dairy and FMCG business**

  Clover has an experienced and dedicated senior management team supported by highly capable operational managers and support staff. Clover's senior management team collectively have over 350 years of experience with Clover. Clover's management team has been instrumental in driving the recent evolution of the business and is incentivised to continue to drive growth in the business.

3. SUMMARY OF THE OFFER

3.1 The Offer

The Offer comprises an offer by the issuer for the subscription by way of a private placement of Offer Shares pursuant to a bookbuild process for up to 47,619,048 fully paid ordinary shares of a par value of R0.05 each, priced between R9.00 and R12.00 per Offer Share. The Offer Shares will comprise approximately 27.7% of the issued Shares of the issuer after the allotment and issue thereof (excluding the Over-allotment Shares).

3.2 Eligibility to participate in the Offer

The Offer is being made to the Eligible Investors only. The following groups of investors are allowed to participate in the Offer:

(a) selected institutional investors to whom the Offer for Offer Shares is specifically addressed;

(b) invited investors in South Africa who subscribe, as principals, for Offer Shares for an amount of not less than R100,000;

(c) directors and officers of the company (who may not renounce the Offer); and

(d) existing ordinary shareholders of Clover (who may not renounce the Offer).

3.3 Purchase Agreement

As at the date of this prelisting statement, no purchase agreement has been concluded in respect of the Offer. However, the issuer and the bookrunner intend to enter into a purchase agreement in connection with the Offer once the Offer Price has been determined as described in the "Particulars of the Offer – Offer Price" section on page 70. If the purchase agreement is concluded, the issuer will, subject to the terms and conditions described in the purchase agreement, agree to issue the Offer Shares and the bookrunner will agree to procure subscribers for, or, failing that, to subscribe itself for, the Offer Shares at the Offer Price. Further details regarding the purchase agreement are contained in the section "Purchase Agreement and Lock-in Agreements" on page 74.

3.4 Subscription Conditions

The Offer is subject to achieving the JSE's shareholder spread requirements. The Listing will not proceed if the JSE's shareholder spread requirements are not met, and any acceptance of the Offer shall not take effect and no person shall have any claim whatsoever against the issuer, the bookrunner or any other person as a result of the Offer not taking effect. The issuer will receive all of the proceeds from the Offer Shares being issued. Only Eligible Investors will be allowed to acquire Offer Shares in terms of the Offer.

The Offer is subject to the attainment of a spread of shareholders acceptable to the JSE. The Listings Requirements provide that, unless the JSE determines otherwise, the number of public shareholders must be at least 300, as defined by the Listings Requirements.

All ordinary shares that are in issue as at the date of this prelisting statement will rank *pari passu* in all respects. The issuer's ordinary shares will rank behind the preference shares in the capital of the issuer with regards to dividends and return on capital in certain circumstances. The rights, privileges and conditions attached to the preference shares, which the issuer intends to list simultaneously with the listing of the Offer Shares, are set out in Annexure 10 to this prelisting statement.

4. LOCK-IN ARRANGEMENTS

The issuer, locked-in management and the Clover Milk Producer's Trust intend to agree with the bookrunner that they will not, without the prior written consent of the bookrunner (such consent not to be unreasonably withheld), offer, pledge, sell, contract to sell or otherwise dispose of any Shares for 180 days following the date of this prelisting statement, as described in the "Purchase Agreement and Lock-in Agreements" section on page 74. The aforegoing lock-in arrangements will not preclude any person who acquires Offer Shares in terms of the Offer from trading in, or transferring, such Shares.

5. OVER-ALLOTMENT

The issuer intends to grant the stabilisation manager the Over-allotment Option exercisable for a period of up to 30 days after the Listing Date to subscribe for the Over-allotment Shares on the same terms and conditions as those applicable to the Offer, solely to cover over-allotments, if any.

6. DIVIDENDS AND DIVIDEND POLICY

The net dividend paid on the ordinary shares in respect of the year ended 30 June 2010 was R40,808,562 and amounted to 65,9 cents per ordinary share. The dividend on the ordinary shares was paid to shareholders recorded in the shareholder register at the close of business on 4 November 2010. No further dividends have been proposed or declared between this date and the date of this prelisting statement.

For so long as there are any preference shares in issue, the amount of any normal annual interim or final dividend which the company shall be entitled to declare and pay to the holders of its ordinary shares shall not exceed A where A is calculated in accordance with the following formula:

$$A = B \times (C - D)$$

WHERE:

A = the maximum amount of any normal annual interim or final dividend;

B = 0.25;

C = the net profit after tax of the company (excluding capital profits) over the period to which the normal annual interim or final dividend (as the case may be) relates;

D = all preference dividends which have or ought to have, been declared and paid during the period to which the normal annual interim or final dividend (as the case may be) relates insofar as such dividends have not already been included in the calculation of C above.

Following the redemption of the preference shares, the dividend policy will be reviewed by the Clover directors from time to time in light of, *inter alia,* general market conditions, the requirements of the business plan, the strength of the balance sheet and growth prospects of the business.

Preference shares will bear dividends at 90% of the prime rate of interest charged by ABSA Bank Limited, in accordance with their terms.

7. RISK FACTORS

The section of this prelisting statement entitled "Risk Factors" commencing on page 63 describes certain risk factors that should be considered together with the other information in this prelisting statement before making a decision to purchase or subscribe for any Offer Shares. Although information has been provided in this prelisting statement in relation to the Offer Shares, a prospective investor should use his or her own judgement and seek advice from an independent financial adviser as to the appropriate value of the Offer Shares.

8. INDICATIVE TIMETABLE

The following table provides the expected dates of certain important events relating to the Offer.

Opening date of the Offer	09:00 on Monday, 29 November 2010
Publication of abridged prelisting statement on SENS	on Monday, 29 November 2010
Publication of the prelisting statement	on Monday, 29 November 2010
Publication of abridged prelisting statement in the press	on Tuesday, 30 November 2010
Last date for indication of interest for the purpose of the bookbuild	16:00 on Wednesday, 8 December 2010
Last date for submission of applications	16:00 on Wednesday, 8 December 2010
Expected closing date of the Offer	16:00 on Wednesday, 8 December 2010
Offer price released on SENS	Thursday, 9 December 2010
Offer price published in the press	Friday, 10 December 2010
Proposed Listing Date on the JSE and delivery of Offer Shares	Tuesday, 14 December 2010

Any material change will be released on SENS and published in the press.

DEFINITIONS, GLOSSARY AND INTERPRETATION

In this prelisting statement, unless otherwise stated or the context clearly indicates otherwise, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words importing one gender include the other genders and references to a person include juristic persons and associations of persons and *vice versa*:

"BBBEE"	Broad-Based Black Economic Empowerment;
"BEE"	Black Economic Empowerment;
"board of directors", "board" or "directors"	the issuer's board of directors from time to time, presently comprised of the persons specified in the "Directors and Management" section on page 32;
"bookrunner"	Rand Merchant Bank;
"business day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"capital raising"	raising of up to R500,000,000 in cash through the issue of new shares to Eligible Investors pursuant to the Offer;
"capital restructure" or "capital restructuring"	the restructure of the issuer's share capital which took place on 31 May 2010 and pursuant to which, *inter alia*: (a) the issuer repurchased all of the ordinary shares in the issuer's issued share capital held by HCI (being 30,881,374 ordinary shares representing 34.90% of the issuer's issued ordinary shares at the time of the repurchase) for a repurchase price of R337,400,435; (b) the link between the issuer's ordinary shares and delivery agreements in respect of the supply of milk to Clover embodied in the issuer's memorandum and articles of association was severed such that parties other than suppliers of milk to Clover could hold ordinary shares; (c) the issuer repurchased 5,028,956 ordinary shares in the issuer's issued share capital held by the Clover Milk Producer's Trust (constituting 5,68% of the issuer's issued ordinary shares at the time of the repurchase) for a repurchase price of R502,896; (d) the rights, privileges and conditions attaching to the preference shares as they existed prior to the capital restructure were amended so as to constitute such preference shares as debt instruments which (i) carry a dividend at 90% of the prime rate of interest charged by ABSA Bank Limited, and (ii) fall to be redeemed on 3 June 2013. Simultaneously with (a) through (d) above, executive directors and certain members of the executive management acquired shares and became participants in The Clover Share Appreciation Rights Plan (2010), as more fully described in the "Directors Interest", "Incentive Bonus" and "The Clover Share Appreciation Rights Plan (2010)" sections commencing on pages 43, 46 and 47 respectively;
"CFI"	Clover Fonterra Ingredients (Proprietary) Limited, incorporated in South Africa under registration number 2003/014926/07, a joint venture between Clover and Fonterra;
"CGT"	Capital Gains Tax in South Africa;
"CIL"	Clover Industries Limited, a public company incorporated in South Africa with registration number 2003/030429/06;
"CIPRO"	the Companies and Intellectual Property Registration Office;

"closing date"	the closing date of the Offer, expected to be 16:00 on Wednesday, 8 December 2010, but which may be amended by way of an announcement in the press and on SENS;
"Clover" or the "company"	Clover Industries Limited, a public company incorporated in South Africa with registration number 2003/030429/06, and its operations and subsidiaries and joint ventures, unless the context otherwise requires;
"Clover Milk Producer's Trust"	the trust registered in South Africa by the Master of the High Court under reference number IT 12299/98, which trust holds 20,377,236 ordinary shares (post the IPO restructure) in the capital of the issuer;
"The Clover Share Appreciation Rights Plan (2010)" or "Share Appreciation Rights Scheme"	The Share Appreciation Rights Plan, named The Clover Share Appreciation Rights Plan (2010), adopted by the company at a general meeting held on 31 May 2010, as amended pursuant to a deed of amendment dated 4 November 2009, which amendments were to ensure that the plan complies with the Listings Requirements;
"Common Monetary Area"	collectively, South Africa, Namibia and the Kingdoms of Lesotho and Swaziland;
"Companies Act"	the Companies Act 61 of 1973, as amended;
"CSDP"	a Central Securities Depository Participant operating in terms of the Securities Services Act;
"Danone SA"	Danone Southern Africa (Proprietary) Limited, incorporated in South Africa under registration number 1996/008691/07;
"delivery agreements"	agreements between Clover and its milk producers regulating the supply of milk to Clover by its milk producers, as more fully described in paragraph 2.8 on page 18 of this prelisting statement;
"dematerialised shares"	shares that have been dematerialised, the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares for the purpose of Strate, as contemplated in the Securities Services Act;
"Eligible Investors" or "Offerees"	persons to whom the Offer will be made, being (a) selected institutional investors acting as principals to whom the Offer for Offer Shares is specifically addressed, (b) invited investors in South Africa who subscribe, as principals, for Offer Shares for an amount of not less than R100,000, (c) directors and officers of the company (who may not renounce the Offer), and (d) existing ordinary shareholders of Clover (who may not renounce the Offer);
"Empowerment Act"	the Broad Based Black Economic Empowerment Act 53 of 2003, as amended;
"Eskort"	Eskort Limited, incorporated in South Africa under registration number 1997/022579/06;
"exchange control regulations"	the Exchange Control Regulations of South Africa, as amended, promulgated in terms of Section 9 of the Currency and Exchanges Act 9 of 1933, as amended;
"FMCG"	fast moving consumer goods;
"Fonterra"	Fonterra Co-Operative Group Limited, a co-operative company incorporated and domiciled in New Zealand;
"Foodcorp"	Foodcorp (Proprietary) Limited, incorporated in South Africa under registration number 1998/003563/07);
"Group"	the issuer and its subsidiaries from time to time;
"HCI"	Hosken Consolidated Investments Limited, incorporated in South Africa with registration number 1973/007111/06;

"IFRS"	the International Financial Reporting Standards as adopted by the International Accounting Standards Board from time to time;
"Income Tax Act"	the Income Tax Act 58 of 1962, as amended;
"IPO restructure"	the restructure of the issuer's share capital which took effect on 12 November 2010 to facilitate the Offer (including any over-allotments) and the Listing and pursuant to which the issuer's authorised share capital which comprised of 100,000,000 ordinary shares of R0.10 each and 100,000,000 preference shares of R0.10 each, and the issuer's issued share capital which comprised of 62,174,981 ordinary shares of R0.10 each and 89,442,022 preference shares of R0.10 each was restructured by way of a subdivision and increase of its ordinary shares such that the issuer's share capital was after the restructure comprised of the following: (a) 2,000,000,000 ordinary shares of R0.05 each and 100,000,000 preference shares of R0.10 each in the issuer's authorised share capital; and (b) 124,349,962 ordinary shares of R0.05 each and 89,442,022 preference shares of R0.10 each in the issuer's issued share capital;
"issuer"	Clover Industries Limited, incorporated in South Africa under registration number 2003/030429/06;
"JSE"	JSE Limited, incorporated in South Africa under registration number 2005/022939/06;
"King Code"	the South African Code of Corporate Practices and Conduct as set out in the third King Report on Corporate Governance;
"last practicable date"	18 November 2010, being the last date, prior to the finalisation of this prelisting statement, on which information could be included into this prelisting statement;
"legal advisers"	Werksmans and Webber Wentzel;
"Listing"	the listing of the issuer's ordinary shares that has been granted by the JSE, subject to meeting the JSE's shareholder spread requirements;
"Listing Date"	the expected listing date of the issuer's ordinary shares, being Tuesday, 14 December 2010;
"Listings Requirements"	the Listings Requirements of the JSE;
"locked-in management"	the senior executive management of the issuer being its executive directors (namely Mr Johann Hendrik Vorster, Mr Hermanus Bernardus Roode, Mr Louis Jacques Botha and Dr Christiaan Philippus Lerm) and the issuer's supply chain executive (namely Mr Hendrikus Lubbe) and the issuer's commercial executive (namely Dr James Henry Ferreira Botes);
"lock-in agreements"	the lock-in agreements which are intended to be entered into between the bookrunner and each of the Clover Milk Producer's Trust and locked-in management in connection with the Offer;
"LSM"	the South African Advertising Research Foundation's Living Standards Measure which is widely used to segment the South African market by categorising people into ten groups according to their living standards with LSM 10 representing the highest standard and LSM1 the lowest standard;
"new shares"	the Shares offered for subscription by the issuer pursuant to this prelisting statement;

"Offer"	the offer by the issuer for subscription for up to 47,619,048 Offer Shares (assuming an Offer Price at the midpoint of the Offer Price Range), subject to certain conditions, to Eligible Investors to raise up to R500 million;
"Offer Price"	the price at which the Offer Shares are offered for subscription pursuant to the Offer, which may be outside the Offer Price Range;
"Offer Price Range"	the current estimated price range within which the Offer Shares may be offered for subscription pursuant to the Offer, being between R9.00 and R12.00 per Offer Share;
"Offer Shares"	Ordinary shares with a par value of R0.05 each issued by Clover pursuant to the Offer;
"Over-allotment Option"	the 30 day option granted by the issuer to the stabilisation manager to purchase additional Shares, up to a maximum of 15% of the Offer Shares, on the same terms and conditions as those applicable to the Offer for the purpose of covering short positions resulting from over-allotments of Offer Shares;
"Over-allotment Shares"	up to 7,142,857 ordinary shares (assuming an Offer Price at the midpoint of the Offer Price Range) that may be issued by the issuer pursuant to the over-allotment options granted to the stabilisation manager;
"preference shares"	preference shares of R0.10 each constituting part of the issuer's authorised and/or issued share capital which, pursuant to the capital restructuring, have the rights, privileges and conditions set out in Annexure 10 to this prelisting statement;
"prelisting statement"	this entire document and all annexures to it;
"principal products"	products distributed and/or manufactured on behalf of Principals;
"Principals"	collectively, Danone SA, Unilever, Eskort and Foodcorp;
"Project Cielo Blu"	the primary capital project which is being undertaken by Clover, more fully described in the "Project Cielo Blu" section on pages 17 and 19;
"purchase agreement"	the purchase agreement which is intended to be entered into between the issuer and the bookrunner in connection with the Offer;
"Rand Merchant Bank"	Rand Merchant Bank, a division of FirstRand Bank Limited incorporated in South Africa under registration number 1929/001225/06;
"RMB Morgan Stanley"	RMB Morgan Stanley (Proprietary) Limited, incorporated in South Africa under registration number 1995/011585/07);
"SARB"	the South African Reserve Bank;
"SARS"	the South African Revenue Service;
"Securities Services Act"	the Securities Services Act 36 of 2004, as amended;
"Securities Transfer Tax Act"	the Securities Transfer Tax Act 25 of 2007, as amended;
"SENS"	the Securities Exchange News Service of the JSE;
"Settlement Date"	the date of implementation of the Offer when the Offer Shares will be issued to applicants against payment of the Offer Price, expected to be Tuesday, 14 December 2010;
"Share Appreciation Rights"	share appreciation rights issued to employees of Clover in terms of The Clover Share Appreciation Rights Plan (2010), which plan is more fully described on page 47 of this prelisting statement;

"Shares"	ordinary shares of R0.05 each constituting part of the issuer's authorised and/or issued share capital and references to "Shares" shall expressly exclude any reference to preference shares;
"South Africa"	the Republic of South Africa;
"South African Rand", "Rand" "R" and "cents"	the lawful currency of South Africa;
"stabilisation manager"	FirstRand Bank Limited, incorporated in South Africa under registration number 1929/001225/06;
"STC"	South African Secondary Tax on Companies;
"Strate"	Strate Limited, incorporated in South Africa under registration number 1998/022242/06, the registered central securities depository responsible for the electronic custody and settlement of trades on the JSE;
"transfer secretaries"	Computershare Investor Services (Proprietary) Limited incorporated in South Africa under registration number 2004/003647/07;
"UHT"	ultra-pasteurised milk;
"Unilever"	Unilever Bestfoods Robertsons (Proprietary) Limited, incorporated in South Africa under registration number 1993/005488/07;
"Webber Wentzel"	Webber Wentzel Attorneys, the bookrunner's, merchant bank and sponsor's legal advisers; and
"Werksmans"	Werksmans Attorneys, the issuer's legal advisers.

1. INTRODUCTION AND BACKGROUND

Clover is a leading and competitive branded consumer goods and products group operating in South Africa and selected African countries, reaching a wide range of geographically dispersed customers and consumers with a range of quality value-added dairy and non-dairy products, delivered through one of the largest ambient and chilled distribution networks in Southern Africa.

Clover has been operating, in one form or another, since 1898 and has enjoyed a long and successful history as part of the development of South Africa's dairy and FMCG industry. Clover was converted from a co-operative society into a public company in 2003. Subsequent to the conversion, Clover has evolved into a dynamic demand driven branded consumer goods business with strong market position and attractive growth prospects. As part of its evolutionary process, Clover implemented the capital restructuring on 31 May 2010 in terms of which Clover *inter alia*:

(i) severed the link between its ordinary shares and its delivery agreements in respect of the supply of milk to Clover embodied in the issuer's memorandum and articles of association such that parties other than suppliers of milk to Clover could hold ordinary shares; and

(ii) amended the rights, privileges and conditions attaching to the preference shares so as to constitute the preference shares as debt instruments which (i) carry a dividend at 90% of the prime rate of interest charged by ABSA Bank Limited, and (ii) fall to be redeemed on 3 June 2013.

The capital restructuring was a milestone in Clover's corporate development and resulted in both economic benefits and voting control vesting in the ordinary shares. In addition, the de-linking of the ordinary shares from the delivery agreements enables non-dairy producers to acquire ordinary shares, facilitating Clover's ability to raise equity capital. Capital scarcity has historically been a key constraint for business growth and development.

Following the implementation of the capital restructuring, Clover is now able to approach investors to raise equity capital. The Board and management of Clover has identified key value-enhancing capital projects (primarily Project Cielo Blu) which are intended to redress historical inefficiencies in the distribution network, improve production and distribution efficiencies in the business, create sufficient capacity within the production and distribution network to support Clover's growth plans for the next 5 to 7 years and to improve profitability.

Clover is seeking a listing in the Food Producers sub sector on the main board of the JSE under the short name of "Clover", the share code "CLR" and with number ISIN: ZAE000152377. The purpose of the Listing is therefore:

(i) to raise R350 million to implement Project Cielo Blu; and

(ii) to raise R150 million to fund transaction costs and for general corporate purposes including the funding of working capital.

The listing is also expected to significantly increase liquidity in Clover ordinary shares and unlock value for current shareholders.

2. BUSINESS, STRATEGY AND PROSPECTS

2.1 Business overview, vision and mission

Clover is a branded consumer goods and products group with core competencies in:

- the production of dairy and non-dairy consumer products;
- the distribution of chilled and ambient consumer products; and
- the sales and merchandising of consumer goods.

Clover produces and distributes (for itself and other FMCG companies) a diverse range of dairy and non-dairy consumer products to consumers and customers though one of the largest and most extensive distribution networks in South Africa. The business platform, created and sustained by the dairy business, provides the perfect platform for the Group to reach an extensive cross section of South African customers and consumers. Clover's business platform spans the breadth of the value chain from production to sales and integrates key value-added support services such as logistics, supply chain management, sales and merchandising. Clover's market penetration (Clover delivers to approximately 14,000 delivery points across South Africa) coupled with its value-added services offering, positions Clover to exploit attractive opportunities for organic and acquisitive growth.

Clover's vision is to be a leading and competitive fast moving consumer goods and products business in South Africa and selected African countries, reaching consumers on a daily basis with high quality branded consumer products which occupy the number one or a strong number two positions in their respective product segments. Clover envisages utilising the platform created and sustained by its South African dairy business to reach widely dispersed customers and consumers with timeous supply of quality branded consumer goods including milk and related products, concentrated dairy products as well as non-dairy products and beverages.

2.2 Corporate strategy

Clover's corporate strategy is to build onto existing competencies within the Group and to establish a culture of exceptional performance with a view to creating a platform for future market expansion. Different companies within the Group have different needs, and all are receiving company-specific support to maximise their potential. Key to all of Clover's activities is the expansion of capacities to share in the strong growth in consumption in the product segments in which it has a leading market share. Clover has identified a unique set of strategic pillars on which the success of the business is founded. These strategic pillars are managed and measured by the company across all business activities by means of a Balanced Score Card. The strategic pillars are:

- to optimise the brand portfolio by continuously:
  - ensuring the correct brands are promoted;
  - reducing the number of stock keeping units;
  - resetting product price premiums to promote volume growth and maximise profitability (Project Reset, as more fully described on page 21);
  - managing multidisciplinary sales and marketing teams;
  - optimising brand spend; and
  - utilising spare capacity in the supply chain;
- to simplify and reduce costs in the supply chain by changing the operational model to fit with the business model;
- to increase market share through sales and distribution by leveraging off Clover's strong distribution capabilities (Clover's aim is to constantly redesign service offerings to customers and Principals in order to increase sales volumes and profitability of the route to market);
- to actively support the business in the most effective and efficient manner;
- to constantly adapt Clover's Human Resources capabilities in order to fit its business model;
- to successfully complete value-enhancing capital projects through proper planning, project management and the tracking of the business case benefits; and
- to actively seek value-enhancing corporate activity.

2.3 Competitive strengths and investment highlights

Clover is a South African branded consumer goods company with:

- an iconic South African consumer brand with market recognition and pricing power;
- exposure to an attractive industry supported by favourable fundamentals;
- access to one of the largest chilled and ambient distribution networks in South Africa;
- value-enhancing expansion and optimisation projects (Project Cielo Blu);
- strong and unique relationships with milk producers;
- attractive growth opportunities; and
- a dynamic management team with significant experience in the dairy and FMCG business.

2.4 Iconic South African consumer brand with market recognition and pricing power

Clover is a highly recognisable and iconic South African consumer brand associated with high quality products which are able to command relative price premiums. The Clover brand frequently ranks in the top ten of the "Most Famous Brands" surveys conducted in South Africa by independent brand surveyors. Furthermore, in the 2010 Brand Icon Benchmark Survey by TGI City Press & Rapport, Clover was voted one of only 17 brands in South Africa to achieve the status of "Platinum Iconic Brands". Clover's strong brand and loyal customer and consumer following allows its products to carry a brand premium which is a distinguishing feature for Clover products. Clover's products have a strong association with quality which has been developed by Clover over the years and is supported by Clover's extensive quality control systems and processes. Clover's products are subject to an array of quality controls utilising both internal and external services to test raw material and product quality at each stage of the supply chain and route to market. Clover understands that the integrity of the supply chain is paramount to maintaining its brand profile and positioning and as such controls the entire supply chain and route to market for its products.

Clover's product portfolio comprises a comprehensive range of value-added dairy and non-dairy products. The Clover product range is set out in more detail in the table below. Clover's product portfolio consists of Clover branded products, Clover sub branded products and stand alone brands.

Clover branded products	Clover dual-branded products	Stand-alone endorsed products	Non-Clover branding
Milk Fresh Milk UHT Milk Steri Milk **Cheese** VP Cheese Processed cheese Feta Mozzarella **Beverages** Nectar (KZN) **Other** Cream Condensed Milk Ghee Whey Whey concentrate Skim Milk Powder Full Cream Milk Powder Rolled Dry powders Buttermilk powder 8g Butter	**Milk** Clover Mmmilk Clover Great Taste No Fat Clover The One Ultramel UHT **Beverages** Clover Krush Clover Life **Cheese** Clover Tussers **Other** Clover Butro butter spread Clover Mooirivier butter Clover Springbok butter Clover Zoetvlei Clover Rocky Ridge Clover Farmstyle	**Beverages** Aquartz Capri-Sun Tropika Manhattan Super M **Butter** Erica Tulip **Other** Cream cup Kremel Surromel	**Milk** Creamline UHT **Cheese** Elite Sacca Berg **Other** Elite SMP

Source: *Clover*

Although Clover is primarily a producer of dairy products, it has over the recent past focused on growing its branded beverages product range with significant success. The beverages product range comprises well known non-dairy products such as Clover Krush, its market leading short life juice product range, Manhattan Ice Tea, its leading ice tea product range, Aquartz, a leading bottled water product range and Tropika, its market leading dairy fruit-juice blend. The growth of the beverages business has been supported by the strength of the Clover brand as well as its expertise in production, distribution, sales and merchandising. The success of the beverages business is testament to the ability of Clover to leverage its core competencies to develop new and profitable products.

Although Clover has sold its 45% shareholding in Danone Clover (yoghurt and other fermented products) to Group Danone (Paris) in 2009, Clover remains the largest service provider to Danone in South Africa through the supply of raw materials (milk) and the provision of, *inter alia*, production, sales, merchandising, distribution and IT services to Danone in South Africa. As such, Clover retains significant exposure to the yoghurt market and continues to derive significant income therefrom.

Clover is also exposed to the dairy ingredients market through its unique partnership with Fonterra of New Zealand, the world's largest dairy company. The joint venture between Clover and Fonterra, namely CFI, plays a significant role in supplying the dairy ingredients market in South Africa and the rest of Africa. CFI has the freedom to source product anywhere, with Clover having a first right of refusal to supply such dairy products. This provides Clover with the ability to distribute excessive domestic milk supply into other African markets if required.

Clover's product strategy is to be a market leader, occupying the number one, or at least strong number two position, in its key product categories. The table below sets out Clover's key product lines and their respective market position and market shares for the year ended 31 August 2010.

Key Clover product lines	Market position for the 12 months ending August 2010	Market share for the 12 months ending August 2010
Milk		
Fresh Milk	No. 1	26.8%
UHT Milk	No. 1	23.7%
Flavoured Milk	No. 2	27.5%
Everyday cheese		
Feta	No. 1	36.4%
Natural pre-pack	No. 1	53.9%
Beverages		
Dairy Fruit Mix	No. 1	60.8%
Short life juice	No. 1	26.1%
Water	No. 5	6.7%
Ice Tea	No. 2	30.5%

Source: *BMI/Synovate reports, 2010*

2.5 Exposure to an attractive industry supported by favourable fundamentals

The South African dairy industry forms part of the broader South African consumer products industry and is supported by strong macro and industry specific fundamentals. The attractiveness of the industry is expected to be underpinned by *inter alia*:

- improving fundamentals in the South African consumer market;
- growth in the level of South African dairy and non-dairy beverage consumption; and
- improved target market penetration and accessibility.

Improving fundamentals in the South African consumer market

The fundamentals of the South African consumer market continue to improve as Gross Domestic Product and levels of Personal Consumption Expenditure grow on the back of a sustained economic recovery. The general recovery in consumer spend, supported by a recovery in household net wealth, lower debt service costs, strong wage growth and low inflation is expected to underpin general demand for consumer products, including dairy products and other beverages.

In addition, increasing income levels, a trend of urbanisation, growth in formal housing and electrification are expected to stimulate demand for perishable consumer products such as dairy products and short life juice beverages.

Growth in the level of South African dairy and non-dairy beverage consumption

South Africa's per capita level of dairy consumption remains low, relative to the levels of dairy consumption in other emerging markets such as Argentina and Mexico and certain developed markets. The table below sets out the annual 2010 per capita consumption of dairy products in litres in more detail:

Country	Liquid milk Litres	Cheese milk equivalent(1) Litres	Total Litres
Finland	184	191	375
Greece	69	289	358
France	92	239	331
Germany	92	224	316
Italy	57	237	294
USA	84	160	244
Ireland	130	105	235
UK	111	122	233
Spain	119	96	215
Median: developed markets	**92**	**191**	**294**
Argentina	66	107	173
Mexico	41	21	62
South Africa	23	15	38
Median: developing markets	**41**	**21**	**62**

Note 1: Estimated that 10 litres of milk are required to produce 1kg of cheese.

Note 2: Data sample limited by availability of information.

Source: *International Dairy Federation report, The World Dairy Situation 2009 and BMI estimates.*

Similarly, the 2010 level of per capita consumption of 100% juice and nectar products for emerging markets such as South Africa remains relatively low.

Country	**100% juice products Litres**	**Nectar products Litres**	**Total Litres**
Germany	22	12	33
Finland	28	4	31
USA	24	3	28
France	20	6	27
UK	20	3	23
Median: developed markets	**22**	**4**	**28**
South Africa	3	6	9
Mexico	3	5	8
Brazil	1	2	2
Nigeria	0	1	1
Median: developing markets	**2**	**4**	**5**

Note 1: Data sample limited by availability of information.

Source: *Global Dairy Forecast, 2010 – Capri – Sun.*

The relatively low levels of per capita consumption in emerging markets is a function of several factors including lower levels of aggregate income and poor market accessibility. The improvement in aggregate wealth coupled with deeper market penetration is likely to increase the level of per capita consumption in emerging markets, including South Africa.

Clover's leading market position in key dairy and non-dairy beverages coupled with its brand strength positions it well to benefit from increased levels of dairy product and non-dairy beverage consumption.

Improved target market penetration and accessibility

A key historical constraint for dairy consumption has been product availability and penetration into the lower LSM categories, principally LSM 1 to LSM 5. LSM 1 to LSM 5 has historically not been serviced by the formal retail trade, a key route to market for Clover. This has made the economics for product penetration into the lower LSM bands marginal and has limited the level of aggregate consumption.

This trend is however changing with formal retail trade, in particular the large retailers, increasingly establishing operations in or near lower income groups. Product accessibility has increased accordingly and producers are able to leverage off the expansion in the retail network to increase accessibility and penetration of consumer products to lower LSM's in an economical manner.

Clover has particularly strong relationships with the national retailers and this coupled with their distribution capabilities ideally positions it to take full advantage of the improved market access and penetration.

2.6 Access to one of the largest chilled and ambient distribution networks in South Africa

Clover operates arguably one of the largest distribution networks in chilled and ambient FMCG products in South Africa. The distribution network is a key asset and core competency for Clover and forms an integral part of Clover's competitive advantage.

Clover's national distribution network is able to access a cross section of the South African retail and wholesale trade with deep penetration (approximately 14,000 delivery points, including agency delivery points) and high frequency of delivery. The reach and scale of the distribution network is an enabling platform for Clover and is expected to facilitate the growth of the business.

The distribution network has two legs: primary distribution and secondary distribution. Primary distribution relates to distribution from production facility to Clover's distribution centres. Secondary distribution relates to distribution from Clover's distribution centres to the retail and wholesale trade and other customers. The distribution network currently utilises 17 distribution centres in key locations across South Africa, four satellite distribution centres and seven agencies.

The secondary distribution network comprises more than 600 trucks with each truck delivering to an average of eight customers per day. The table below sets out Clover's relative customer demand by geographical location. Within the current distribution network, approximately 95% of Clover's total demand is located within 300km of the closest distribution branch.

Region	**% of Clover's customer demand**
Gauteng	42
KwaZulu-Natal	22
Western Cape	9
Eastern Cape	7
Free State	6
Other	14
Total	**100**

Source: Clover

Clover controls the entire supply chain for its products. In doing so, Clover is able to ensure:

- the integrity of its superior product quality and service delivery to the trade is maintained;
- the distribution network operates at maximum efficiency; and
- the distribution network is managed on a holistic basis.

The distribution and supply chain management capabilities of Clover form an integral part of the business and Clover's expertise are well regarded, particularly in light of the perishable nature of the products and the high frequency of delivery. The attractiveness of the distribution platform is complemented by the sales and merchandising expertise of the business which ensures that once the product reaches the store, it is merchandised, positioned and marketed appropriately in order to maximise sales potential. Fresh milk products, due to their perishable nature, are amongst the most difficult products to sell and merchandise. Clover has mastered this aspect of the business and has multi-disciplinary teams that works together to gain a deeper understanding of the demands of the industry. Clover currently has one of the largest sales and merchandising operations in the country with approximately 200 sales personnel and approximately 2,000 merchandisers operating in 1,900 stores across South Africa.

The attractiveness and efficiency of the distribution platform coupled with the ability of Clover to provide superior value-added sales and merchandising services is evidenced by Clover's principal business.

Principal business activities

Clover currently distributes products for four Principals: Unilever; Eskort; Foodcorp and Danone S.A. The principal business is strategically important to Clover and enables Clover to optimise the efficiency of the distribution network, increase the profitability of the distribution platform for Clover's own products and provides Clover with critical mass to service markets which its competitors cannot economically service. The table below sets out the product handled and services provided to its Principals.

Principal	**Products handled**	**Services provided**
Unilever	All refrigerated products, being Margarine (Rama, Stork and Flora) and Meadowlands	Warehousing and distribution services Manufacturing of OLA ice cream Sales and merchandising services
Danone S.A.	Total product basket, being Custard, Yoghurt and Maas	Supply Chain Planning Distribution & warehousing Raw material procurement Credit control and debtors admin Manufacturing and packaging of Maas and Custard IT services Sales and merchandising services

Principal	Products handled	Services provided
Eskort	Total product basket	Sales and merchandising services Distribution services Credit control and debtors admin
Foodcorp	Mageu	Manufacturing, packaging and distribution Credit control and debtors admin Sales and merchandising services

Source: Clover

In the financial year ended 30 June 2010, Clover handled approximately 262,441 tons of principal products for its Principals totalling in aggregate approximately R5.4 billion in turnover. Clover is remunerated on a "cost plus" fee basis with fees tied to the volume of products distributed or on a percentage of turnover basis. This also means that Clover has indirect exposure to the markets of its principal products.

2.7 Value-enhancing expansion and optimisation projects (Project Cielo Blu)

Clover intends to implement value-enhancing expansion and optimisation projects to increase the efficiency of the business platform and create capacity to support current and future growth of the business.

Clover's primary capital project is named Project Cielo Blu. Project Cielo Blu intends to invest in the production and distribution infrastructure of the business to:

- redress historical inefficiencies in the supply chain network resulting from the pre-1994 regulatory environment;
- improve production and distribution efficiencies in the business;
- create sufficient capacity within the production and distribution network to support Clover's growth plans for the next 5 to 7 years; and
- improve profitability.

Pre-1994, the dairy industry was regulated by the Dairy Industry Control Board. Prior to 1986 the Dairy Industry Control Board effectively enforced regulations which precluded Clover from setting up production facilities in the coastal regions of South Africa outside of KwaZulu-Natal. Accordingly, the current location of some of Clover's production facilities are not optimal and result in logistical and distribution related inefficiencies. An example of such inefficiencies is that certain of Clover's UHT milk production facilities are currently located in Gauteng, while the most significant milk sources are located in the coastal areas. The result is that milk must be transported from the source to the highveld in specialised milk tankers in order to produce UHT milk. The same specialised milk tanker must then return to the milk sources, at the coast, empty. One of the aims of Project Cielo Blu is to relocate all of Clover's UHT production facilities to the milk source in the coastal regions, which is expected to create sustainable net transportation cost savings.

Clover's current distribution and warehousing infrastructure is operating at near maximum capacity. The result is:

- that the current distribution infrastructure is at risk of becoming a constraint on business growth;
- increased network congestion and complexity is leading to inefficiencies;
- potential loss of sales from the inability to deliver product; and
- increased risk of not being able to provide agreed minimum service levels to Principals.

Currently, Clover's distribution centres have aggregate chilled storage capacity for approximately 25,457 pallets and ambient storage capacity for approximately 14,342 pallets. Project Cielo Blu aims to increase the ambient warehousing capacity by 46% and warehousing chilled capacity by 22%. Following the implementation of Project Cielo Blu, Clover's distribution centres will have aggregate chilled storage capacity for approximately 31,158 pallets and ambient storage capacity for approximately 20,898 pallets. The expansion will involve creating capacity at key distribution hubs including, *inter alia,* Midrand, Polokwane, Nelspruit, Queensburgh, East London, Bloemfontein and Port Elizabeth.

Clover also intends, as part of Project Cielo Blu, to relocate its Johannesburg central beverages factory to the Midrand production facility. This relocation is expected to result in greater distribution efficiencies through reduced transportation costs, increased production capacity, lower fixed costs and lower raw material costs. The beverages portfolio is a key growth asset for the Group and Clover expects robust growth to continue in the beverages portfolio, supported by adequate and efficient production and distribution infrastructure.

Project Cielo Blu is expected to cost in aggregate R350,000,000 over the next four years and is expected to generate significant annual savings for the business (increasing over the duration of the project to approximately R99,000,000 per annum, before depreciation and taxation after completion).

Additional detailed information regarding Project Cielo Blu is included in paragraph 2.14 below.

2.8 Strong and unique relationships with milk suppliers

Milk is an essential ingredient in Clover's products and Clover's access to a secure and stable source of milk supply is a key strength and advantage of the business. Clover utilises a milk supply system which ensures that milk producers provide it with sufficient raw milk to meet forecasted demand. This provides it with a secure source of milk through the milk cycle. The supply system comprises:

- "A" delivery agreements: the "A" delivery agreements oblige the producers to supply Clover with approximately 75% of the forecasted milk demand for the coming year. This amount currently stands at approximately 474 million litres for the coming year. The "A" delivery agreement represents a perpetual right to supply milk to Clover and is traded between producers. The price per litre of milk is set by Clover based on market dynamics on an *ad hoc* basis. Clover utilises the price of milk to send a signal to the milk producers regarding supply and demand while at the same time taking into consideration the long-term sustainability of the primary dairy market.
- "B" delivery agreements: the "B" delivery agreements oblige the producers to supply Clover with a certain number of litres over and above "A" delivery agreements volumes. This amount currently stands at approximately 102 million litres. The "B" delivery agreements are issued to producers on application, based on their abilities to produce the volumes applied for, which can be withdrawn at Clover's discretion and are used to balance the supply and demand dynamics in the business. These agreements are managed continuously by Clover and the price per litre is the same as the "A" delivery agreement. These agreements cannot be traded by producers.

The milk delivered to Clover under the "A" and "B" delivery agreements will constitute approximately 100% of Clover's required forecast milk demand. However, because milk is an agricultural product subject to cyclicality in supply, in addition to the "A" and "B" delivery agreements discussed above, Clover utilises supply contracts to balance the milk supply and demand dynamics.

Supply contracts are short-term mechanisms agreed with producers on an *ad hoc* basis during periods of milk shortage with varying durations, normally not longer than one year, depending on the extent and location of the milk shortage in relation to forecasted future milk demand. The price per litre in the supply contract is the same as the price paid in the "A" and "B" delivery agreements.

"C" milk relates to milk supplied to Clover in excess of the "A" and "B" delivery agreements (and the supply contracts, to the extent that these have been issued) and is, by definition, milk delivered to Clover which is in excess of its contracted milk supply. Clover, while not obliged to do so, has in practice collected "C" milk but at a reduced price. From time to time, Clover has not paid farmers for "C" milk.

The supply system creates significant loyalty between Clover and the producers and allows Clover to manage the level of milk supply based on forecast demand. This tool creates flexibility for Clover and ensures access to a secure source of milk supply through the milk cycle, while mitigating to some extent the risks associated with periods of milk surplus.

2.9 Attractive growth opportunities

Clover's brand, market position, expertise across the supply chain (from production to distribution, sales and merchandising) and its investment in distribution infrastructure to increase efficiencies and create capacity, positions Clover to exploit attractive organic and acquisitive growth opportunities. Organic growth is expected to stem from:

- new product development and brand extension strategies (vertical growth); and
- strategies to increase the volumes within the portfolio (horizontal growth).

Vertical growth

Clover's proximity to the customer, coupled with detailed information on consumer buying patterns and behaviour collected through its sales and merchandising network as well as its relationships with retailers, allows Clover to best understand its target market and quickly identify attractive opportunities for new products. Clover's new product development strategy is premised on the ability of Clover to quickly achieve profitability and a number one or strong number two market position in its new products.

Horizontal growth

Clover expects horizontal growth to be driven by, *inter alia,* structural factors and the implementation of strategic initiatives to stimulate volume growth. Favourable structural factors such as increased levels of dairy and non-dairy beverage consumption, increasing incomes and greater accessibility of lower income consumers are expected to stimulate volume growth. During the international financial crises and national and international milk surpluses in its 2008/09 financial year, Clover chose to maintain its selling prices while many competitors reduced their prices to prevent inventory build up. This strategy, although proving to be effective in protecting the Group to some extent against the crises at the time, caused Clover's historical brand/price premiums to become too high with a resultant loss in sales volumes. Project Reset aims to ensure an appropriate price premium for Clover's products relative to its competitors. Demand for certain of Clover's products is elastic and an appropriate price premium as perceived by consumers can significantly increase volumes. The reduction in the price premium is not expected to result in a compression in operating margins as it is being funded by an increase in efficiencies and cost savings in the rest of the supply chain. Increased volumes are expected to also provide improved efficiencies throughout the supply chain.

Clover's growth prospects are also linked to the growth prospects of its Principal's products. As Principal contracts are linked to the performance of the underlying products (volume based and/or structured on a cost plus or percentage of turnover basis), Clover effectively has indirect exposure to the organic growth within the markets of its Principal product markets.

Clover also envisages attractive opportunities to grow income from the provision of sales and merchandising services to its Principals as well as new clients. Clover believes that it can effectively leverage its current sales and merchandising network to offer value-added services on a fee basis.

Acquisitive growth

Clover considers acquisitive growth a pillar of the business, and management are continually seeking value-enhancing mergers and acquisitions. Clover has successfully implemented a number of mergers and acquisitions in the last 112 years.

Clover believes that the current structure of the dairy industry is fragmented and that the industry is characterised by high supply chain costs as a result of, *inter alia*, the distances between locations and the lack of viable alternatives to the road network. Clover believes that this presents attractive opportunities for it to consolidate smaller players across the value chain in order to drive further efficiencies and cost reductions. Clover management also believe that there are significant opportunities in creating a larger beverages platform or to merge with like-minded food processors.

Africa

Clover currently operates successful operations in Botswana, Lesotho, Namibia and Swaziland. Clover has identified several additional African markets which it believes are attractive including Angola, Kenya, Nigeria, Sudan, Zambia and Zimbabwe. Clover also currently has exposure to African markets through Clover Fonterra Ingredients which supplies the dairy ingredients to key markets in Africa.

While Clover is responsive to the opportunities that lie in Africa, its approach to African expansion is a cautious one and is based on identifying appropriate partners in the countries in which it wishes to operate. The greatest challenge facing Clover's African expansion is the lack of infrastructure in many of the emerging economies. This makes it difficult to develop a reliable and economic route to market for Clover's products. Clover believes that a viable route to market is essential to the eventual success of the business and believes that local expertise is invaluable in establishing the appropriate structures and systems.

2.10 Dynamic management team with significant experience in the dairy and FMCG business

Clover has an experienced and dedicated senior management team supported by highly capable operational managers and support staff. Clover's senior management team collectively have over 350 years of experience with Clover. Clover's management team has been instrumental in driving the recent evolution of the business and is incentivised to continue to drive growth in the business into the future.

2.11 Strategic initiatives

Project Cielo Blu

As set out in more detail above, Project Cielo Blu is considered a critical capital project for Clover and intends to create an efficient platform to support Clover's business for the next 5 to 7 years.

Project Cielo Blu aims to relocate and expand production facilities in Port Elizabeth and Pinetown to relocate the Mayfair production facility to Midrand and to expand key distribution centres and warehouses in Midrand, Polokwane, Nelspruit, Queensburgh, East London, Bloemfontein and Port Elizabeth. The table below sets out the relocation and expansion projects and their estimated costs in more detail:

Factory	**Description of expansion**	**Estimated cost**
Midrand	Remove UHT production facilities and move to Port Elizabeth and Pinetown factories. Convert Midrand factory to accommodate beverages storage, production and warehousing capabilities. Combination of chilled and ambient distribution as well as primary and secondary distribution into one warehouse to improve efficiencies, reduce complexities and serve smaller branches and to assist in their future growth. Related civil, equipment and relocation costs.	R135.5 million
Mayfair[1]	Relocation of beverages production facilities to Midrand and closure of Mayfair plant.	–
Pinetown	Reorganize of Pinetown factory to accommodate additional UHT production. Related civil, equipment and relocation costs.	R5 million
Queensburgh	Increased production capacity at Queensburgh. Current warehousing space is being lost due to production expansion. Warehousing and distribution infrastructure capacity to be created to support the introduction of new products as well as future growth expectations.	R56.3 million
Port Elizabeth	Reorganisation and expansion of Port Elizabeth factory to accommodate the majority of the Midrand UHT plant. Related civil, equipment and relocation costs. Port Elizabeth warehousing and distribution infrastructure to be expanded to support future growth expectations, particularly on the back of increased UHT production.	R87.2 million
Lichtenburg	Expansions to handle greater raw milk volumes for Botswana market.	R3.8 million
Polokwane and Nelspruit	Expansion of warehousing capacity at Polokwane and Nelspruit required as these are currently out of capacity due to high volume growth over the past few years, as well as future growth expectations.	R26.7 million
East London and Bloemfontein	Expansion of warehousing capacity at East London and Bloemfontein required as these are currently out of capacity during peak months, as well as future growth expectations.	R22.9 million
	Adjustment for inflation and purchasing power	R12.6 million
Total including inflation adjustment		**R350 million**

Note 1: It is estimated that retrenchment and plant closure costs of approximately R10 million will be incurred at Mayfair, however, it is also estimated that R12 million may be realised from the disposal of the Mayfair premises. The net impact is a once-off R2 million income for Clover from the closure of the Mayfair factory.

Clover expects significant benefits to flow from Project Cielo Blu. Benefits are expected to be driven by *inter alia*:

Saving		Total annual saving
Distribution saving	Benefits resulting from increased service level delivery to 97% from 94%, limited primary truck delays, reduced complexity and increased network flexibility.	R36.8 million
Production saving	**More efficient use of by-products:** The efficient use of a milk by-product in other products which will become possible after the relocation of the factories. **Milk procurement transportation cost:** With move of UHT factory to milk source, less inter branch milk transport will take place net of additional primary costs. **Primary distribution warehouse cost:** Net saving with merger of factories and warehouses from Johannesburg central and rented warehouses to Midrand. **Primary distribution transport cost:** Net saving in transport from factory to warehouses. **Production cost:** Fixed cost reduction from merger of factories and closure of Johannesburg central facility.	R62.7 million
Total		**R99.5 million**

In addition, the closure of the Mayfair factory is expected to generate a net once off benefit for Clover of R2 million.

The estimated benefits from Project Cielo Blu do not include benefits associated with increased volume growth or economies of scale and as such are considered conservative estimates by management.

Project Reset

Project Reset forms the basis of Clover's pricing strategy and is a strategic initiative designed to stimulate volume growth by ensuring that Clover products are competitively priced on a relative basis. The reduction in the price premium is being funded by the business through the extraction of efficiencies and cost savings in the rest of the supply chain. Project feasibility and market testing have been positive and the results show a significant increase in sales volumes, increasing top line growth as well as benefits from economies of scale. The impact of Project Reset is also supported by the price elasticity of certain of Clover's products, particularly milk.

Management believes that the roll out and implementation of Project Reset is an exciting opportunity for Clover and are confident that the results of the market testing will be replicated on a larger scale. Management are particularly excited to implement Project Reset alongside the implementation of the capacity expansion projects and believe that these projects will complement each other.

Managing cyclicality

Clover operates in a cyclical industry subject to natural cycles of oversupply and shortages. Following the last milk surplus in Clover's 2009 financial year, Clover implemented several key initiatives to protect the company during periods of milk surplus including an exit from most bulk dairy products, amending the terms of the milk procurement policy and by de-linking the "C" milk price paid for excess milk supplied by farmers from the export parity price of milk powder. Although previously the "C" milk price was not directly linked to the export parity price of milk powder, it constituted a major consideration in the determination of the "C" milk price.

Bulk dairy products generally comprise dairy products with a longer shelf life. During periods of surplus, the price of bulk dairy products falls significantly as dairy processers convert excess milk into longer life bulk products, and in doing so negatively impact the price of such products. By exiting the bulk products market, Clover is able to protect its income statement from significant volatility caused by depressed prices in the bulk products market.

The amendment to the terms of the milk procurement policy and the de-linking of the "C" milk price from an export parity basis provides Clover with a powerful tool to manage its milk supply and keep its milk supply in line with its forecast demand. Clover is not obliged to pay for excess milk and is therefore able to mitigate the risk of future milk surpluses on its business to some extent.

2.12 Prospects

Clover is well positioned to leverage its competitive strengths and business platform to facilitate growth and profitability in the business by increasing product volumes, improving the product mix, increasing efficiencies, reducing costs and actively seeking value-enhancing corporate activity. Clover also believes that its logistical and supply chain management and sales and merchandising skills can be leveraged to become another significant contributor of income to the Group.

The funds received from the Offer will be used, *inter alia*, to improve efficiencies in the current business platform and to develop Clover's infrastructure to create capacity for the next five to seven years. The expansion of capacities through Project Cielo Blu is expected to create the platform to facilitate the continued growth of the business. Clover also believes that costs in the dairy supply chain are too high, and that the fragmentation of the secondary dairy industry presents attractive opportunities for Clover to eliminate duplicate costs. Clover's ability to access equity capital markets following the listing and/or utilise listed scrip as currency will enable Clover to take advantage of these opportunities as they arise.

Trading results for the first four months to 31 October 2010 were strong and notably higher than over the corresponding prior year period. This is in line with management's expectations and reflects the benefits associated with key strategic initiatives implemented by management over the last 18 months to optimise costs and stimulate volumes. Strong volume growth has been achieved in all of the major product lines, with the exception of cheese, for the four months ended 31 October 2010. Volume growth can be attributed to Project Reset, which is still not fully implemented. Management expects continued volume benefits from the roll out of Project Reset nationally albeit at a lower gross margin but made good by fixed cost savings. In addition, management expects the benefits of the cost saving initiatives embarked upon at the end of 2009 to continue. Consolidated operating profit and net profit after tax from continuing operations were substantially better than for the 4 months ended 31 October 2009.

3. CORPORATE HISTORY

Clover has been operating, in one form or another, since 1898. Its history began with a series of meetings among a group of farmers in the Midlands, Natal, who wanted to establish a butter factory. During the course of those meetings, the farmers agreed upon a set of co-operative principles and decided to call the venture 'Natal Creamery Limited'. The farmers were forced to register their venture under the Natal Companies Act in 1899 due to the absence of proper legal channels for registering a co-operative society. By 1903, Natal Creamery Limited was dispatching its milk to Johannesburg on a daily basis. This prompted its members to explore avenues of growth within the Johannesburg milk industry during November of that year. The result was the purchase by Natal Creamery Limited of the Johannesburg Milk Supply Company Limited in March 1906.

In June 1923, Natal Creamery Limited was converted from a public company to a co-operative society registered in accordance with the Co-operative Societies Act. This was followed in 1943 by the approval of a 100% co-operative-style system of operation and the venture subsequently changed its name from Natal Creamery Limited to 'National Co-operative Dairies Limited' ("NCD").

In February 1994, Clover S.A. (Proprietary) Limited ("Clover S.A.") was incorporated as the operating arm of NCD. Clover S.A. entered into a joint venture with Compagnie Gervais Danone ("Danone") shortly after its incorporation. NCD then established Clover Holdings Limited ("Clover Holdings") in 1997. Clover Holdings was intended to act as the holding company of Clover S.A. At approximately the same time, Clover S.A. and Danone incorporated a private company, called Danone Clover (Proprietary) Limited, to house their joint venture.

During the ensuing years, the agricultural environment changed considerably which necessitated the conversion from co-operatives into public companies. The abolishment of Marketing Boards had the effect that banks and other financial institutions became the main providers of capital.

NCD took cognisance of this trend and the conversion of NCD from a co-operative society into a public company, as well as a name change to 'Clover Industries Limited' was approved during a series of special general meetings in November 2003. Accordingly, the issuer was formally established in 2003 and the dynamics incorporated in CIL in respect of ordinary shares exercising control and preference shares being freely tradable opened a new era for the Group.

Although it was still important to deliver a good service and quality products to its farmer members, the company has shifted its focus towards providing positive returns to its shareholders.

In order to simplify its structure, Clover Holdings was unbundled in 2004 and, at present, CIL is the holding company of Clover S.A. During the unbundling of Clover Holdings, Danone opted to swop their shareholding in Clover Holdings and Clover S.A. into a newly formed Clover Danone Beverages (Proprietary) Limited ("Clover Danone Beverages"), of which Clover S.A. was the majority shareholder.

During June 2005, CIL entered into a transaction with Hosken Consolidated Investments Limited ("HCI"), in terms of which HCI acquired 25,1% of the shareholding in CIL as a BBBEE partner. In addition, HCI acquired an option to increase its ordinary shareholding to 34,9%, which it exercised during 2007. At approximately the same time, Clover S.A. purchased Danone's 39,8% stake in Danone Clover Beverages Limited, since Danone decided to divest from all beverage interests worldwide. That company's name was subsequently changed to Clover Beverages Limited.

In December 2009 CIL sold its 45 % stake in Danone Clover (Proprietary) Limited after Danone decided to acquire all of its subsidiaries' minorities worldwide which had the benefit that CIL could restructure its capital.

In May 2010, as part of that capital restructuring, CIL shareholders approved the de-linking of the CIL ordinary shares from delivery agreements; converted the preference shares to debt-only instruments and approved the repurchase of HCI's 34,9% stake in CIL for a repurchase price of R337,400,435. The de-linking of CIL's ordinary shares from milk delivery agreements resulted in such ordinary shares becoming available to parties other than milk producers which supplied milk to Clover and paved the way for a listing.

4. COMPETITION COMMISSION REFERRALS

Clover is party to certain referral proceedings in terms of which complaints against seven dairy processors including Clover have been referred by the Competition Commission to the Competition Tribunal for determination. Full details of the aforegoing referral proceedings are set out in the "Litigation Statement" section on page 83 of this prelisting statement.

5. BLACK ECONOMIC EMPOWERMENT SHAREHOLDING AND INITIATIVES

Clover focuses on transformation on all levels of its organisation. Clover's commitment to BBBEE is reflected in its level 7 BBBEE rating which has been independently verified by EmpowerLogic, an accredited BBBEE verification agency.

HCI was Clover's BBBEE partner. HCI's equity stake was bought back during the first quarter of 2010 as part of the capital restructuring. Although Clover's BBBEE scorecard was affected by the buy-back of the ordinary shares held by HCI, Clover's scorecard is well supported by strong broad-based initiatives including Preferential Procurement, Enterprise Development and Socio-Economic Development.

The BBBEE verification of Clover and its subsidiaries has been based on the Codes of Good Practice for BBBEE.

Furthermore, Clover qualifies for continued recognition of a portion of HCI's black shareholding, limited to 40% of Clover's Equity Ownership scorecard. The continued recognition is available to Clover through the application of the "Continued Consequence" principle as per section 3.5 of BBBEE Code 100 (Equity Ownership). Clover qualifies for continued recognition as it meets the criteria for qualification as set out below.

The criteria for qualification are as follows:

- the black participant (HCI) has held shares for three years;
- value must have been created in the hands of black people;
- transformation has taken place within Clover as evidenced by the improvement in its BBBEE scorecard.

In the event of a sale and/or buy-back of shares the continued recognition of the black ownership is not limited in time and can be carried indefinitely.

As a result of the principle of "Continued Consequence" Clover should remain at an acceptable level with regard to BBBEE.

The company submits annual Employments Equity Reports and works towards achieving employment equity targets as set out in the company's Employment Equity Plan.

In the year ended 30 June 2009 the total BBBEE procurement spend amounted to R1,484 million (36 percent against the target of 50 percent) and the company's procurement spend from the Qualifying Small Enterprises and Exempt Micro Enterprises amounted to R152 million (4 percent against the target of 10 percent).

Clover also monitors the status of salaries to highlight any disparities between black and white, and male and female employees.

6. GROUP'S STRUCTURE

A simplified chart of Clover's corporate structure as at the last practicable date is set out in Annexure 12.

OVERVIEW OF THE SOUTH AFRICAN DAIRY INDUSTRY

1. PRIMARY SECTOR

The following information has been prepared by Dr Koos Coetzee, an agricultural economist, to provide information on the dairy industry. The company, bookrunner and advisors have not independently verified the information contained herein.

1.1 Producer and production structure

The number of milk producers in South Africa decreased from 7,000 in 1998 to the current 2,698 (October 2010). The number of milk producers per province is shown in Table 1. The Western Cape has the largest number of producers and Limpopo the least. Producer numbers are more concentrated in some areas in the country.

Table 1: Number of milk producers per province, 2006 – 2007

	Number of producers per province		
Province	**October 2006**	**October 2009**	**October 2010**
Western Cape	847	787	685
Eastern Cape	412	352	315
Northern Cape	38	46	27
KwaZulu-Natal	387	346	330
Free State	998	862	596
Northwest	600	536	387
Gauteng	264	215	135
Mpumalanga	363	284	201
Limpopo	45	30	22
Total	**3,954**	**3,458**	**2,698**

Source: MPO statistics, 2010

Milk production takes place in most areas of South Africa. Since 1995, milk production increased in the coastal areas and decreased in inland areas. The main reason for this is the lower cost of production from pastures than from bought in complete feed rations. The geographical distribution of milk production is shown in Table 2.

Table 2: Geographical distribution of milk production

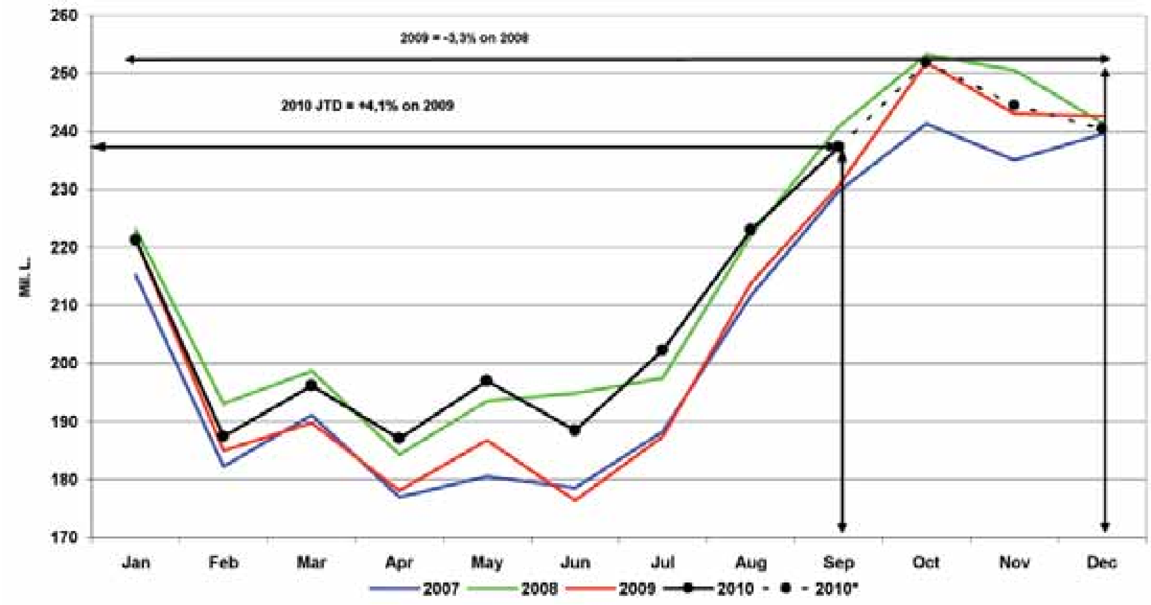
	% of production		
Province	**1995**	**2009**	**2010**
Western Cape	22.9	27.2	26.2
Eastern Cape	13.8	24.0	25.9
Northern Cape	1.2	0.4	0.3
KwaZulu-Natal	15.7	21.1	23.6
Free State	18	14.4	14.0
Northwest	12.6	5.3	4.5
Gauteng	4.4	3.1	1.7
Mpumalanga	11	4.2	3.2
Limpopo	0.4	0.3	0.6
Coastal areas	52.3	72.3	75.7
Inland areas	47.7	27.7	24.3
Total	100.0	100.0	100.0

Source: MPO statutory survey, 2006, 2008, 2009.

1.2 Milk production

Total milk production increased from 2.3 billion litres in 2005 to an estimated 2.6 billion litres in 2010. Milk production shows a low but steady growth over time. Milk production shows a seasonal pattern with a peak in October and a trough during winter. Monthly milk production during 2007 – 2010 is shown in Figure 1. The seasonal pattern is relatively stable from year to year.

Figure 1: Monthly milk production, 2007 – 2010



Source: Milk SA stats; MPO projection from October 2010 – December 2010

2. SECONDARY INDUSTRY

The secondary industry consists of a large number of smaller and a few larger milk processors and distributors. Milk producers who sell their own milk directly to consumers are known as producer-distributors ("PDs"). The number of PDs and milk processors is shown in Table 3.

Table 3: Number of producer-distributors and milk buyers

Province	**Number of PDs October 09**	**Number of milk processors October 09**
Western Cape	36	26
Eastern Cape	53	9
Northern Cape	29	4
KwaZulu-Natal	34	15
Free State	93	11
Northwest	50	18
Gauteng	55	38
Mpumalanga	59	13
Limpopo	20	1
Total	**429**	**135**

Source: MPO data

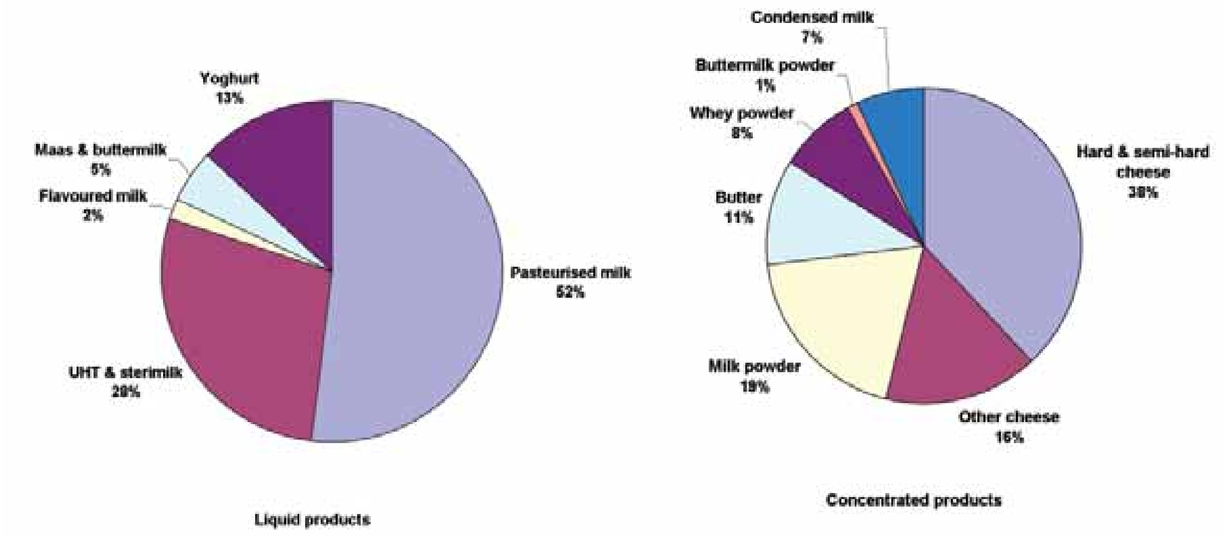
Milk buyers vary in size, from small buyers who distribute their own milk and buy in some milk from a few neighbours, to regionally based processors and larger nationally based processors. The few major national processors handle approximately half the total milk supply.

3. PRODUCTION OF DAIRY PRODUCTS

The South African dairy market is divided into liquid and concentrated products. Liquid products include pasteurised and UHT milk and cream, steri milk, yoghurt and drinking yoghurt as well as other acidified products such as maas. Concentrated products include skimmed and full-cream milk powder, butter and cheese as well as by-products such as whey powder and buttermilk powder. Liquid products contribute more than 50% to total sales.

The composition of the liquid and concentrate markets is shown in Figure 2.

Figure 2: Percentage composition of the liquid and concentrate products market, 2010



Source: Milk SA Statistics

4. DAIRY IMPORTS AND EXPORTS

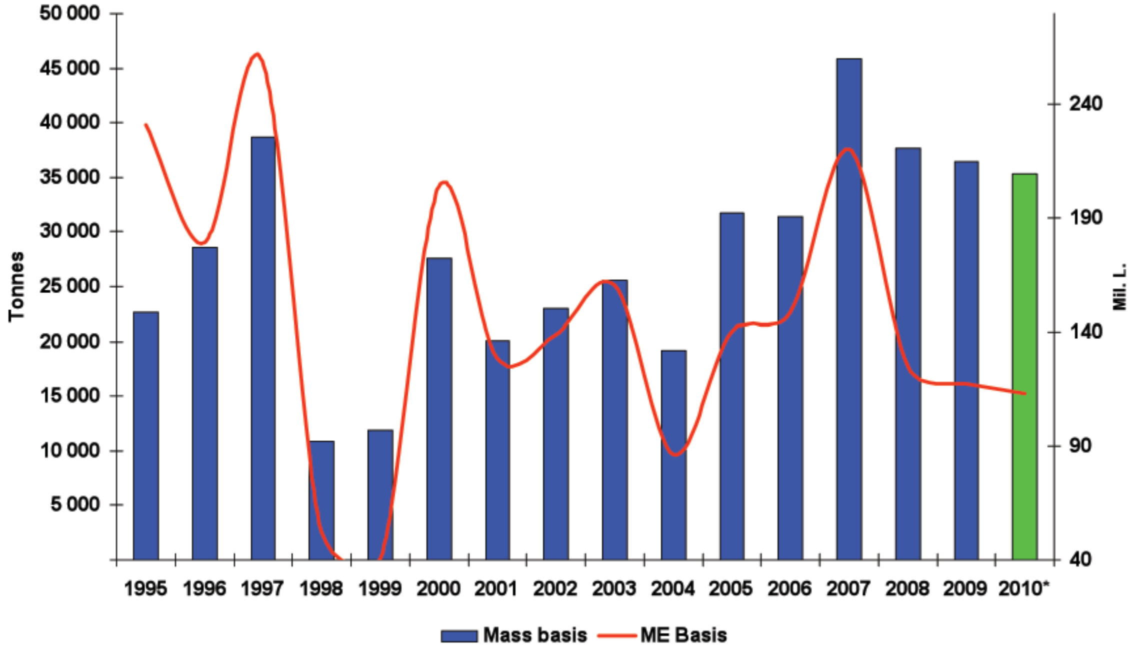
4.1 Imports

Dairy products are imported in a processed form on a mass basis. To determine the impact of imports on the local market, these imports are converted to a milk equivalent basis with the use of milk equivalent figures. For example one kilogram of skimmed milk powder is equivalent to ±10 litres of milk. By-products such as butter, whey and buttermilk powder are excluded from this calculation.

Annual imports on mass and milk equivalent basis are shown in Figure 3. The composition of total imports on a mass basis is shown in Figure 4.

Dairy products are imported for a variety of reasons. Products not manufactured in South Africa are imported. Processors import products to supply in the case of existing or predicted shortages and retailers frequently import products when these are available at lower prices on world markets and/or if they anticipate a shortage in certain products.

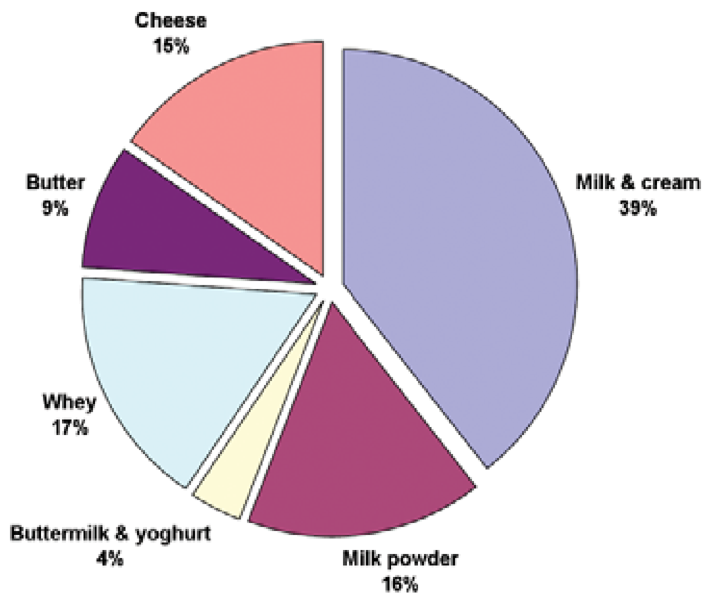
Figure 3: Annual imports, mass and milk equivalent basis, 1995 – 2010*



Source: *MPO calculations from SARS data*

* Projection

Figure 4: Distribution of imports, mass basis, 2009

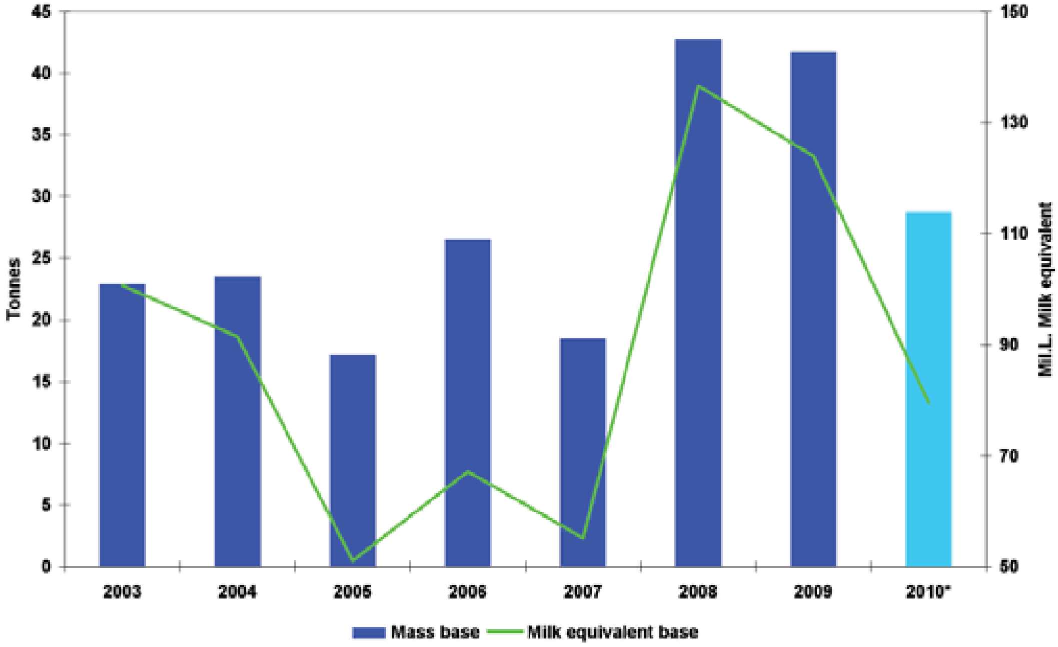


Source: MPO calculation from SARS data

4.2 Exports

Total annual exports from 2003-2010 on a mass and milk equivalent basis are shown in Figure 5.

Figure 5: Annual exports, 2003 – 2010 on mass and milk equivalent basis

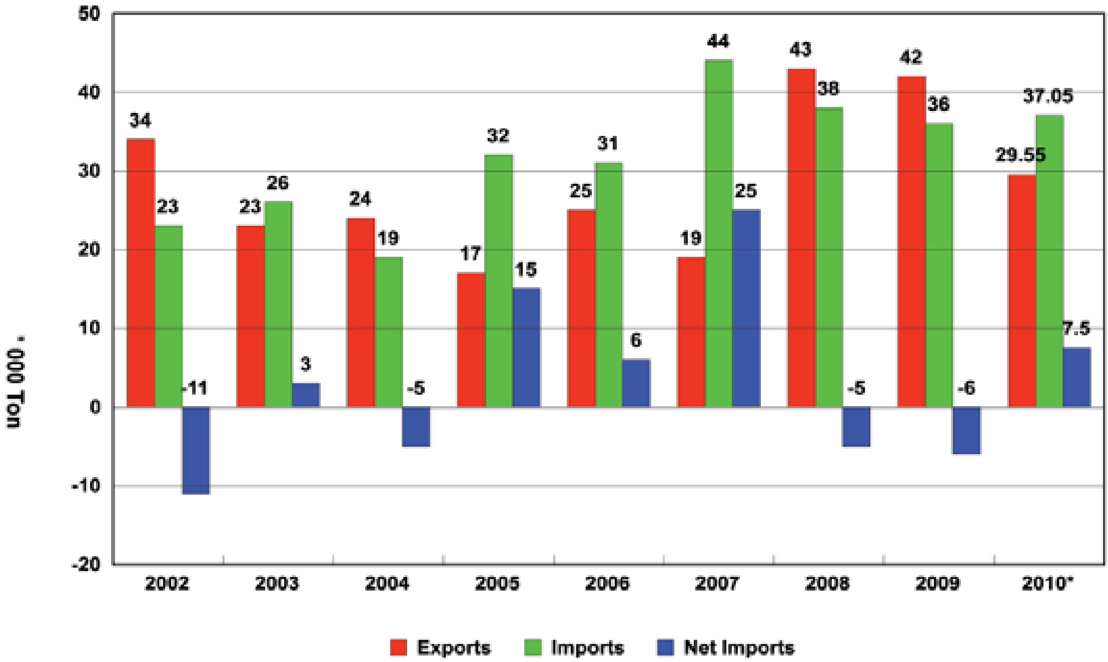


Source: MPO calculations from SARS data.

4.3 Net imports

The difference between imports and exports on a mass and milk equivalent basis is shown in Figure 6. Higher exports and decreased imports during 2008 have resulted in South Africa becoming a net exporter in 2010.

Figure 6: Dairy product imports and exports, 2002 – 2010*

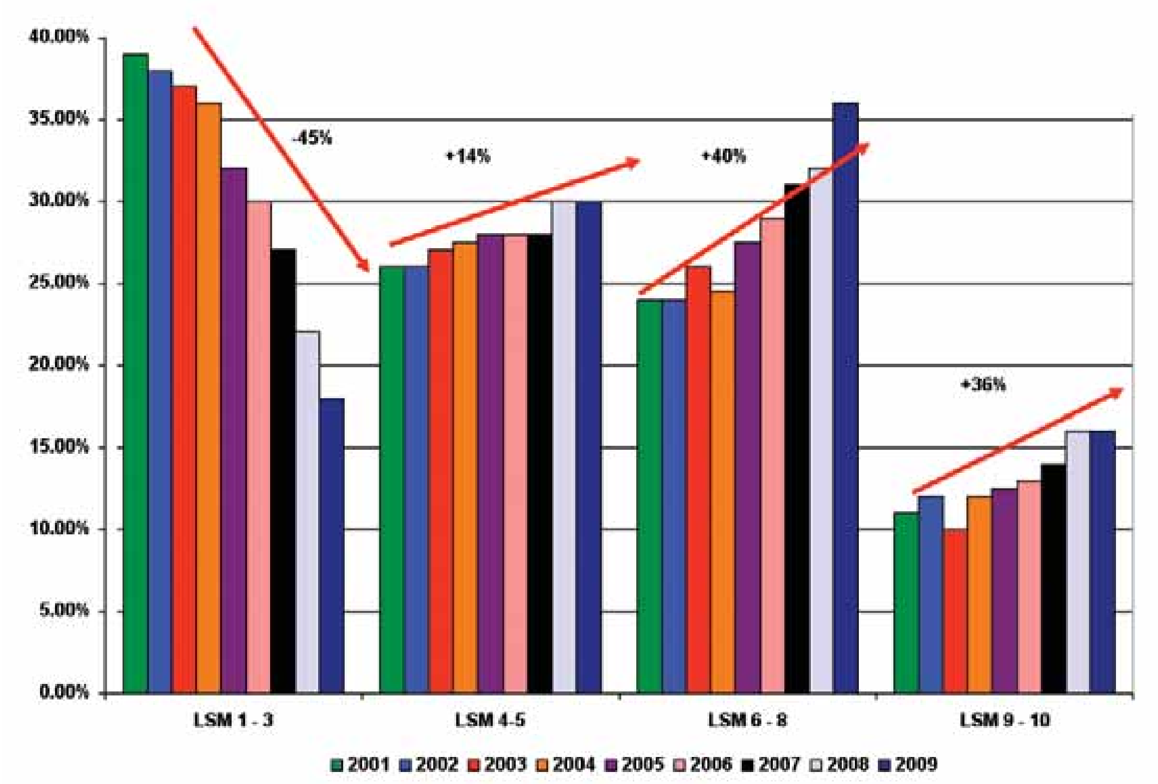


Source: MPO calculations from SARS data

5. MARKET DYNAMICS

Dairy products are used by people in all income groups, although the highest use of dairy products occurs in the middle to higher income groups. The change in the income distribution of the SA population is a major driver of increased demand. The change in the income distribution of the SA market is shown in Figure 7.

Figure 7: Change in composition of SA market, 2000 to 2009



Source: BFAP, 2010

6. DAIRY PRICES

6.1 Producer prices

South African producer prices are shown in Figure 8. Prices are market-driven. In 2008 there was a shortage on world markets while local production was stagnant as a result of the relatively lower producer prices in the previous periods. Higher producer prices then resulted in higher production while world prices decreased and consumption stagnated. Since the beginning of 2010 world prices have recovered, not to the 2008 levels, but to a higher level than in the period to 2007.

Figure 8: Producer prices, 1996 – 2010

Source: MPO

6.2 Retail prices

Retail prices of dairy products as surveyed by the National Agricultural Marketing Council (NAMC) are shown in Table 4.

Table 4: Retail prices of dairy products, 2008 – 2010

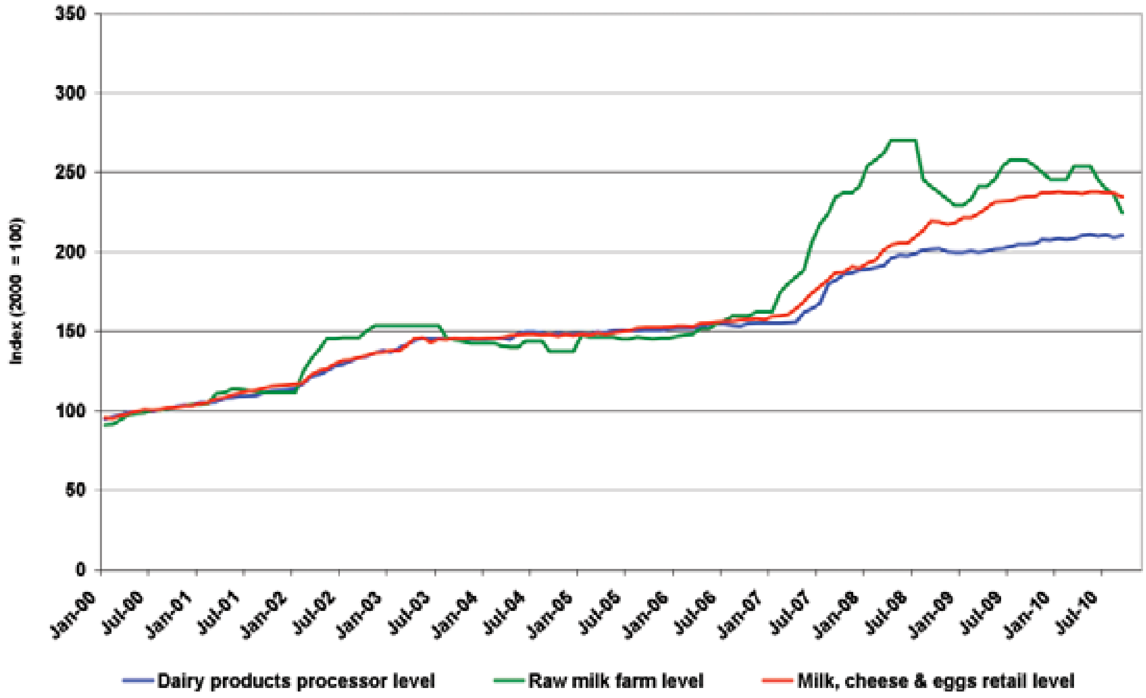
Product	Retail price (R per unit) July 2008	July 2009	July 2010	% change 2008 – 2009	2009 – 2010
Butter 500 g	22.1	24.17	25.43	9.37	5.21
Fresh milk full cream 2 litres	15.46	15.85	15.29	2.52	(3.53)
Skimmed milk powder 1 kg	56.62	56.15	56.4	(0.83)	0.45
UHT milk 1 litre	8.31	9.52	9.46	14.56	(0.63)
Cheese 1 kg	70.84	80.03	87.66	12.97	9.53

Source: *NAMC Food price trends, 2009, 2010*

6.3 Price relationships

The relationships between producer, processor and retail prices are shown in Figure 9.

Figure 9: Producer, processor and retail price indices, 2000 – 2010



Source: Stats SA

MANAGEMENT AND CORPORATE GOVERNANCE

1. DIRECTORS AND MANAGEMENT

The following discussion provides a description of Clover's board of directors and management as at the last practicable date.

1.1 The company's board of directors consists of 14 members. The members of the company's board of directors are as follows:

Name, Age and Nationality	Business Address	Function/ Occupation	Date of Appointment as Director and Term of office
John Allan Hutchinson Bredin (63)[1] South African	Myhill District Ixopo 3276	Chairman/ Milk Producer	02/12/2003
Hercules Petrus Fredrik Du Preez (46)[1] South African	Syferpan District Coligny 2725	Director/ Milk Producer	02/12/2003
Werner Ignatius Büchner (43)[1] South African	Boslaagte Paterson 6130	Vice Chairman/ Milk Producer	22/11/2006
Martin Geoff Elliott (56)[1] South African	Kilmashogue Farm Mooiriver Estcourt 3300	Director/ Milk Producer	02/12/2003
Dr Jacobus Christoffel Hendriks (61)[1] South African	Bronkhorstfontein District Heilbron 9650	Director/ Milk Producer	02/12/2003
Vivian Peter Turner (56)[1] South African	Hlogoma Farm Underberg 3257	Director/ Milk Producer	02/12/2003
Thomas Alexander Wixley (70)[2] South African	25 Rutland Road Parkwood Johannesburg 2193	Vice Chairman/ Lead Independent Director/ Director of companies	21/06/2007
Stefanes Francois Booysen (48)[2] South African	17 Pencarrow Lane Cornwall Hill Irene Centurion Pretoria	Director/ Director of companies	07/10/2010
Johannes Nicolaas Stephanus du Plessis (61)[2] South African	The White House 3A Eton Road Parktown 2193	Director/ Director of companies	07/10/2010
Nkateko Peter Mageza (56)[2] South African	Unit 6 Kintamani Bryanston 2021	Director/ Director of companies	04/11/2010
Johann Hendrik Vorster (46)[3] South African	Clover Park, 200 Constantia Drive, Constantia Kloof, 1709	Chief Executive/ Director	02/10/2004

Name, Age and Nationality	Business Address	Function/n Occupatio	Date of Appointment as Director and Term of office
Hermanus Bernardus Roode (58)[3] South African	Clover Park 200 Constantia Drive Constantia Kloof 1709	Deputy Chief Executive/ Director	02/12/2003
Dr Christiaan Philippus Lerm (53)[3] South African	Clover Park 200 Constantia Drive Constantia Kloof 1709	Executive Brands and Chief Operations Officer of Clover Beverages Limited/ Director	21/06/2007
Louis Jacques Botha (48)[3] South African	Clover Park 200 Constantia Drive Constantia Kloof 1709	Chief Financial Officer/ Director	21/06/2007

1 Non-executive directors.

2 Independent non-executive directors within the meaning of the Listings Requirements.

3 Executive directors. Short CVs of the company's directors and senior management are set out below.

1.2 Executive Directors

Johann Hendrik Vorster is the Chief Executive of the Clover Group. After graduating with a Bachelor of Commerce from Randse Afrikaanse Universiteit in 1985, he spent four years with Ernst & Young (previously Arthur Young), where he became a Senior Manager while completing his Honours through the University of South Africa in 1986 and qualified as a Chartered Accountant (South Africa) in 1987. His next three and a half years were spent with the South African Revenue Service as Assistant Director of Operational Research.

He completed his Master of Business Administration through the University of Witwatersrand in 1991 before joining East Rand Plastics (Proprietary) Limited in 1992. After several acquisitions, the East Rand Plastics Group of Companies was created, which finally became Astrapak Limited.

As Financial Director at Astrapak he was responsible for the company's listing on the JSE in 1997. He became joint Managing Director of the Film Division of Astrapak before accepting an offer as Chief Financial Officer from the Clover Group in October 2000.

After four years in charge of the Group's Financial Department, Mr Vorster was appointed Chief Operating Officer in September 2004. In July 2005 he became Deputy CEO to Robert Wesseloo, and when Robert announced his retirement at the beginning of 2006, he was appointed as Clover's next Chief Executive.

Hermanus Bernardus Roode is the Deputy Chief Executive of the Group. He obtained a Bachelor of Jurisprudence and Bachelor of Laws at Randse Afrikaanse Universiteit and was a practicing attorney from 1978 to 1998 specialising in commercial law. He was appointed as Legal Director and Secretary in 1998 and has extensive experience in legal and corporate governance matters as a result.

Louis Jacques Botha is the company's Financial Director (CFO) and also takes executive responsibility for milk procurement. He qualified as a Chartered Accountant with Arthur Young & Co in 1988 whereafter he pursued a career in commerce. He served as a divisional financial manager at Motorvia Limited and as Company Secretary/Financial Manager at Fransaf Limited. In 1995 he re-joined the accounting profession as a Senior Manager at Ernst & Young and in 1997 bought the Mafikeng practice from Ernst & Young to trade as Ernst & Young (Mafikeng), an independent partnership. During 2000 he merged his practice with Gobodo Incorporated and served as a Director and Executive Committee member of this firm until July 2006 when he joined Clover. Mr Botha was initially appointed as Executive: Corporate Development and after taking charge of milk procurement in January 2007, he was appointed as Financial Director in June 2007.

Christiaan Philippus Lerm is currently COO of Clover Beverages and Executive Brands. He obtained a Bachelor of Commerce in 1977 and then, in 1978, completed his Bachelor of Commerce (Honours) in marketing at the University of the Orange Free State. He joined the Randse Afrikaanse Universiteit as lecturer in 1979 in the Business Economics department. He completed his Master of Commerce in 1981 at Randse Afrikaanse Universiteit and in the same year started to do consultation work for the South African Dairy Foundation until 1987 when he joined on a full-time basis as Manager: Marketing and Communications. His responsibilities were mainly to perform all generic marketing and communication activities on behalf of the secondary dairy industry. In 1987 he obtained a Doctor of Commerce (Marketing) at the University of South Africa.

After the Dairy Board was disbanded in 1990, the personnel of the Dairy Foundation and some Dairy Board officials were taken up in the Dairy Services Organisation where Dr Lerm was appointed General Manager: Marketing and Communication. He joined NCD in 1991 as Corporate Affairs Manager. Other positions promoted to was Marketing Manager: Concentrated products, Group Export Manager, Group Manager Marketing and then COO of Clover Danone Beverages Limited. During his 25 years of experience in the Dairy Industry, he witnessed and was often instrumental in changing the industry from price control and one channel schemes to the highly competitive industry we have today.

1.3 Non-Executive Directors

John Allan Hutchinson Bredin is the Chairman of the Board. He is a farmer in the KwaZulu-Natal Midlands with 43 years dairy farming experience, 40 of those in his own business. He has been acting as director of the issuer and associated companies for the past 20 years of which the last 4 and a half years he has been Chairman of the issuer.

Werner Ignatius Büchner is Vice-Chairman of the board. He is a dairy farmer who has been farming in the Eastern Cape since 1994. Prior to 1994, he was First Engineer at Eloptro (Denel) for a period of five years. He has been a director of the issuer and associated companies since 2006.

Hercules Petrus Fredrik Du Preez is a dairy farmer of 19 years experience in the North West Province area and has been a director of the issuer and associated companies since 2003.

Martin Geoff Elliott is a dairy farmer in the Mooi River area of KwaZulu-Natal. He obtained a Bachelor of Science in 1974 and has been farming since 1975. He has been a director of the issuer and associated companies since 2003.

Dr Jacobus Christoffel Hendriks is a farmer in the Heilbron area. He has been a director of the issuer and associated companies since 2003. He obtained a Bachelor of Science in 1971 and practised as a veterinarian for 13 years before becoming a full-time farmer.

Vivian Peter Turner is a farmer with 28 years' experience running Hlogoma Farming Trust, a dairy operation milking 950 cows. He has been a director of the issuer and associated companies since 2003.

1.4 Non-Executive Independent Directors

Thomas Alexander Wixley is Vice-chairman (and Lead Independent Director) of the Board. He is an independent non-executive director of various companies including Anglo Platinum, Sasol, Avusa and Sanlam Developing Markets. A full list of the companies of which he is a director is set out in Annexure 5 to this prelisting statement. He has a Bachelor of Commerce and is a Chartered Accountant (South Africa) and was with Ernst & Young and its predecessor firms for 41 years, 31 as a partner, and chairman for the last 10. He is a member of SAICA's committee on corporate law, the Actuarial Governance Board and the King III sub-committee on directors and boards. He has had extensive experience of audit committees and is the co-author of Corporate Governance with Professor Geoff Everingham, now in its third edition.

Stefanes Francois Booysen is an independent non-executive director. Mr Booysen obtained a Bachelor of Accounting Science (Honours) from the University of South Africa and a Doctorate of Commerce from the University of Pretoria. He qualified as a chartered accountant in 1985. He is co-author of the well-known text book Accounting Standards. After completing his articles with Ernst & Young (1980-1983), he was a senior lecturer in Accounting at the University of South Africa (1983-1988). He joined Trust Bank on 1 August 1988. He is the former Group Chief Executive of the ABSA Group. He holds numerous directorships, *inter alia* the following: Non-Executive chairman of the listed group Efficient Financial Holdings Ltd, non-executive director of Steinhoff International Holdings Ltd, Chairman of "Die Aardklop Kunstefees" and he is also a council member of the University of Pretoria. A full list of his directorships is set out in Annexure 5 to this prelisting statement.

Johannes Nicolaas Stephanus du Plessis is an independent non-executive director. Advocate du Plessis obtained a Bachelor of Commerce and then a Bachelor of Law degree. He was admitted as counsel during 1974 and took silk in 1989. He has occasionally acted as judge in the High Court. He has been a Non-executive Director of Steinhoff since 2002 and was appointed as an Executive Member of the Steinhoff Group Services Team and Alternate Executive Director with effect from 1 March 2006. A full list of his directorships is set out in Annexure 5 to this prelisting statement.

Nkateko Peter Mageza is an independent non-executive director. Mr Mageza is a fellow of the Chartered Association of Certified Accountants. He is the former chief operations officer and executive director of ABSA Bank Limited and started his career within the audit environment at Coopers & Lybrand. He worked as an audit manager within Transnet Limited's group internal audit services before becoming chief executive officer of Autonet – the road passenger and freight logistics division of Transnet. Peter is a director of National Bank of Commerce Limited – Tanzania, Barclays Bank Mozambique, Rainbow Chickens Limited, Remgro Limited and Bidvest Group Limited.

1.5 Company Secretary

The company secretary is Hermanus Bernardus Roode. He is also a director of the company and his details and CV are set out above. He has acted in the capacity as company secretary for a number of years and will continue to act as such for a period after the Listing to ensure continuity in this office. However, within two years of the Listing and to apply the principles in the King Code, he will be replaced as company secretary by a person who is not also a director.

1.6 Executive Management

Name	Position	Year first appointed to company
Johann Hendrik Vorster	Chief Executive	2000
Hermanus Bernardus Roode	Deputy Chief Executive	1998
Louis Jacques Botha	Chief Financial Officer and Executive Milk Procurement	2006
Christiaan Philippus Lerm	Executive: Brands and Chief Operating Officer: Clover Beverages	1991
James Henry Ferreira Botes	Executive: Commercial	1994
Hendrikus Lubbe	Executive: Supply Chain	1994

1.7 Senior Management

Clover's executive and senior management is as follows

Name	Position	Experience	Business address	Year first appointed to the company
James Henry Ferreira Botes	Executive: Commercial	James Henry Ferreira (Jimmy) Botes is responsible for Secondary Warehouses & Distribution, Sales and Trade Marketing. He obtained his PHD in Agricultural Economics and later lectured at the University of the Free State before joining NCD in their Agricultural Extension Division. He started his line management career as the Managing Director for Clover Botswana and later returned to South Africa as the General Manager for Gauteng. He was appointed to the Executive Committee in 2009.	200 Constantia Drive Constantia Kloof	1994

Name	Position	Experience	Business address	Year first appointed to the company
Hendrikus Lubbe	Executive: Supply Chain	Hendrikus Lubbe's responsibility includes Production, Procurement, Primary Distribution, Supply Planning and IT. He obtained his Masters degree in Transport Economics at the University of Johannesburg and a MBA from Stellenbosch University. In 1994 as a bursary student he joined Clover, as logistic officer. He held various line and functional positions in challenging divisions within Clover.	200 Constantia Drive Constantia Kloof	1994
Frikkie Booysen	Group Trade Marketing Manager	Joined Clover in 1970 as a Branch Manager. Managed various branches in Gauteng over the years. Later moved to Regional and then National Sales Management. Thereafter focused on National Key Account Management dealing with all the National Buyers in the Trade covering RSA and BLNS States.	200 Constantia Drive Constantia Kloof	1970
Tobie de Villiers	General Manager: Milk Procurement	Tobias de Villiers completed his BSc. Agric (Hons) degree in 1985 and enrolled with the then NCD as a Pasture Scientist. He held various positions in NCD and later Clover and is currently responsible for all milk producer related functions, as well as the transport of milk and milk by-products in bulk.	200 Constantia Drive Constantia Kloof	1985
Kassie Herbst	Divisional Manager, Production: Concentrated	Bsc Agric, Business Diploma Twenty years experience in the dairy industry Currently responsible for the operations management of the concentrated factories including cheese, powders, condensed milk and butter. Sites: Lichtenburg, Heilbron, Frankfort, Bethlehem and Estcourt.	200 Constantia Drive Constantia Kloof	1990

Name	Position	Experience	Business address	Year first appointed to the company
Mike Joyner	General Manager, Inland Sales and Distribution	Mike Joyner has been in his current position since 1 December 2009. Prior to that date served as Regional General Manager (Gauteng North) and Regional General Manager (Eastern Cape) from July 2005 to April 2008. Positions held before that include Regional Commercial Manager (Eastern Cape). Joined Clover on 1 April 1990 and completed an IMM qualification in October 2001.	25 Axle Drive Midrand Ext 2	1990
Ross Macleod	Group Manager: Remuneration and HR Development	Ross completed the Higher Diploma in Education and a 4 year Diploma in HR Management. Since October 1989 Ross has held a number of HR positions in Clover.	200 Constantia Drive Constantia Kloof	1989
Wally Putter	Group Financial Manager	Qualified as a chartered accountant in 1978. He joined NCD in August 1984 as a Financial Manager. He was transferred to internal audit during January 1995 as Manager Internal Audit Services and in 1999 rejoined the Finance department.	200 Constantia Drive Constantia Kloof	1984
Anton Pretorius	Group Manager: Product Innovation	As a Clover bursary Anton obtained a BSc (Food Science) degree from the University of Pretoria in 1991. In his 18 years with Clover he held various positions in Production line- and functional management including Production Manager, Divisional Manager (Fluids, Small Branches), Divisional Quality Manager as well as Manager: Strategic Planning& Projects. He is currently responsible for new product-, packaging- and processing research and development.	200 Constantia Drive Constantia Kloof	1992
Elain Vlok	Manager: Corporate Services	Prof Elain Vlok has been with the company for the past 18 years, having begun her Clover career as Advertising Manager. She holds two doctorates as well as three masters degrees. Prof Vlok has also managed Clover Mama Afrika, Clover's highly successful social responsibility project, since its inception in 2004.	200 Constantia Drive Constantia Kloof	1992

Name	Position	Experience	Business address	Year first appointed to the company
Dave Rossouw	Group Manager: HR Operations	Human Resources Professional with an M.Com Degree in Personnel Management. 25 years experience in the different Human Resource Disciplines, both at operational and strategic level.	200 Constantia Drive Constantia Kloof	1988
Deon Veldsman	General Manager: Brands	Deon Veldsman is a graduate in Marketing from the University of Pretoria and has been in fast moving consumer goods. His career with Clover started in 1991, working in a number of sales, marketing and commercial roles. During his time with the company he has worked across leading brands and product categories within the dairy and beverage industry.	200 Constantia Drive Constantia Kloof	1991
Sarel Swanepoel	Divisional Manager, Production North	Sarel Gerhardus Swanepoel is responsible for the northern region production branches such as Midrand, Mayfair, Botswana, sub-manufacturing in Nigeria as well as other contract packaging. He obtained his BSc AGRIC Food Science (Dairy Technology) at the University of Pretoria and a MBA from North West University. He joined Clover in June 1993 from Dairy Belle.	25 Axle Drive Midrand Ext	1993
Jan Kleingeld	Group Manager: Technical	Jan holds a BSc (Agric) Dairy Science and Food Technology (University of Pretoria). He has ±46 years' experience in the dairy industry of which 16.7 years have been with Clover.	200 Constantia Drive Constantia Kloof	1994
Andre van Zanten	Divisional Manager, Production Coastal	Completed a BSc Agric. (Dairyscience) at Pretoria University in 1987. He joined Clover in 1994 as Operations manager at the newly built Queensburgh factory. In 1999 he was promoted to Divisional manager Coastal area managing Pinetown. Queensburgh, Port Elizabeth and Parow factories.	26 Kurland Road Preseverance Port Elizabeth	1994
Herman de Lange	Managing Director: Clover Botswana	Herman Pieter de Lange obtained his Honours degree in Transport Economics at the University of Johannesburg, currently completing his MBA at Wits Business School (University of the Witwatersrand). In 1995 he joined Clover as a management cadet followed by various line and functional positions within Clover.	Plot 22042 Mahudithake Road, Gaborone West Industrial Botswana	1995

Name	Position	Business Experience	Year first appointed to the address	company
Tony Roderigues	Business Support Manager: Commercial	Tony has obtained a CIMA MBA through the University of South Africa. He has been with Clover for 15 years, is responsible for sales and distribution business support, mainly in business processes and financial systems. He is also responsible for managing the contracts and relationships with Principals.	200 Constantia Drive Constantia Kloof	1995
Thomas Wills	General Manager: Coastal Sales and Distribution	Thomas Wills obtained his Bachelor of Commerce degree majoring in Economics and Business from Unisa as well as an ABP from the Natal Technikon. He joined Clover in 1982 and has held various line positions in the most of the regions as well as Namibia.	100 Richmond Road Queensburgh	1984
Ruan Rossouw	Group Risk Manager	Ruan Rossouw, a chartered accountant, is employed as Clover's Group Risk Manager. He holds a B Acc (Hon) qualification from the University of Stellenbosch. He completed his training with Ernst &Young in 1996, thereafter he joined their Forensic Investigations Unit, specialising in fraud investigations until 2005. He later became a director of Expert Forensic Services (Pty) Limited. He joined Clover in 2009, with a mandate to develop and implement Clover's Enterprise Wide Risk Management Framework.	200 Constantia Drive Constantia Kloof	2009
Michael Jones	Chief Executive Officer:	Clover Fonterra Ingredients After graduating from Victoria University of Wellington (New Zealand) in 1992, Michael has been involved in the Global dairy business for the past 18 years in a variety of capacities. He has held previous Regional Leadership/Sales and Marketing roles in Dubai, Melbourne, Singapore, Philippines as well as Wellington, New Zealand.	200 Constantia Drive Constantia Kloof	2003

The nationality of all of the executives and senior management is South African, except for Michael Jones who is from New Zealand.

2. APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

Set out in Annexure 9 to this prelisting statement are extracts of the relevant provisions of the issuer's articles of association regarding:

- the qualification, appointment, terms of office and remuneration of directors;
- the borrowing powers exercisable by the directors. The borrowing powers may be varied by an amendment to the articles of association;
- powers enabling directors to vote on a proposal, arrangement or contract in which they are materially interested and to vote in respect of remuneration to themselves or any member of the board of directors; and
- retirement of directors by rotation.

The directors' borrowing powers have never been exceeded.

The total remuneration and benefits paid and payable to the issuer's executive directors and non-executive directors for the year ended 30 June 2010 is set out below:

	Directors' remuneration for year ending 30 June 2010:					
	Salaries	**Incentives**	**Services**	**Pension scheme benefits**	**Other benefits**	**Total**
Executive Directors	8,392,980	16,541,669	–	1,252,976	2,588,817	28,776, 442
Non-executive directors	–	–	3,947,156	–	749,445	4,696,601
Total	**8,392,980**	**16,541,669**	**3,947,156**	**1,252,976**	**3,338,262**	**33,473,043**

The above incentives are comprised of payments in terms of the following short term incentive schemes for executive directors, namely the individual performance bonus scheme and the group profit bonus scheme. The short term incentive for executive directors is based 50% on individual performance and 50% on Group profit. The calculation of the individual performance bonus is based on total guaranteed annual income and the percentage to be earned is determined by the CEO for his executive team, and by the board for the CEO. A maximum of 100% can be earned. The calculation of the Group profit bonus is based on the achievement of attributable profit. Remco annually approves the target and confirms the profit figure on which bonuses are calculated. If the profit is greater than the target, 1% additional bonus is paid for every 1% above the target.
Current bonus levels are:

	Individual Performance	**Group Profit**
CEO	6 months	6 months
Executive Director	5 months	5 months

In addition to the above the Executive directors were paid out R25,081,267 for the termination of their rights under a previous Share Appreciation Rights scheme operated by Clover as a consequence of the capital restructuring.

The total remuneration and benefits paid and payable to each director of the issuer for the year ended 30 June 2010 is set out below.

	Total remuneration and benefits payable to each director for the year ended 30 June 2010					
	Salaries	Incentives	Services	Pension scheme benefits	Other benefits	Total
Executive directors:						
Johann Hendrik Vorster	2,843,820	6,298,979	–	456,811	837,043	10,436,653
Hermanus Bernardus Roode	2,163,780	3,993,925	–	310,318	668,300	7,136,323
Christiaan Philippus Lerm (Dr)	1,687,860	3,115,467	–	242,399	554,321	5,600, 047
Louis Jacques Botha	1,697,520	3,133,298	–	243,448	529,153	5,603,419
Total remuneration Executive directors	**8,392,980**	**16,541,669**	**–**	**1,252,976**	**2,588,817**	**28,776,442**
Non-executive directors:						
John Allan Hutchinson Bredin	–	–	825,826	–	84,181	910,007
Hercules Petrus Fredrik du Preez	–	–	491,092	–	71,401	562,493
Werner Ignatius Büchner	–	–	193,329	–	48,440	241,769
Martin Geoff Elliott	–	–	174,235	–	108,943	283,178
Dr Jacobus Christoffel Hendriks	–	–	212,423	–	65,423	277,846
Vivian Peter Turner	–	–	174,235	–	90,115	264,350
Thomas Alexander Wixley	–	–	346,092	–	–	346,092
Jan Willem Lotz*	–	–	164,688	–	44,171	208,859
Malcolm Graham Mackenzie*	–	–	174,235	–	41,057	215,292
Friedrich George Meyer*	–	–	174,235	–	107,606	281,841
Desmond Kent Smith*	–	–	498,831	–	88,108	586,939
John Anthony Copelyn*	–	–	274,482	–	–	274,482
Marchelle Jonathan Golding*	–	–	126,500	–	–	126,500
Vilaphi Elias Mphande*	–	–	116,953	–	–	116,953
Total remuneration Non-executive directors	**–**	**–**	**3,947,156**	**–**	**749,445**	**4,696,601**
Total	**8,392,980**	**16,541,669**	**3,947,156**	**1,252,976**	**3,338,262**	**33,473,043**

*** Note:** Refers to Directors who have subsequently resigned.

In addition to the above, the Executive directors and members of Executive management were paid out for the termination of their previous Share Appreciation Rights Scheme as a consequence of the capital restructuring as follows:

Name	Rand
Johann Hendrik Vorster	9,527,326
Hermanus Bernardus Roode	5,457,103
Christiaan Philippus Lerm (Dr)	5,060,273
Louis Jacques Botha	5,036,565
Hendrikus Lubbe	4,099,390
James Henry Ferreira Botes (Dr)	3,773,749
Total	**32,954,406**

No awards or options have been granted to the directors to acquire Offer Shares.

Further details of the directors' remuneration and service agreements are set out in Annexure 5 to this prelisting statement together with information on applicable restraints and termination payments. No fees have been paid or accrued to third parties in lieu of directors' fees in the years ended 30 June 2010, 2009 and 2008.

There will be no review of the directors' remuneration as a result of the Listing.

The proposed annual remuneration payable to the issuer's non-executive directors for the year ended 30 June 2011 is set out below:

Proposed annual remuneration for non-executive directors for the year ended 30 June 2011:

Director	Fees	Audit and Risk Committee	Remune-ration committee	Nomination committee	Sustain-ability committee	Chairman fees Fees	Total
John Allan Hutchinson Bredin	191,540	–	25,540	30,644	–	61,288	309,012
Hercules Petrus Fredrik du Preez	114,924	–		–	–	–	114,924
Dr Jacobus Christoffel Hendriks	114,924	–	–	20,430	20,430	–	155,784
Vivian Peter Turner	114,924	–	–	–	–	–	114,924
Werner Ignatius Büchner	132,166	–	–	20,430	20,430	–	173,026
Martin Geoff Elliott	114,924	–	–	–	–	–	114,924
Thomas Alexander Wixley	132,166	61,288	25,540	20,430	30,644	–	270,068
Stefanes Francois Booysen (Dr)	114,924	51,080	30,644	–	–	–	196,648
Johannes Nicolaas Stephanus du Plessis	114,924		25,540	–	20,430	–	160,894
Nkateko Peter Mageza	114,924	51,080					166 004
Total	**R1,260,340**	**R163,448**	**R107,264**	**R91,934**	**R91,934**	**R61,288**	**R1,776,208**

The proposed annual remuneration payable to the issuer's non-executive directors set out in the above table is less than the remuneration received by non-executive directors for the year ended 30 June 2010. This decrease is as a result of the additional amounts paid to non-executive directors in the financial year ended 30 June 2010 as a result of extraordinary meetings and services rendered in dealing with the capital restructuring.

Proposed total remuneration and benefits payable to each director for the year ended 30 June 2011

Executive directors	Salaries	Incentives	Services	Pension scheme benefits	Other benefits	Total
Johann Hendrik Vorster	3,099,768	4,575,878	–	378,172	909,820	8,963,638
Hermanus Bernardus Roode	2,358,528	2,901,383	–	287,740	725,284	6,272,935
Christaan Philippus Lerm (Dr)	1.839,768	2,263,221	–	224,452	582,517	4,909,958
Louis Jacques Botha	1,850,304	2,276,182	–	225,737	574,170	4,926,393

Note: The above incentives have been calculated based on a 100% Individual and Group Profit bonuses being achieved.

3. DIRECTORS' INTERESTS

3.1 Non-executive directors

The non-executive directors held the following direct and indirect interest in Shares at 30 June 2010:

Interest in shares of non-executive directors at 30 June 2010:					
Name	**Direct beneficial interest**	**Indirect beneficial interest**	**Beneficial interest of associates**	**Total beneficial interest**	**Total percentage interest (%)**
John Allan Hutchinson Bredin *(Chairman)*	181,823		–	–	0.29
Hercules Petrus Frederik Du Preez	182,317		–	–	0.29
Werner Ignatius Büchner		1,217,011	–	–	1.97
Martin Geoff Elliott	119,927		–	–	0.19
Jacobus Christoffel Hendriks (Dr)	686,446		–	–	1.11
Vivian Peter Turner		548,029	–	–	0.88
Total	**1,170,513**	**1,765,040**	**–**	**–**	**4.73**

Note: Based on a pre IPO restructure number of Shares in issue of 61,924,981

The non-executive directors reflected in the table above did not acquire any additional direct or indirect interests in Shares at the date of this prelisting statement. However, the number of Shares held by them directly or indirectly has doubled as a result of the subdivision of all of the issued shares pursuant to the IPO restructure (although their percentage interests remain unchanged as a result of the IPO restructure). However, their percentage interest will change as a result of the issue of the Offer Shares. Accordingly, the table below sets out their interests in ordinary shares as at the last practicable date and their interests on the assumption that the Offer Shares are issued.

Interest in shares of non-executive directors at the last practicable date (being post the IPO restructure):						
Name	**Direct beneficial interest as at last practicable date and after issue of the Offer Shares[(1)]**	**Indirect beneficial interest as at last practicable date and after issue of the Offer Shares[(1)]**	**Beneficial interest of associates**	**Total beneficial interest**	**Total percentage interest as at last practicable date (%)**	**Total percentage interest assuming issue of Offer Shares[(1)] (%)**
John Allan Hutchinson Bredin *(Chairman)*	363,646		–	–	0.29	0.21
Hercules Petrus Fredrik Du Preez	364,634		–	–	0.29	0.21
Werner Ignatius Büchner		2,434,022	–	–	1.96	1.42
Martin Geoff Elliott	239,854		–	–	0.19	0.14
Jacobus Christoffel Hendriks (Dr)	1,372,892		–	–	1.10	0.80
Vivian Peter Turner		1,096,058	–	–	0.88	0.64
Total	**2,341,026**	**3,530,080**	**–**	**–**	**4.71**	**3.41**

Notes:

(1) Assumes that no ordinary shares are acquired through the Offer. Non-executive directors are not precluded from participating in the Offer.

(2) Based on a post IPO restructure number of Shares in issue of 124 349 962 plus 47,619,048 Shares issued pursuant to the Offer, based on an Offer Price of R10.50 per share, which equates to the midpoint of the Offer Price range.

The non-executive directors held the following direct and indirect interest in preference shares as of 30 June 2010:

Interest in preference shares of non-executive directors at 30 June 2010:

Name	Direct beneficial interest	Indirect beneficial interest	Beneficial interest of associates	Total beneficial interest	Total percentage interest (%)
John Allan Hutchinson Bredin *(Chairman)*	201,095	–	–	–	0.22
Werner Ignatius Büchner	90,609		–	–	0.10
Martin Geoff Elliott	88,065	–	–	–	0.10
Jacobus Christoffel Hendriks (Dr)	–	361,625	–	–	0.40
Total	**379,769**	**361,625**	**–**	**–**	**0.82**

The holdings of preference shares by the non-executive directors reflected in the table above has not changed between 30 June 2010 and the last practicable date. No director has or has had since 30 June 2008 any material beneficial interests in any of the company's assets, which has been acquired or disposed of by, or leased to or by, the company. However, it should be noted that certain of the non-executive directors of the company (namely Messrs John Allan Hutchinson Bredin, Hercules Petrus Fredrik du Preez, Werner Ignatius Büchner, Martin Geoff Elliott, Vivian Peter Turner and Dr Jacobus Christoffel Hendriks) are farmers who supply milk to the Group in terms of delivery agreements. Milk from such non-executive directors is sourced on an arms-length basis and the terms of the delivery agreements with non-executive directors do not differ from the terms of the delivery agreements concluded with other milk producers. However, as a result of the aforegoing delivery agreements such non-executive directors would not be viewed as independent in terms of the King Code. For reasons more fully set out below, the issuer believes it in the interest of stakeholders that such directors continue to act in that capacity for a period to ensure continued good relations between the issuer and its suppliers and continuity on the board.

The ordinary and preference shareholdings of executive directors and certain members of management are more fully described in the section below entitled "Executive Directors (and Executive Management)".

3.2 Executive Directors (and Executive Management)

No executive directors have any material beneficial interests in any of the company's transactions.

On 31 May 2010 and at the same time as the capital restructure, certain executive directors and members of management subscribed for, and the shareholders of the company approved the allotment and issue to them of, 9 350 000 ordinary shares in the company, as per the table below, at a subscription price of R9,34 per ordinary share (being a total subscription price of R87,329,000), with a portion of such subscription price, as reflected in the table below, being lent to them by Clover. The number of shares acquired by executive directors and management in terms of this transaction equalled the number of preference shares held by them in terms of Clover's preference share incentive scheme (which preference share scheme has since ceased to operate).

	Holdings of ordinary shares of executive directors and management as at 30 June 2010 and loans made to them by Clover at that date:		
Executive Director/ Management Member	**Ordinary shares held**	**Loan**	**Total percentage interest (%)**
Executive Director			
Johann Hendrik Vorster	3,605,500	R28,381,859	5.82
Hermanus Bernardus Roode	2,596,900	R20,382,114	4.20
Christiaan Philippus Lerm (Dr)	1,650,385	R12,905,961	2.67
Louis Jacques Botha	1,247,215	R9,983,832	2.01
Management Member			
Hendrikus Lubbe	250,000	R1,875,664	0.40
Total	**9,350,000**	**R73,529,430**	**15.10**

Note: Based on a pre-IPO restructure number of Shares in issue of 61,924,981.

On 4 November 2010 and immediately prior to the IPO restructure, Dr James Henry Ferreira Botes, a member of the executive management, subscribed for 250,000 ordinary shares in the company, to align his interest with those of the other members of the executive management team. These shares were allotted and issued (subsequent to shareholders' approval being obtained on 4 November 2010) to Dr James Henry Ferreira Botes at a subscription price of R9,34 per ordinary share (being a total subscription price of R2,335,000), the total subscription price being lent to him by Clover on the same terms and conditions as were made applicable to the other members of the executive management team during the restructuring.

The table below reflects the holdings of ordinary shares executive directors and executive management pursuant to (a) the transactions referred to above, (b) the IPO restructure (in particular the subdivision which the IPO restructure entailed), and (c) any other share acquisitions and/or disposals of shares by executive directors and management, as at the last practicable date. In addition the table below reflects what the position of such executive directors and executive management will be after the issue of the Offer Shares.

Executive Director/ Management Member	**Ordinary shares held as at the last practicable date and assuming the issue of the Offer Shares(1)(2)**	**Loan as at last practicable date (R)**	**Total percentage interest as at last practicable date(1) (%)**	**Total percentage interest after issue of Offer Shares(1) (%)**
Executive Director				
Johann Hendrik Vorster(2)	7,315,020	26,601,955	5.88	4.25
Hermanus Bernardus Roode	5,197,800	19,097,875	4.18	3.02
Christiaan Philippus Lerm (Dr)	3,300,770	12,088,038	2.65	1.92
Louis Jacques Botha	2,494,430	9,374,312	2.01	1.45
Executive Management				
James Henry Ferreira Botes (Dr)	500,000	2,349,768	0.40	0.29
Hendrikus Lubbe	500,000	1,748,808	0.40	0.29
Total	**19,308,020**	**71,260,756**	**15.52**	**11.22**

Notes:

(1) Assumes that no ordinary shares are acquired through the Offer.

(2) Executive directors are not precluded from participating in the Offer.

(3) Based on a post IPO restructure number of Shares in issue of 124,349,962 plus 47,619,048 Shares issued pursuant to the Offer, based on an Offer Price of R10.50 per share, which equates to the midpoint of the Offer Price range.

(4) Johann Hendrik Vorster's wife, who is for the purposes of the Listings Requirements an "associate" of his, acquired 142,298 ordinary shares after 30 June 2010, which shares she still held at the last practicable date.

In addition, certain executive directors and members of management currently hold the number of preference shares set out in the table below. These preference shares were, save to the extent indicated otherwise, acquired by management in terms of the Clover preference share incentive scheme which has subsequently ceased to operate. To the extent that preference shares were not acquired under the Clover preference share incentive scheme, such preference shares were acquired by executive directors and management using their own resources.

Preference shareholdings of executive directors and management at 30 June 2010 and the last practicable date:

Executive Director/ Management Member	Preference shares directly held under preference share scheme	Preference shares acquired outside of preference share scheme (indirectly held)	Total percentage interest
Executive Director			
Johann Hendrik Vorster	3,605,500	1,509,732	5.72
Hermanus Bernardus Roode	2,596,900	2,094,614	5.25
Christiaan Phlippus Lerm (Dr)	1,650,385		1.85
Louis Jacques Botha	1,247,215		1.39
Management Member			
Hendrikus Lubbe	250,000		0.28
Total	**9,350,000**	**3,604,346**	**14.49**

The executive directors and management are obliged to apply any dividends received by them on the preference shares acquired by them under the Clover preference share incentive scheme to settle, in part, the subscription price payable for the ordinary shares issued to them and described in the table above including any interest levied on such subscription price. As security for this indebtedness, management and executive directors have pledged and ceded all proceeds which they may earn or receive from the preference shares acquired by them under the Clover preference share incentive scheme to Clover.

4. BENEFITS IN LIEU OF DIRECTORS' FEES

No fees have been paid or accrued to third parties in lieu of directors' fees in the years ended 30 June 2008, 2009 and 2010.

5. INCENTIVE BONUS SCHEME

The company has a strategic and operational need to attract and retain executive directors, senior management and other employees who have significant managerial responsibility.

During the previous financial years, the ordinary shareholders of the company approved a long-term incentive plan, named Phantom B, for the executive directors and members of the executive committee of the Group and a long-term incentive plan, named Phantom A, for senior executives of the Group. Both of these plans were cancelled during the previous financial year and replaced by: (i) the issue of 4 million preference shares to the executive directors in respect of the Phantom B plan; and (ii) the issue of 8 million Share Appreciation Rights, in terms of the Clover Share Appreciation Rights Plan (2010), to the senior executives in respect of the Phantom A plan. During the current financial year a further 1,000,000 Share Appreciation Rights were issued to executives in terms of The Clover Share Appreciation Rights Plan (2010).

The ordinary shareholders of the company approved:

- the issue of the preference shares to the executive directors who had participated in the Phantom B plan at the annual general meeting on 28 October 2009; and
- the Clover Share Appreciation Rights Plan (2010) on 31 May 2010;
- certain amendments to the Clover Share Appreciation Rights Plan (2010) on 4 November 2010 (which amendments were to facilitate the Listing and cater for the further issue of 1,000,000 Share Appreciation Rights during the current financial year).

6. THE CLOVER SHARE APPRECIATION RIGHTS PLAN (2010)

The capital restructuring of the company, which was approved by shareholders on 31 May 2010, changed the nature of the preference shares from profit-sharing instruments into pure debt instruments carrying a right to guaranteed dividends only. This affected the value of the preference shares by eliminating the possibility of any increase in the value of the preference shares. Accordingly, an award of preference shares to employees of the company in terms of Clover's preference share incentive scheme would no longer incentivise those employees or align their interests with the interests of ordinary shareholders. As a result, the shareholders of the company approved the adoption of the Clover Share Appreciation Rights Plan (2010).

The salient features of the Clover Share Appreciation Rights Plan (2010) extracted from the JSE approved plan are set out below:

- the company is entitled to issue new Share Appreciation Rights to persons who are salaried directors or employees of the company and its subsidiaries from time to time, as determined by the Remuneration Committee;
- a new Share Appreciation Right is issued to a participant at the fair market value of an ordinary share on the date of its issue, and will vest in equal tranches on the expiry of three, four and five years from the date of issue;
- holders of Share Appreciation Rights may elect to exchange for cash any Share Appreciation Rights that have vested, provided that the holder concerned is still employed by the company or one of its subsidiaries, as the case may be;
- if a Share Appreciation Right is exchanged for cash, the holder will be paid an amount equal to the difference between the issue price of the SAR in question (as determined above) and the fair market value of an ordinary share on the day of exchange;
- if a holder of Share Appreciation Rights resigns, retires early or is dismissed from the employment of the company or any of it subsidiaries, then all of the Share Appreciation Rights held by him will lapse;
- if a holder of Share Appreciation Rights retires at normal age, dies or becomes permanently disabled, then all of the Share Appreciation Rights held by him will vest immediately and he or his executor will be required to exchange those Share Appreciation Rights for cash within 60 days of the occurrence of such event; and
- the company is entitled to settle any cash amount owed to a holder of Share Appreciation Rights by issuing to them such number of shares as could be acquired with such cash amount at the fair market value of those shares on the date on which the cash amount falls due for payment.

The number of Share Appreciation Rights set out in the table below were issued to the corresponding executive directors and members of management at a deemed issue price of R9,34.

Share Appreciation Rights issued to executive directors and management as at 30 June 2010:

Executive Director/Management Member	Number of Share Appreciation Rights
Executive Director	
Johann Herman Vorster	2,293,600
Hermanus Bernardus Roode	1,308,381
Christiaan Philippus Lerm (Dr)	1,227,379
Louis Jacques Botha	1,221,570
Management Member	
James Henry Ferreira Botes (Dr)	1,013,618
Hendrikus Lubbe	935,452

In addition in the current financial year there was a second allocation of Share Appreciation Rights under the Clover Share Appreciation Rights Plan (2010). The second allocation follows the same rules as are set out above in respect of Share Appreciation Rights save that, with the approval of shareholders, Share Appreciation Rights issued under the second allocation were issued at an allocation price of R0.00 and are to vest in equal tranches after the expiry of one, two and three years from 19 August 2010. Details of the second allocation, and the total number of Share Appreciation Rights when added to the issue of Share Appreciation Rights on 31 May 2010, is set out in the table below:

Executive Director/Management Member	Number of Share Appreciation Rights which were the subject of the second allocation	Total number of Share Appreciation Rights held as at last practicable date
Executive Director		
Johann Herman Vorster	800,000	5,387,200
Hermanus Bernardus Roode	400,000	3,016,762
Christiaan Philippus Lerm (Dr)	133,336	2,588,094
Louis Jacques Botha	400,000	2,843,140
Management Member		
James Henry Ferreira Botes (Dr)	133,332	2,160,568
Hendrikus Lubbe	133,332	2,004,236

Note: The numbers of Share Appreciation Rights have been adjusted to take into account the sub-division which forms a part of the IPO restructure. The capital raising will not impact on the number of Share Appreciation Rights.

7. LISTING BONUS AND PAYMENTS

No bonuses or similar payments of any nature will be payable to directors or other employees and service providers as a result of the Listing.

8. CORPORATE GOVERNANCE

8.1 Commitment and Approach

The directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the Group. In discharging this responsibility, the board intends to apply the King Code with the following exceptions, for the reasons explained below:

- the chairman of the board is a non-executive director who is not independent insofar as he is a dairy farmer and supplier of milk to the Group. In the opinion of the board, it is in the interest of the Group to maintain a close relationship with its milk suppliers and the appointment of such a person as chairman serves the long-term interests of the Group. Under the recommendations of King lll, a lead independent director has been appointed to fulfil the functions of the chairman whenever a conflict arises and in the other circumstances envisaged in the King lll report;
- although the majority of directors are non-executives, the independent directors at this stage do not comprise a majority of non-executive directors. The non-independent directors are all dairy farmers who supply milk to the Group. In the opinion of the board, the present composition of the board is in the interests of the Group for reasons of continuity and to maintain a close relationship with its milk suppliers, to ensure continuity on the board and to provide an efficient channel of communication between Clover and its milk suppliers in various regions. The Company Secretary is a director and Deputy Chief Executive Officer of the Issuer. To ensure stability in this office the Company Secretary will remain unchanged for a period after the Listing Date. However, to apply the King Code, the Company Secretary will be replaced within two years of the Listing Date by a person who is not a director.
- until the Group's sustainability reporting systems have matured sufficiently, it is the opinion of the board that no purpose would be served in having its sustainability report independently assured.

8.2 Board of Directors' Practices

The company's board of directors currently consists of 4 executive directors and 10 non-executive directors, 4 of whom are independent non-executive directors. The board of directors is ultimately responsible for the day-to-day management of the company's business, the company's strategy and key policies. The board of directors is also responsible for approving Clover's financial objectives and targets. Members of the board of directors are appointed by the company's shareholders. The company's board of directors also has the power to appoint additional directors – normally on the recommendation of the Nomination Committee.

The company's executive directors, who are also members of the executive committee, are involved in the day-to-day business activities of the Group and are responsible for ensuring that the decisions of the board of directors are implemented in accordance with the mandates given to it by the board.

The board meets 4 times per financial year, excluding any ad hoc meetings held to consider special business.

8.3 Committees

8.3.1 Audit and risk committee

The audit and risk committee is responsible for performing the functions required of it in terms of section 270A of the Companies Act. These functions include nominating and appointing the company's auditors and ensuring that such auditors are independent of the company, dealing with any complaints (whether from within or outside the company) relating to accounting practices, internal audits of the company or the content of the company's financial statements and related matters.

The non-statutory functions of this committee are to assist the board in fulfilling its responsibilities by reviewing the effectiveness of internal control systems in the company with reference to the findings of both the internal and external auditors, reviewing the annual financial statements and interim reports of the company as well as other public communications of a financial nature, considering accounting issues, ensuring that all key areas of risks have been properly identified and that the company mitigates such risks, reviewing audit recommendations and ensuring that the company complies with relevant legislation and sound corporate governance principles. In addition, and if required, the committee will review significant cases of fraud, misconduct or conflicts of interests. The audit and risk committee will from time to time determine policies with regard to non-audit services provided by the external auditor.

The company's external auditors and internal auditors have unrestricted access to the audit and risk committee and attend its meetings.

The audit and risk committee reviews the expertise, experience and performance of Clover's financial director, Louis Jacques Botha annually and reports on whether or not it is satisfied therewith. The audit and risk committee has determined that it is satisfied with Louis Jacques Botha's current expertise, experience and performance as Clover's financial director. In addition to the audit and risk committee reviews and reports on the expertise, resources and experience of the company's finance function.

The audit and risk committee meets 4 times per financial year, excluding any ad hoc meetings held to consider special business.

The audit and risk committee is chaired by Mr Thomas Alexander Wixley an independent non-executive director and its other members are Dr Stefanes Francois Booysen and Mr Nkateko Peter Mageza.

8.3.2 Remuneration committee

Dr Stefanes Francois Booysen, an independent non-executive director, chairs the remuneration committee which is comprised entirely of non-executive directors. The other members of the remuneration committee are Messrs John Allan Hutchinson Bredin, Thomas Alexander Wixley and Mr Johannes Nicolaas Stephanus du Plessis. The chief executive and other executives attend meetings of the remuneration committee by invitation but do not participate in discussions regarding their own remuneration and benefits.

The remuneration committee has the responsibility and authority to consider and make recommendations to the board on, inter alia, remuneration policy of the company, the payment of performance bonuses, executive remuneration, short, medium and long-term incentive schemes and employee retention schemes.

The remuneration committee uses external market surveys and benchmarks to determine executive directors' remuneration and benefits as well as non-executive directors' base fees and attendance fees. Clover's remuneration philosophy is to structure packages in such a way that long and short-term incentives are aimed at achieving business objectives and the delivery of shareholder value.

The remuneration committee meets 4 times per financial year, excluding any ad hoc meetings held to consider special business.

8.3.3 Nomination committee

The nomination committee is comprised of Messrs John Allan Hutchinson Bredin, Thomas Alexander Wixley, Werner Ignatius Büchner and Dr Jacobus Christoffel Hendriks who are non-executive directors and is chaired by Mr John Allan Hutchinson Bredin who is a non-executive director. The nomination committee is responsible for reviewing the Group's board structures, the size and composition of the various boards within the Group and to make recommendations in respect of these matters as well as an appropriate split between executive and non-executive directors and independent directors. This committee also assists in identification and nomination of new directors for approval by the board. It considers and approves the classification of directors as independent, oversees induction and training of directors and conducts annual performance reviews of the board and various board committees. The nomination committee is also responsible for ensuring the proper and effective functioning of the Group's boards and assists the chairman in this regard.

The nomination committee meets 4 times per financial year, excluding any *ad hoc* meetings held to consider special business.

8.3.4 Sustainability committee

In 2009 the board established a sustainability committee comprised of four non-executive directors, Messrs Thomas Alexander Wixley, Werner Ignatius Büchner, Desmond Kent Smith and Dr Jacobus Christoffel Hendriks. This committee is chaired by Mr Thomas Alexander Wixley, an independent non-executive director. On the resignation of Mr Desmond Kent Smith he was replaced on this committee by Mr Johannes Nicolaas Stephanus du Plessis.

Executive management attend meetings of this committee by invitation.

The responsibility of this committee is to advise the board on all relevant aspects that may have a significant impact on the long-term sustainability of the Group and which influence the Group's triple bottom line reporting.

The sustainability committee meets 2 times per financial year, excluding any ad hoc meetings held to consider special business.

8.3.5 Executive committee

This committee is comprised of all of the executive directors, namely Messrs Johann Hendrik Vorster, Hermanus Bernardus Roode, Louis Jacques Botha and Dr Christiaan Philippus Lerm. In addition Dr James Henry Ferreira Botes and Mr Hendrikus Lubbe, being the senior management members responsible for commercial and supply chain management respectively, are members of the committee. No fees are payable to executives for service on this committee.

8.4 Internal Control Systems

To meet the company's responsibility to provide reliable financial information, the company maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that transactions are properly authorised and recorded.

The systems include a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Group, and the careful selection, training and development of people. The company has outsourced its internal audit function to KPMG Services, a professional service provider, which is responsible for implementing the annual internal audit plan approved by the audit and risk committee.

The company monitors the operation of the internal control systems in order to determine if there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The board of directors, operating through the audit and risk committee, oversees the financial reporting process and internal control systems.

There are inherent limitations on the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

8.5 Directors' Declarations

None of the company's directors:

- has been declared bankrupt or insolvent, or has entered into an individual voluntary compromise arrangement to surrender his or her estate;
- is or was a director with an executive function of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any compromise or arrangement with its creditors generally or with any class of its creditors;
- is or has been a partner in a partnership at a time of, or within 12 months preceding, any compulsory liquidation, administration or voluntary arrangements of such partnership;
- is or has been a partner in a partnership at the time of, or within 12 months preceding, a receivership of any assets of such partnership;
- has had any of his or her assets subject to receivership;
- is or has been publicly criticised by any statutory or regulatory authorities, including recognised professional bodies or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or
- is or has been convicted of any offence involving dishonesty. Selected Consolidated Financial Information of the Group.

SELECTED CONSOLIDATED INFORMATION OF THE GROUP

The following selected consolidated financial and other data should be read in conjunction with the Group's audited consolidated financial statements and the related notes included in Annexures 1 and 2. Clover also publishes annual reports which are available on the company's website, www.clover.co.za. Eligible Investors are also referred to these annual reports for further detail regarding the company, its financial statements and management discussions.

The selected financial and operating data below is derived from the audited historical consolidated financial statements of Clover for the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008, all of which were prepared in accordance with IFRS. The company's audited historical consolidated financial statements are included in Annexure 1 of this prelisting statement.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. Preparation of the company's financial information is the responsibility of the company's directors.

Summarised Results

	Audited summarised consolidated financial results for the year ended 30 June 2010 R'm	Audited summarised consolidated financial results for the year ended 30 June 2009 R'm	Summarised consolidated financial results for the year ended 30 June 2008 (Danone Clover not proportionately consolidated) R'm	Summarised financial results of Clover's 45% interest in Danone Clover for the year ended 30 June 2008 R'm	Audited summarised consolidated financial results for the year ended 30 June 2008 (including Danone Clover proportionately consolidated) R'm
Revenue	5,995.7	5,475.8	5,052.6	665.7	5,718.3
Operating profit	559.0	664.3	240.7	56.5	297.2
Net financing cost					
Current and long-term liabilities	(41.2)	(103.5)	(74.9)	(15.8)	(90.7)
Debt portion of preference share capital	(22.3)	(32.2)	(30.4)	–	(30.4)
Profit/(loss) before tax	495.5	528.6	135.4	40.7	176.1
Income tax expense	(191.7)	(29.2)	(38.0)	(12.5)	(50.5)
Profit after tax from Danone Clover	32.1	39.6	28.2	(28.2)	–
Non-controlling interest	(5.1)	(11.7)	(5.7)	–	(5.7)
Profit/(loss) attributable to equity holders of the parent	**330.8**	**527.2**	**119.9**	**–**	**119.9**

Notes:

1. The 2008 summarised audited financial results include the proportionately consolidated 45% interest in Danone Clover.
2. In May 2009, Clover deconsolidated the investment in Clover Danone.
3. Clover disposed of its 45% interest in Danone Clover in January 2010. Accordingly, the 2010 summarised audited financial results and the restated 2009 summarised audited financial results include the profit from Danone Clover as Profit from Discontinued Operations.

The Group's share of the Danone Clover income and expenditure for both the 2010 and 2009 years have been disclosed as Profit from Discontinued Operations following the sale of the Group's 45% share in this company on 1 January 2010. Until 31 May 2009 this investment was proportionately consolidated and thereafter accounted for as an associated company. For comparison purposes the 2008 audited figures disclosed above have been adjusted by excluding the Group's 45% interest in Danone Clover.

Included in both the 2010 and 2009 years are a number of non-recurring transactions and events that have materially affected the financial results of Clover.

The 2009 year's results included a profit on the deconsolidation of Danone Clover of R637,5 million (R599,5 million after taxation). The Board decided to cease the proportionate consolidation method of accounting for its investment in Danone Clover on 31 May 2009 as disclosed in the 2009 Directors' Report. Thereafter the Group used the equity method of accounting for this former joint venture, classified as an associated company with effect from 1 June 2009. The revised IAS 31, early adopted by the Group, provided for an adjustment to profit or loss for the year on loss of joint control in a joint venture, equal to the difference between the fair value of the investment and the carrying value of the investment on the date of loss of joint control.

Fair value of the Group's interest in Danone Clover on 31 May 2009 was determined as R642,3 million while the carrying value of the investment was R4,8 million resulting in a once-off profit and adjustment to the investment in associated company of R637,5 million. Deferred Capital Gains tax of R38,0 million was expensed against this profit.

On 1 January 2010 the Group sold its 45% interest in Danone Clover for R1,08 billion. This transaction contributed substantially to 2010's results with a profit of R337,7 million (R227,1 million after taxation) realised on this transaction. The total realised profit on the sale of this investment for the 2010 and 2009 years therefore came to R975,2 million (R826,6 million after taxation). Following the sale of this investment the Group's share of the Danone Clover income and expenditure for both the 2010 and 2009 years have been disclosed as Profit From Discontinued Operations in the 2010 annual financial statements.

In addition the Group recognised a profit of R50,8 million (R56,2 million after taxation) on the sale of its Boksburg factory and warehouse to Danone Clover during the 2010 year. For tax purposes the assets were transferred to Danone Clover at tax value with the result that no recoupment of past wear and tear allowances took place. The deferred tax liability raised in prior years relating to these assets was accordingly reversed to profit resulting in an income tax credit of R5,4 million.

During 2010 restructuring costs of R149,4 million were incurred and mainly consist of the following:

- retrenchment costs associated with the retrenchment of over 400 senior staff members midway through 2010 of R84,9 million (R61,2 million after taxation);
- option fee paid to HCI on the capital restructuring of R11,4 million (R11,4 million after taxation);
- legal and professional services costs associated with the capital restructuring of R5,3 million (R5,3 million after taxation);
- R37,1 million (R26,7 million after taxation) bonuses paid to Executive Management in terms of a long-term incentive scheme which was linked to the share appreciation of the company's preference shares. Following the capital restructuring approved by shareholders on 31 May 2010, the nature of the preference shares changed to pure debt instruments and in terms of the rules of the scheme the Executive Management members were paid for the appreciation above the strike price of the Share Appreciation Rights;
- other restructuring costs associated with cost saving initiatives of R10,7 million (R9,7 million after taxation).

Retrenchment costs in 2009 of R17 million related to the closure of the Wesselsbron factory and the move of the Boksburg warehouse to Midrand. The benefits of these projects manifested in the 2010 year.

When the once-off amounts described above are disregarded the operating profit for 2010 was R320,8 million which was 560,1% higher than the adjusted operating profit for 2009 of R48,6 million. This was achieved on revenue of R5 995,7 million (2009: R5 475,8 million), or 9,5% more than 2009. This much improved operating performance can be mainly attributed to:

- the gross margin increase from 26.3% in 2009 to 27.8% in 2010 despite higher milk costs. The margin increase was made possible by higher market selling prices, production and primary cost reductions, a return of plastic packaging costs to reasonable levels after the sharp increase during the 2009 financial year and an improved product mix. Sales volumes were slightly lower than 2009 as this was the first full year after the Group's strategic exit from the bulk cheese market.
- a lower oil price which affects fuel costs and the cost of plastic packaging material;
- reduced international ingredient prices;
- the reduction of selling price premiums and resulting market share increases made possible by the cost saving initiatives mentioned above;
- national milk production much more closely aligned with the market demand for dairy products taking into account industry inventory levels.

	2010 Audited financial results	**2009 Audited financial results**	**Movement from 2009 to 2010**	
	R'm	**R'm**	**R'm**	**%**
Sales of products	5,409.7	4,990.7	418.0	8.4%
Rendering of services	583.1	481.4	101.7	21.1%
Rental income	3.0	2.8	0.2	7.1%
REVENUE	**5,995.7**	**5,475.8**	**519.9**	**9.5%**
Cost of sales	(4,328.7)	(4,035.5)	293.2	7.3%
Gross profit	**1,667.0**	**1,440.3**	**226.7**	**15.7%**
Gross margin	**27.8%**	**26.3%**		
Other costs	(1,357.0)	(1,410.9)	(53.9)	(3.8%)

The operating profit, adjusted for once-off amounts described above, for 2009 amounted to R48.6 million (2008: R247,8 million) on revenue of R5 475,8 million (2008: R5,052.6 million – excluding Danone Clover), which was 8,4% higher than the 2008 year.

The poor operating performance in 2009 was attributable to the following:

- Gross margin decreased from 29% (based on financial results excluding Danone Clover for 2008) in 2008 to 26,3% in 2009 despite lower milk costs. This showed the unprecedented increases in ingredients, packaging material (following the record high oil prices), manufacturing and primary distribution costs that the Group was exposed to during the year ended 30 June 2009 and which could not be fully recovered in selling prices. Revenue increased by only R423,2 million while cost of sales increased by 12,8% or R458.4 million. Selling prices could not be further increased due to the milk surplus experienced during the year and the economic recession, without the risk of substantial volume losses;
- Record high energy costs;
- Record high oil prices during the year impacting directly on transport costs;
- The R171.7 million or 13,9% increase in other costs, could not be recovered from the market as explained above.

	2009 Audited financial results	**2008 Audited financial results**	**Danone Clover in 2008**	**2008 financial excluding Danone Clover**	**Adjusted movement from 2008 to 2009**	
Sales of products	4,991.7	5,288.5	665.7	4,622.8	368.9	8.0%
Rendering of services	481.4	427.2	–	427.2	54.1	12.7%
Rental income	2.8	2.6	–	2.6	0.2	7.7%
REVENUE	**5,475.8**	**5,718.3**	**665.7**	**5,052.6**	**423.2**	**8.4%**
Cost of sales	(4,035.5)	(4,060.1)	(483.0)	(3 577.1)	458.4	12.8%
Gross profit	**1,440.3**	**1,658.2**	**182.7**	**1,475.5**	**(35.2)**	**(2.4%)**
Gross margin (%)	**26.3**	**29.0**	**27.4**	**29.2**		
Other cost	(1,410.9)	(1,384.3)	(145.0)	(1,239.3)	171.7	13.9%

The 2009 year was an abnormal year with severe local and international milk surpluses mainly fuelled by local and international economic recessions in the wake of tremendous increases in energy and related cost hikes. Swift cost reduction initiatives by the group however normalised the situation even though economic recovery during 2010 was slow. Adjusted operating profit increased by 29,5% from 2008 to 2010.

The cash inflow of R1,08 billion on the sale of the investment in Danone Clover during December 2009 had a drastic effect on debt levels, reducing net finance charges from R135,7 million to R63,5 million for 2010. The lower interest rates compared to 2009, focused inventory management and the balanced supply and demand of milk further contributed to reduced debt levels and lower finance charges.

On the one hand, the group's effective taxation rate was reduced by the profit on sale of Danone Clover only being subject to mainly Capital Gains Tax at an effective rate of 14% (compared to the normal taxation rate of 28%) and on the other hand it was increased by R5,om HCI and the special dividend paid to preference shareholders as part of the capital restructuring concluded in early June 2010.

After eliminating the previously mentioned non-recurring items, Profit from Continuing Operations increased from a loss of R83,2 million to a profit of R187,6 million equating to a 325,5% increase. Although the 2009 year was abnormal, Profit from Continuing Operations for 2010 was also 85,2% higher than in 2008.

Headline earnings per share

The headline earnings per share for the last 3 years ended 30 June 2010, 2009 and 2008 are set out below. The headline earnings have been prepared in accordance with SAICA Circular 3/2009.

	Audited summarised consolidated financial results for the year ended 30 June 2010 R'm	**Audited summarised consolidated financial results for the year ended 30 June 2009 R'm**	**Audited summarised consolidated financial results for the year ended 30 June 2008 R'm**
Profit attributable to equity holders of the parent	330.8	527.2	119.9
Adjusted for:			
Loss/(Profit) on sale and scrapping of property plant and equipment	0.9	3.8	(5.0)
Profit on the sale of Boksburg factory	(50.8)		
Profit on deconsolidation of Danone Clover	–	(637.5)	–
Profit on sale of Danone Clover	(337.7)	–	–
Impairment of plant and equipment recognised as restructuring cost	10.7	6.7	–
Impairment of property, plant and assets held for sale	0.8	–	–
Taxation adjustment on the above items	96.3	35.1	1.4
Headline earnings/(loss) attributable to equity holders of the parent	**51.1**	**(64.7)**	**116.3**
Less: Profit after tax from discontinued operation	32.1	39.6	
Headline earnings/(loss) from continuing operations attributable to equity holders of the parent	**19**	**(104.3)**	**116.3**

Summarised Statements of Financial Position

The summaries audited statement of Financial Position as at 30 June 2010, 30 June 2009 and 30 June 2008 are set out below.

	Audited summarised consolidated financial position as at 30 June 2010 R'm	Audited summarised financial position as at 30 June 2009 R'm	Summarised consolidated financial position as at 30 June 2008 (Danone Clover not proportionately consolidated) R'm	Summarised financial position of Clover's 45% interest in Danone Clover at 30 June 2008 R'm	Audited summarised consolidated financial position as at 30 June 2008 (including Danone Clover proportionately consolidated) R'm
Non-current assets	1,202.5	1,823.7	1,239.9	121.4	1,361.3
Deferred tax asset	18.7	110.4	104.8	–	104.8
Current assets	1,710.9	1,651.4	1,794.5	113.6	1,908.1
Total assets	**2,932.1**	**3,585.5**	**3,139.2**	**235.0**	**3,374.2**
Shareholders' funds excluding minority interest	1,048.4	1,440.1	974.6	(36.0)	938.6
Minority interest	28.1	40.9	40.3	8.0	48.3
Long-term portion of interest-bearing borrowings	592.5	761.4	655.1	1.9	657.0
Long-term portion of provisions	50.4	60.5	60.3	2.6	62.9
Long-term portion of other payables	6.3	–	–	–	–
Deferred taxation liability	6.4	6.3	21.1	7.5	28.6
Short-term portion of interest-bearing borrowings	66.9	234.8	323.9	193.7	517.6
Current liabilities	1,133.1	1,041.5	1,063.9	57.3	1,121.2
Total equity and liabilities	**2,932.1**	**3,585.5**	**3,139.2**	**235.0**	**3,374.2**

Note: The poor performance in 2009 was attributed to a number of factors described in more detail on page 54.

The main movements from 2009 to 2010 on the statement of financial position were caused by the sale of the Group's investment in Danone Clover and the capital restructuring.

Group interest-bearing debt reduced by R336.8 million after the repayment of debt following the inflow of cash from the sale of Danone Clover. Interest-Bearing Debt however also increased by the re-classification of R107.7 million of equity to debt related to the changed nature of the company's preference shares. Simultaneously the Investment in Associated Company reduced by R601.8 million.

Liquidity improved considerably from 2009 with net current assets increasing to R510.8 million from R375.1 million. Excluding inventory net current assets increased to R44.8 million from a net current liability position of R154.1 million at 30 June 2009.

As discussed above the de-consolidation of Danone Clover resulted in the effective revaluing of the investment in that company at fair value during 2009. This was the main reason for the increase in Non-current Assets and Shareholders' Funds from 2008 to 2009 after eliminating the assets and liabilities of Danone Clover that were also deconsolidated in the 2009 year. Inventory reductions during the second half of the 2009 financial year allowed the company to generate cash to largely fund the cash loss from operations with debt only increasing by R17 million from 2008 to 2009, excluding the Danone Clover debt that was deconsolidated. In addition net current assets decreased from R406.7 million in 2008 to R375.1 million in 2009 as a consequence of the cash trading loss for 2009.

Summarised audited Cash Flow Statements

	Audited summarised consolidated financial results for the year ended 30 June 2010 R'm	Audited summarised consolidated financial results for the year ended 30 June 2009 R'm	Summarised consolidated financial results for the year ended 30 June 2008 (Danone proportionately consolidated) R'm	Summarised financial results of Clover's 45% interest in Danone Clover for the year ended 30 June 2008 R'm	Audited summarised consolidated financial results for the year ended 30 June 2008 (including Danone Clover proportionately consolidated) R'm
Cash flow from/(used in) operating activities	347.1	79.7	(33.0)	79.4	46.4
Cash from/(used in) investment activities	1,005.1	(186.4)	(129.3)	(87.8)	(217.1)
Net cash from/(used in) financing activities	(1,196.9)	(123.8)	259.2	83.4	342.6
Net increase/(decrease) in cash and cash equivalents	155.3	(230.5)	96.9	75.0	171.9
Cash and cash equivalents at the end of the year	429.3	274.0	425.6	78.8	504.4

The Group's net cash from operating activities for 2010 increased to R347.1 million from R79.7 million. Improved working capital management together with the increased profitability contributed to this positive trend which started during 2009.

If the proceeds on sale of Danone Clover of R1,08 billion are excluded, cash flows used in investing activities approximate the figures for capital expenditure which were R103.6 million and R209.5 million respectively for 2010 and 2009. Also included in cash flows from investing activities are the R148.9 million proceeds on sale of the Boksburg factory and warehouse to Danone Clover and the simultaneous reinvestment of the same amount in that company.

Cash flow from financing activities reflects a healthy net decrease in debt of R412.0 million and a further R50 million reduction in preference share financing in Clover S.A. This debt reduction together with the R370.0 million special dividend and R341.0 million buyback of ordinary shares in terms of the capital restructuring, was mostly funded by the proceeds on sale of Danone Clover of R1.08 billion.

The Group ended with a net increase in cash for 2010 of R155.3 million, much reduced debt levels and a restructured capital structure which is conducive to future capital inflow.

Considering that the 2009 year cash profits before finance charges, taxes and working capital changes, were much lower than the prior year, it signalled a significant improvement in working capital management during 2009. This improvement resulted from reduction in inventory investment, but partly offset by a reduction in funding from trade and other payables. The reduced funding by trade and other payables was mostly caused by the lower milk intake and milk price in June 2009 when compared to June 2008 and timing differences between creditor payments at year end.

Net Debt for 2009 grew to R401.3 million less than in the 2008 year. The net movement in cash and cash equivalents however also shows a corresponding R151.6 million decrease from 2008 to 2009, implying that the 2009 year cash management focussed on reducing debt levels. Cash flows before financing activities improved by R74.0 million. In summary this was made possible by much improved working capital management but partially offset by the reduced profitability.

Audited earnings per share

After the capital restructuring in 2010 the ordinary shares enjoy full participation in the earnings of the Group. Prior to the capital restructuring the preference shares participated in approximately 97% of all ordinary dividends declared and the ordinary shares in 3%. In terms of IFRS Earnings per Share should be calculated based on the dividend rights attached to the different classes of shares and hence the significant change in 2010.

	Audited summarised consolidated financial results for the year ended 30 June 2010 (Cents)	**Audited summarised consolidated financial results for the year ended 30 June 2009 (Cents)**	**Audited summarised consolidated financial results for the year ended 30 June 2008 (Cents)**
Earnings/(Loss) per ordinary share (audited)	428.0	22.3	5.2
Diluted earnings/(loss) per ordinary shares (audited)	428.0	22.3	5.2
Earnings/(Loss) per preference share (audited)	–	596.4	135.6
Diluted earnings/(loss) per preference shares (audited)	–	596.4	135.6
Headline earnings/(loss) per share, calculated by dividing the headline earnings/(loss) by the weighted average number of ordinary shares net of treasury shares	66.1	(82.2)	150.2
Headline earnings/(loss) per share from continuing operations, calculated by dividing the headline earnings/(loss) from continuing operation by the weighted average number of ordinary shares net of treasury shares	24.6	(132.5)	150.2

UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION OF CLOVER INDUSTRIES LIMITED AND ITS SUBSIDIARIES

The unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position of Clover Industries Limited and its subsidiaries before and after the IPO restructuring and before and after the Offer in terms of this prelisting statement is set out in Annexure 3.

The directors of Clover Industries Limited are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in this prelisting statement and for the financial information on which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with accounting policies of Clover Industries Limited; and the unaudited *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the Listings Requirements.

The unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position as set out below should be read in conjunction with the independent reporting accountants' limited assurance report set out in Annexure 4 to the prelisting statement.

Assumptions: It has been assumed that the offer will be subscribed for in full and that 47 619 048 Shares are issued pursuant to the Offer, based on the midpoint of the Offer Price range of R10.50 per share.

	"Before" the IPO restructure and the Offer[1]	**Effect of the IPO restructure (share split)[2]**	**Adjustments related to the Offer**	**"After" the IPO restructure and the Offer[6]**	**change %**
Attributable earnings per share (cents)	428.0[1]	213.3[2]	(53.1)[3]	160.2[4]	(24.9)
Headline earnings per share (cents)	66.1[1]	33.0[2]	(10.8)[3]	22.2[4]	(32.6)
Net asset value per share (cents)	1,692.9[1]	844.9[2]	46.5	891.4	5.5
Net tangible asset value per share (cents)	1,229.4[1]	614.1[2]	110.3	724.4	18.0

Notes:

(1) The 'before' financial information is based on the audited statement of comprehensive income of Clover Industries Limited and its subsidiaries for the year ended 30 June 2010 assuming that the IPO restructuring and the Offer took place with effect from 1 July 2009 with respect to earnings per share and headline earnings per share. With respect to net asset value per share and net tangible asset value per share, the 'before' financial information is based on the audited statement of financial position of Clover Industries Limited and its subsidiaries as at 30 June 2010 assuming that the IPO restructuring and the Offer took place as at 30 June 2010.

(2) To take into account both the issue of 250,000 ordinary shares to a member of the executive team prior to the IPO restructure and the effect of the IPO restructure.

On 4 November 2010, immediately prior to the IPO restructure, a member of the executive team subscribed for 250 000 ordinary shares at a subscription price of R9.34 per ordinary share which effectively increased issued ordinary shares from 61,924,981 to 62,174,981. The total subscription price was advanced to the member by Clover Industries Limited on loan account on the same terms and conditions as were made available to other executive members. After the IPO restructure, these subscribed shares doubled to 500,000 as more fully described below. (This adjustment has been made as its exclusion may otherwise be misleading when attempting to reconcile the number of ordinary shares in issue at year end to those utilised in calculating the share split resulting from the IPO restructure discussed below and described elsewhere in this prelisting statement.)

An IPO restructure to facilitate the Offer took place on 4 November 2010 whereby the issuer's authorised ordinary share capital which comprised of 100,000,000 ordinary shares of R0.10 each and the issuers ordinary issued share capital which comprised of 62,174,981 ordinary shares of R0.10 each was restructured by way of a sub division and an increase in ordinary shares such that the issuers ordinary issued share capital after the restructure comprised of 124,349,962 ordinary shares of R0.05 each.

(3) To take into account estimated expenses of the Offer and the Listing. Total estimated expenses amount to R17,812,000 and are split between those that are expensed (R6,057,000) due to not being incurred directly as a result of the issue of shares and those that are written off against share premium (R11,755,000) as a result of being directly attributable to the issue of shares.

(4) The number of ordinary shares to be issued to raise R500 million at an estimate price of R10.50 are 47,619,048. The weighted number of ordinary shares taking in account the issue of the 47 619 048 ordinary shares increases from 155 100 000 shares to 202.7 million shares. The "after" earnings per share was calculated based on the last mentioned number of weighted number of ordinary shares.

(5) To take account of the following: The issue of 47,619,048 ordinary shares with a nominal value of R0.05 each, issued at an estimated price of R10.50 (post the IPO restructure) to raise R500 million. Issued ordinary share capital and share premium have been increased by R2.4 million (being 47,619,048 ordinary shares x R0.05 per share) and R497.6 million (being 47,619,048 ordinary shares x R10.45 per share) respectively resulting from the Offer. The share premium excludes listing fees estimated at R11,755,000 directly related to the issue of shares and which have been written off against share premium. Expenses amounting to R6,057,000 were written off in the statement of comprehensive income due to not being incurred directly as a result of the issue of shares.

(6) The "after" financial information reflects the financial effects after taking into account the IPO restructure and the Offer.

(7) As noted in this prelisting statement, the proceeds of R500 million arising from the issue of ordinary shares will be used as follows:

(i) to raise R350 million to implement value-enhancing optimisation and expansion projects; and

(ii) to raise R150 million for general corporate purposes (including the acquisition of the interests of minorities in various of the company's subsidiaries and to fund working capital) and to defray costs associated with the Offer.

As a result of the above, no interest benefit has been taken into account when determining the effect on the unaudited *pro forma* statement of comprehensive income.

(8) All financial effects have an ongoing effect, with the exception of the transaction costs as set out in notes 3 and 5 above. It is further noted that the cash received will be utilised as described in this prelisting statement and as set out in note 7 and that this balance is therefore unlikely to remain unchanged.

USE OF PROCEEDS

The gross proceeds from the subscription for the new shares is estimated to be R500 million, assuming no exercise of the Over-allotment Option and before deducting discounts and commissions and Offer expenses, which are expected to amount to R17.8 million.

The net proceeds received by the company will be used as follows:

(i) R350 million for the implementation of Project Cielo Blu more fully described on pages 17 and 19 of this prelisting statement (including the expansion of the Port Elizabeth plant to accommodate the majority of the Midrand UHT (long life milk and other long life products) plant, the reorganisation of Pinetown's factory to accommodate two fillers currently located at Midrand, relocating the Mayfair production facility to the vacated UHT factory at Midrand so that the production facility is closer to the distribution facilities, converting the current Midrand ambient secondary distribution warehouse to a chilled facility, extending the current primary ambient warehouse to house all ambient products, extending distribution facilities in Queensburgh, Polokwane, Bloemfontein, Nelspruit and East London and converting the current UHT quarantine warehouse at Midrand into a cold room and the consequent relocation of product from the rented cold rooms and Mayfair);

(ii) R150 million for general corporate purposes (including the acquisition of the interests of minorities in various of the company's subsidiaries and to fund working capital) and to defray costs associated with the Offer.

DIVIDENDS AND DIVIDEND POLICY

1. DIVIDENDS

A summary of dividends declared by the company in respect of ordinary shares since 30 June 2008 is set out below.

In respect of the years	Net Dividend Paid ended 30 June (R'000)	Dividend per ordinary share (cents)
2008	619	0,7
2009	1,000	1,1
2010	40,809	65,9

Prior to the capital restructuring on 31 May 2010 the ordinary shareholders only shared in 3% of ordinary dividends declared from non-capital sources. The preference shareholders benefited from 97% of such dividends.

When excluding the non-cash profit on the deconsolidation of Danone Clover during the 2009 financial year, the Group made a loss and no dividend was therefore declared for that year on ordinary shares.

Ordinary shareholders, for the first time after the capital restructuring, received the full ordinary dividends for 2010 that was paid on 17 November 2010.

2. DIVIDEND POLICY

The Company intends, following the listing, to declare a dividend on its ordinary shares on at least an annual basis.

In terms of the company's articles of association, for so long as there are any preference shares in issue, the amount of any normal annual interim or final dividend which the company shall be entitled to declare and pay to the holders of its ordinary shares shall not exceed A where A is calculated in accordance with the following formula:

A = B x (C – D)

WHERE:

A = the maximum amount of any normal annual interim or final dividend;

B = 0.25;

C = the net profit after tax of the company (excluding capital profits) over the period to which the normal annual interim or final dividend (as the case may be) relates;

D = all preference dividends which have, or ought, to have been declared and paid during the period to which the normal annual interim or final dividend (as the case may be) relates insofar as such dividends have not already been included in the calculation of C above.

Following the redemption of the preference shares, the dividend policy will be reviewed by the Clover directors from time to time in light of, *inter alia,* general market conditions, the requirements of the business plan, the strength of the balance sheet and growth prospects of the business.

In accordance with Clover's articles of association, all unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of Clover until claimed, provided that dividends unclaimed for a period of three years from the date they were declared may be forfeited for the benefit of Clover. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the board or the shareholders at the time of declaration, subject to the Listings Requirements. There are no current arrangements under which future dividends are waived or agreed to be waived.

Preference shares will bear dividends at 90% of the prime rate of interest charged by ABSA Bank Limited in accordance with their terms.

You should carefully consider the risk factors described below and all other information contained in this prelisting statement before you decide to invest in the company's ordinary shares. If any of the following risk factors, as well as other risks and uncertainties that are not currently known to the company or that it currently believes are not material, actually occur, the company's business, financial condition and results of operations could be materially and adversely affected. Accordingly, the trading price of the company's ordinary shares could decline, and you may lose part or all of your investment.

1. RISKS RELATED TO THE COMPANY'S BUSINESS

1.1 Prices of dairy products are subject to change and volatility resulting from imbalances in aggregate levels of milk supply and demand, which could materially and adversely affect the revenues and results of operations

Revenues and results of operations are largely dependent on the price the company receives on its products. Prices of dairy products, and in particular the price of fresh milk, are cyclical and determined by market forces subject to inherent and natural supply and demand imbalances. The prices the company may receive in the future for its products will vary depending on factors beyond its control, including:

- the domestic supply and demand for milk;
- the quantity and quality of dairy products available from competitors;
- adverse weather, climatic or other natural conditions, including natural disasters;
- economic and financial conditions in export markets, including economic slowdowns and financial crises; and
- legislative, regulatory and judicial developments that would adversely affect the dairy industry.

A substantial or extended decline in the prices the company receives for its products could materially and adversely affect the company by decreasing its revenues, thereby materially and adversely affecting its results of operations.

1.2 The company's operations are subject to operating risks that are beyond its control, which could materially and adversely affect the company's results of operations

The Company's level of production is subject to conditions or events beyond the company's control that could disrupt operations, adversely affect production and deliveries and increase the cost of production for varying lengths of time, which could have a material adverse effect on the company's results of operations. These conditions and events include, among others:

- adverse weather and natural disasters, such as heavy rains, flooding and other natural events affecting operations, transportation or customers;
- the unavailability of raw materials, equipment or other critical supplies and/or consumables of the type, quantity and/or size needed to meet production expectations;
- electrical power interruptions;
- capacity constraints of distribution facilities and delays or interruptions resulting therefrom; and
- delays or suspensions in production activities in the event that any of the company's suppliers has financial or other difficulties.

1.3 The profitability and cash flows of the company are affected by the fluctuations in input production prices including increases in the cost of raw materials and/or distribution costs

Clover acquires milk to be used in the production of Clover products from a geographically diverse milk producer base. The cost of milk fluctuates based on market dynamics and can increase significantly on the back of, *inter alia,* a sustained milk shortage and/or significant increases in producer input costs. Increases in the price of raw materials may have an impact upon total operating costs, which could have a material adverse effect on the company's results of operations.

In addition, a large part of Clover's business involves the transportation of raw materials from source to production facility and the distribution of product from production facility to its customers and consumers. Accordingly, distribution costs represent a significant portion of the company's operating cost and fuel forms a significant part of the distribution costs of the company. Fuel is directly linked to the price of oil and Rand exchange rates and the company has no influence over the price of fuel. If the price of fuel increases, the company's distribution costs could increase to make Clover less competitive which could materially and adversely impact the company's profitability.

1.4 Clover's ability to effectively provide the services it offers or manage its margins could be negatively affected by increases in costs or disruptions in the availability of supplies

Supplier bottlenecks, quality concerns or the disruption of the business relationships with key stakeholders could lead to disruptions or deterioration in Clover's business. In addition, Clover may face increases in its cost of supplies that it is not able to fully pass through to its customers and consumers. If Clover is not able to obtain adequate quantities of raw material or manage the costs of its supplies, this could have a material adverse effect on Clover's results of operations.

1.5 The loss of strategically important contracts to distribute products on behalf of Principal's may have a adverse impact on Clover's results of operations

Clover currently distributes products on behalf of several Principals. These contracts are strategically important to Clover and enable Clover's distribution network to operate with critical mass and with economies of scale. To the extent that one or all of the Principal contracts are not renewed or are cancelled, Clover may not be able to utilise the excess capacity created as a result, which in turn may impact on the economics of the distribution network. This may have a material and adverse effect on Clover's results of operations.

1.6 The business requires substantial planned capital expenditure

The company's business plan and strategy are dependent upon its implementation of value-enhancing optimisation and expansion projects, which requires substantial capital expenditures. To the extent that the cash raised pursuant to the listing is not sufficient to fund capital requirements, the company will require additional debt and/or equity financing. Debt or equity financing may not be available or, if available, may not be available on satisfactory terms. If the company is unable to obtain additional capital, it may not be able to implement its growth plans and could be forced to reduce or delay capital expenditures or change its business strategy, sell assets or restructure or refinance its indebtedness, all of which could have a material adverse effect on the Company's business or financial condition.

1.7 Operations could be adversely affected by fluctuations in operating and information technology systems

Any system failure that causes an interruption in service or availability of Clover's systems could adversely affect operations. Clover's servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorised tampering. The occurrence of any of these events could result in interruptions, delays, the loss or corruption of data, all of which could have a material and adverse effect on Clover's business, prospects, financial condition or results of operations

1.8 The company's ability to operate its business effectively could be impaired if it fails to attract and retain key personnel

The company's ability to operate its business and implement its strategies depends, in part, on the continued contributions of the company's executive officers and other key employees. If Clover loses or suffers an extended interruption in the services of one or more of its executive officers and/or other key employees, its business operations could be materially disrupted, which could have a material adverse effect on the business, prospects, financial condition or results of operations.

In addition, the company believes that its future success will depend on its continued ability to attract and retain highly skilled personnel with industry experience. Competition for these persons is intense and the company may not be able to successfully recruit, train or retain qualified managerial personnel. There can be no assurance that the company will attract and retain skilled and experienced employees and, should the company fail to do so or lose any of its key personnel, its business and growth prospects may be harmed and its results of operations and financial condition could be adversely affected.

1.9 Strikes or other industrial action could impair business activities

As of the year ended 30 June 2010, approximately 51% of Clover's employees were members of trade unions. Clover may in future be subject to strike or industrial action. Any such strikes or industrial action in the future may have a material adverse affect on the business, prospects, financial condition or results of operations.

1.10 Clover has been and in the future may be subject to competition laws which may adversely affect its operations or financial condition

Clover is subject to competition and antitrust laws in South Africa. If Clover is subject to any investigation by or sanctions from the competition authorities in South Africa under the current or any future competition legislation, or investigation by or sanctions from the competition authorities in other jurisdictions, Clover's business, prospects, financial condition or results of operations may be materially adversely affected. In addition, Clover's intended strategy of acquiring other companies in the dairy and related industries will be subject to obtaining approval of same from the competition authorities.

1.11 BEE

Under the "Continued Consequence" principle encapsulated in terms of the BBBEE Codes of Good Practice published by the department of Trade and Industry, Clover is entitled to recognise a portion of HCI's black shareholding subsequent to the repurchase of such shareholding by the company (as more fully set out in paragraph 3 on page 67). To the extent there is a change in the BEE environment or in the interpretation of the "Continued Consequence" principle, Clover may be required to undertake a new empowerment transaction which may require facilitation by the company. This facilitation may have a material and adverse effect on Clover's financial performance.

1.12 The company may not be able to declare and make dividend payments now and in the future

The company's ability to pay dividends to its shareholders is dependent upon the availability of sufficient free cash flow after capital expenditure and distributable reserves. The company's subsidiaries' distributable reserves and the dividends they may declare may be restricted to protect the security of those subsidiaries, as applicable legislation does not allow for the payment of dividends unless solvency requirements are met. In addition, under the terms of the company's credit facilities, if the company fails to comply with certain covenants, the company may be restricted, or prohibited, from declaring and paying dividends on its Shares.

2. RISKS RELATED TO THE OFFERING

2.1 Liquidity risk

Although the Shares are expected to be listed on the JSE, there is no guarantee that a more active trading market for the Shares will develop and be sustained after the Offer than the existing over-the-counter market on which the Shares trade. If a more active trading market in the Shares does not develop or is not sustained after the Listing, this could have a material adverse effect on the liquidity and consequently the market price of the Shares. The Offer Price of the Offer Shares will be determined by the company and the bookrunner and may not be indicative of the market price of the Shares after the offering.

2.2 The market price of the Shares may prove to be volatile and is subject to fluctuations, including significant decreases

The market price of the Shares could be volatile and is subject to significant fluctuations due to a variety of factors, some of which do not relate to the financial performance, including changes in general market conditions, the general performance of the JSE, changes in sentiment in the market regarding the company's Shares (or securities similar to it), regulatory changes affecting the company's operations, variations in its operating results, business developments for the company or its competitors, the operating and share price performance of other companies in the industries and markets in which the company operates, or speculation about the business in the press, media or the investment community. Furthermore, the company's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the company's Shares.

2.3 Future sales of substantial amounts of the Shares, or the perception that such sales could occur, could adversely affect the market value of the Shares

Immediately following the Offer there will be up to 171,969,010 Shares in issue. The issuer, locked-in management and Clover Milk Producer's Trust intend to agree with the bookrunner that, subject to certain exceptions, they will not pledge, offer, sell, contract to sell or otherwise transfer or dispose of, directly or indirectly, any of their shares during the period of 180 days from the date of this prelisting statement. See the "Purchase Agreement and Lock-in Agreements" section on page 74. Sales of substantial amounts of the Shares, or the perception that such sales could occur, could adversely affect the market price of the Shares and could adversely affect its ability to raise capital through future capital increases.

SHARE CAPITAL

1. SHARE CAPITAL AND SHARE PREMIUM

The issuer's authorised and issued share capital on the Listing Date, presented on an unaudited basis, is expected to be as follows (assuming that the 47 619 048 new shares are issued at an issue price equal to the midpoint of the Offer Price Range of R10.50):

	(R'000)
Authorised share capital:	
2,000,000,000 ordinary shares of R0.05 each	100,000
100,000,000 preference shares of R0.10 each	10,000
Issued share capital:	
171,969,010 ordinary shares of R0.05 each	8,598
89,442,022 preference shares of R0.10 each	8,944
Share premium	853,960
Total	**871,502**

The issuer's authorised and issued share capital as at the last practicable date (and consequently post the capital restructure and the IPO restructure but before the Offer) was as follows:

	(R'000)
Authorised share capital:	
2,000,000,000 ordinary shares of R0.05 each	100,000
100,000,000 preference shares of R0.10 each	10,000
Issued share capital:	
124,349,962 ordinary shares of R0.05 each	6,217
89,442,022 preference shares of R0.10 each	8,944
Share premium	368,096
Total	**383,257**

As at the last practicable date, the issuer had no other classes of securities listed on any stock exchanges. However, the issuer's intention to list its preference shares simultaneously with the Listings of the Shares should be noted.

As at the last practicable date neither the issuer nor any of its subsidiaries hold any shares as treasury shares.

2. DESCRIPTION OF ORDINARY SHARES

Immediately following the Listing, 15% of the issued ordinary shares of the issuer will be under the control of the directors, subject to the provisions of sections 221 and 222 of the Companies Act and the Listings Requirements. The Listings Requirements state;

- such general authority to allot and issue shares shall be valid only until the next Annual General Meeting of the company or the expiry of a period of 15 months from the date of the resolution, whichever occurs first;
- the ordinary shares must be allotted and issued to public shareholders and not to related parties, as contemplated in the Listings requirements;
- the ordinary shares allotted and issued pursuant to the resolution in the aggregate in any one financial year may not exceed 15% of the company's ordinary shares, as calculated in terms of the Listings Requirements;
- in determining the price at which an allotment and issue of shares will be made in terms of the authority, the maximum discount at which the ordinary issues may be issued is 10% of the weighted average traded price of such equity securities measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares; and
- after the company has issued ordinary shares in terms of the authority representing, on a cumulative basis within a financial year, 5% or more of the number of ordinary shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue.

Other than the Offer Shares which are expected to be listed on the JSE, No other securities have been issued by the issuer nor listed on any other stock exchange.

Creation of the Offer Shares was approved in accordance with the provisions of the issuer's memorandum and articles of association by way of a special resolution adopted by the holders of ordinary shares at a meeting, held for this purpose, on 4 November 2010. At the aforesaid general meeting, the shareholders, by way of ordinary resolution adopted by them, placed the unissued Offer Shares under the control of the issuer's directors.

In accordance with the terms of the issuer's articles of association, the rights or restrictions attached to all or any Shares of any class may be amended, modified, varied or cancelled by way of a special resolution, provided that no such amendment, modification, variation or cancellation which directly or indirectly adversely affects those special rights or restrictions can be effected without the written consent or ratification of the holders of at least three-quarters of the shares in question, or the approval of or ratification by a resolution passed at a separate general meeting of the holders of the shares in question in the same manner as a special resolution. The provisions of the articles of association relating to general meetings apply to such separate general meeting, except that a quorum at such meeting shall be three persons holding or representing by proxy at least one-third of the issued shares in question. Unless otherwise provided by the terms of issue or by the articles of association, any right or restriction attached to all or any class of shares is not deemed to be directly or indirectly by (i) the creation or issue of any other shares ranking *pari passu* with any such shares already issued by the issuer or (ii) the cancellation of any shares of any class in the capital, other than the class of shares which is being cancelled.

In accordance with the terms of the issuer's articles of association, the issuer may, subject to the provisions of the Companies Act, (i) convert any of its shares, whether issued or not, into shares of another class; (ii) convert all or any of its paid up shares into stock and reconvert such stock into paid up shares; (iii) convert any shares having a par value into shares having no par value; and (iv) convert any of its issued shares of no par value into shares having a par value.

At the issuer's general meeting of shareholders a member who is present in person, by authorised representative or by proxy, shall have one vote on show of hands and on a poll every shareholder present in person, by authorised representative or by proxy, shall have that proportion of the total votes in the issuer which the aggregate amount of the nominal value of the shares held by that member bears to the aggregate of the nominal value of all shares issued by the issuer. No special voting powers are reserved to any founder, vendor director or other person.

All of the issuer's authorised and issued ordinary shares, including those to be issued in terms of the Offer, will be of the same class and will rank pari passu in every respect. Set out in Annexure 9 to this prelisting statement are extracts from the issuer's articles of association dealing with the rights of holders of Shares to dividends, profits and/or capital, including rights on liquidation and distribution of capital assets. The issuer also has preference shares in issue. Such shares carry a preferential dividend, calculated at 90% of the prime rate, on the deemed capital value thereof being R2.90. The rights, privileges and conditions attaching to the preference shares are set out in Annexure 10 to this prelisting statement.

In terms of the issuer's articles of association, dividends due to holders of Shares which are retained and remain unclaimed for a period of three years after the payment date of the dividend in question shall be forfeited to the issuer and may be dealt with by the directors as they deem fit.

3. ALTERATIONS TO SHARE CAPITAL AND SHARE PREMIUM

Set out below are the alterations to the issuer's share capital which have occurred since 1 July 2008, including the capital restructure which occurred on 31 May 2010 and the IPO restructure which occurred on 12 November 2010:

- on 31 May 2010 the issuer bought back 30,881,374 ordinary shares from HCI at a repurchase price of R337,400,435. These shares were cancelled and restored to authorised but not issued shares;
- furthermore on 31 May 2010 the rights attached to the issuer's preference shares were amended such that the preference shares:
  - no longer share in ordinary dividends declared. This had the effect that the ordinary shareholders, who were previously only entitled to approximately 3% of ordinary dividends are now entitled to all ordinary dividends declared; and
  - become redeemable after three years and one day;
- the condition that holders of ordinary shares in the issuer be milk producers or BEE shareholders was also removed on 31 May 2010 restructuring;

- on 12 November 2010 by the registration of a special resolution adopted by shareholders on 4 November 2010 the authorised and issued share capital of the issuer were subdivided on a 1 to 2 basis. The authorised ordinary share capital was accordingly increased from 100,000,000 shares of R0.10 each to 200,000,000 shares of R0.05 each. The issued share capital was subdivided from 62 174 981 shares of R0.10 each into 124,349,962 shares of R0.05 each;
- on the same date a special resolution was registered increasing the authorised ordinary share capital to 2,000,000 000 shares of R0.05 each.

During the 2008 financial year Clover SA, the Group's main operating subsidiary, authorised and issued 50 million cumulative redeemable preference shares of R1.00 each. These shares were redeemed during December 2009. Other than that there have been no alterations to the share capital of the issuer's subsidiaries which have occurred since 1 July 2008.

4. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES

The issuer is not a party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for shares in the issuer.

5. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF THE ISSUER'S SUBSIDIARIES

None of the issuer's subsidiaries is a party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any shares in any subsidiary.

6. SHAREHOLDING

6.1 Controlling Shareholders

No single shareholder exercises or, following the Listing, will exercise, control over the issuer.

6.2 Major Shareholders

The following table presents information showing the holding of the issued ordinary share capital in excess of 5%, as at the last practicable date as well as the effects of the issue of the Offer Shares (assuming such issue takes place) on such holding.

Holdings as at last practicable date and holdings assuming the issue of the Offer Shares

Shareholder	Number of Shares as at last practicable date(1)	% of Shares Outstanding at last practicable date	% of Shares Outstanding assuming the issue of the Offer Shares(3)
Clover Milk Producer's Trust	20 377 236	16.4%	11.8
Executive directors and members of Management(2)	19 308 020	15.5%	11.2

1. Assumes that the Clover Milk Producer's Trust or Management do not acquire any Offer Shares. However, there is no restriction on the Clover Milk Producer's Trust or Management participating in the Offer in which event it may acquire more Shares.
2. Executive directors and members of management do not hold the shares as a collective. Executive directors and members of Management's holdings of shares are more fully described on page 45 of this prelisting statement.
3. Percentage of shares outstanding assumes the issue of approximately 47,619,048 new shares pursuant to the Offer.

1. MANAGEMENT AGREEMENTS

Neither the issuer nor any of its subsidiaries has entered into any agreement or is party to any arrangement pursuant to which its business is managed by third parties other than inter group agreements.

2. DELIVERY AGREEMENT AND SUPPLY CONTRACT SYSTEM

The Group procures milk from milk producers by way of Delivery Agreements or supply contracts. A number of the issuer's non-executive directors who are farmers (namely Messrs JAH Bredin, HPF du Preez, Werner Ignatius Büchner, Martin Geoff Elliott, Vivian Peter Turner and Dr Jacobus Christoffel Hendriks) supply milk to Clover pursuant to the provisions of delivery agreements, which delivery agreements are for that reason "related party transactions". However, the terms upon which such non-executive directors supply milk to Clover are no different from the terms on which milk is procured from third parties and such delivery agreements are on arms-length terms.

The supply system comprises:

- "A" delivery agreements: the "A" delivery agreements oblige the producers to supply Clover with approximately 75% of the forecasted milk demand for the coming year. this amount currently stands at approximately 474 million litres for the coming year. the "A" delivery agreement represents a perpetual right to supply milk to Clover and is traded between producers. The price per litre of milk is set by Clover based on market dynamics on an *ad hoc* basis. clover utilises the price of milk to send a signal to the milk producers regarding supply and demand while at the same time taking into consideration the long-term sustainability of the primary dairy market.
- "B" delivery agreements: the "B" delivery agreements oblige the producers to supply Clover with a certain number of litres over and above "A" delivery agreements volumes. This amount currently stands at approximately 102 million litres. The "B" delivery agreements are issued to producers on application, based on their abilities to produce the volumes applied for, which can be withdrawn at Clover's discretion and are used to balance the supply and demand dynamics in the business. These agreements are managed continuously by Clover and the price per litre is the same as the "A" delivery agreement. These agreements cannot be traded by producers.

The milk delivered to Clover under the "A" and "B" delivery agreements will constitute approximately 100% of Clover's forecast milk demand. However, because milk is an agricultural product subject to cyclicality in supply, in addition to the "A" and "B delivery agreements discussed above, Clover utilises supply contracts to balance the milk supply and demand dynamics.

Supply contracts are short-term mechanisms agreed with producers on an *ad hoc* basis during periods of milk shortage with varying durations, normally not longer than one year, depending on the extent and location of the milk shortage in relation to forecasted future milk demand. The price per litre in the supply contract is the same as the price paid in the "A" and "B" delivery agreements.

"C" milk relates to milk supplied to Clover in excess of the "A" and "B" delivery agreements (and the supply contracts, to the extent that these have been issued) and is by definition, milk delivered to Clover which is in excess of its contracted milk supply. Clover, while not obliged to do so, has in practice "C" milk but at a reduced price. From time to time, Clover has not paid farmers for "C" milk.

The supply system creates significant loyalty between Clover and the producers and allows Clover to manage the level of milk supplied based on a forecast demand. This tool creates flexibility for Clover and ensures access to a secure source of milk supply through the milk cycle, while mitigating to some extent the risks associated with periods of milk surplus.

PARTICULARS OF THE OFFER

1. PURPOSE OF THE OFFER AND LISTING

The main purposes of the Offer and the Listing are to:

- fund the implementation of value-enhancing capital projects (primarily Project Cielo Blu);
- enhance the issuer's public profile and general public awareness;
- provide the issuer with additional capital and with a further source from which capital can be raised, if required, to facilitate future expansion;
- provide a currency in the form of listed shares with which to make acquisitions;
- enable the issuer to attract and retain key staff by affording them the opportunity to participate in the equity and future growth of the business; and
- afford institutions and the issuer's business associates the opportunity to participate directly in the issuer's equity.

2. THE OFFER

The Offer comprises an offer by the issuer for the subscription of the Offer Shares at the Offer Price. Offerees will, in all circumstances, upon Listing, receive Shares in dematerialised form.

The Offer is subject to the attainment of a spread of shareholders acceptable to the JSE. The Listings Requirements provide, unless the JSE determines otherwise, the number of public shareholders must be at least 300, as defined by the Listings Requirements.

The Offer consists of an offering to Eligible Investors. The Offer is not an invitation to the general public to subscribe for or purchase the Offer Shares.

As of the date of this prelisting statement, no purchase agreement has been concluded in respect of the Offer. However, the issuer and the bookrunner intend to enter into a purchase agreement in connection with the Offer once the Offer Price has been determined and the Offer is conditional on the purchase agreement being concluded and becoming unconditional and the listing of all of the Shares on the JSE, failing which the Offer and any acceptance thereof shall not take effect and no person shall have any claim whatsoever against the issuer, the bookrunner or any other person as a result of the failure of any condition. JSE approval of the listing is conditional on the attainment of a spread of shareholders acceptable to the JSE. The Listings Requirements provide, unless the JSE determines otherwise, the number of public shareholders must be at least 300, as defined by the Listings Requirements.

All ordinary shares (including any Offer Shares) that are in issue as at the date of this prelisting statement will rank *pari passu* in all respects. The issuer has preference shares in issue, in addition to the ordinary shares.

3. TIME AND DATE OF THE OPENING AND CLOSING OF THE OFFER

The Offer opens at 09:00 on Monday, 29 November 2010 and is expected to close at 16:00 on Wednesday, 8 December 2010. Indications of interest for the purposes of the book building process, referred to in "Offer Price", will be received up until 16:00 on Wednesday, 8 December 2010. Application forms for the Offer can be submitted up until 16:00 on Wednesday, 8 December 2010. Any changes to these dates and times will be announced on SENS and published in the South African press.

4. OFFER PRICE

It is estimated that the price for the Offer Shares will be between R9.00 and R12.00 per Offer Share ("Offer Price Range"). The Offer Price may, however, be outside of this price range. The Offer Price will be payable in full in Rand without deduction or set-off.

The bookrunner is seeking indications of interest from Eligible Investors to acquire the Offer Shares as part of a "book building" process. Eligible Investors will only be allowed to acquire shares for an amount of more than R100,000. Following this book building process, the Offer Price will be determined by the bookrunner and the issuer either prior to or on the closing date and will be announced on SENS on Thursday, 9 December 2010 and in the South African press on Friday, 10 December 2010. Any change to these dates and times will be announced on SENS and in the South African press.

Among the factors which may be considered by the bookrunner in determining the Offer Price are the issuer's historical and expected results of operations, an assessment of the investment markets' valuation of comparable companies, the prevailing market conditions, the demand for the Offer Shares and the prices at which investors bid to acquire the Offer Shares during the book building process and the desire to establish an orderly after-market in the Shares.

5. PARTICIPATION IN THE OFFER

An institutional investor wishing to participate in the Offer should contact the bookrunner prior to the Offer being closed, expected to be on Wednesday, 8 December 2010. Applications forms for the Offer need to be submitted by 16:00 on Wednesday, 8 December 2010. Such cut off time is as specified in the "Indicative Timetable" section on page 5. Any material change thereto will be released on SENS and published in the press.

6. REPRESENTATION

Any person applying for or accepting an offer of Offer Shares shall be deemed to have represented to the issuer and the bookrunner that such person was in possession of a copy of this prelisting statement at that time. Any person applying for or accepting an offer of Offer Shares on behalf of another person shall be deemed to have represented to the issuer and the bookrunner that such person is duly authorised to do so and warrants that such person and the purchaser for whom such person is acting as an agent is duly authorised to do so in accordance with all relevant laws and such person guarantees the payment of the Offer Price and that a copy of this prelisting statement was in the possession of the purchaser for whom it is acting as an agent.

7. ALLOCATION

The basis of allocation of the Offer Shares will be determined by the bookrunner in its sole discretion, after consultation with the issuer. Factors to be considered by the bookrunner in allocating shares include achieving the JSE spread requirements and promoting liquidity, tradability and an orderly after-market in the Offer Shares. As a result of applications in excess of the number of Offer Shares available being received, applicants may receive no or fewer Offer Shares than the number of Offer Shares applied for. Any dealing in Offer Shares prior to delivery of the Offer Shares is at the risk of the applicant.

8. APPLICATION, PAYMENT AND DELIVERY OF OFFER SHARES

Applicants who wish to apply for Offer Shares must do so through their duly appointed CSDP or broker by the time stipulated in the agreement governing their relationship with their CSDP or broker, but in no event later than the closing date.

Each successful applicant must, as soon as possible after being notified of an allocation of Offer Shares, forward to:

- its CSDP, all information required by the applicant's CSDP and instruct its CSDP to pay, against delivery of the applicant's allocation of Offer Shares, the aggregate price for such Offer Shares to the account designated by the company. Such information and instructions must be confirmed to the applicant's CSDP no later than 12:00 on Thursday, 9 December 2010; and
- the bookrunner, details of its CSDP, the name of the account holder and number of shares and such other information as is required by the bookrunner's CSDP in order to effect delivery of the relevant Offer Shares. Such information must be confirmed to the bookrunner no later than 12:00 on Thursday, 9 December 2010.

By no later than 16:00 on Thursday, 9 December 2010, each applicant must place its funds with its CSDP or make other necessary arrangements to enable its CSDP to make payment for the allocated Offer Shares on the Settlement Date, in accordance with each applicant's agreement with its CSDP.

The applicant's CSDP must commit in Strate to the receipt of the applicant's allocation of Offer Shares against payment by no later than 16:00 on Thursday, 9 December 2010.

On the Settlement Date (which is expected to be Tuesday, 14 December 2010), the applicant's allocation of Offer Shares will be credited to the applicant's CSDP or broker against payment during the Strate settlement runs which occur throughout the day.

9. EXCHANGE CONTROL REGULATIONS

Currency and shares are not freely transferable from South Africa and must be dealt with in terms of the exchange control regulations of the South African Reserve Bank as described more fully under "Exchange Rates and Exchange Control – Exchange Controls and Other Limitations Affecting Shareholders". The exchange control regulations also regulate the acquisition by former residents and non-residents of Offer Shares.

10. OVER-ALLOTMENT

In connection with the Offer, the stabilisation manager may over-allot or effect transactions with a view to supporting the market price of the Offer Shares at a higher level than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation for the stabilisation manager to do so. Such stabilising action, if commenced, may be discontinued at any time, provided that two business days' notice is given to JSE, but may under no circumstances continue beyond the 30th calendar day after Listing. The stabilisation manager may allocate more Offer Shares than the company is obliged to issue under the purchase agreement, creating a short position. The short sale is covered if the short position is no greater than the number of Offer Shares available for purchase under the Over-allotment Option. The stabilisation manager may close out a covered short sale by exercising the Over-allotment Option or purchasing Offer Shares in the open market.

Save as is required by the Listings Requirements, the stabilisation manager does not intend to disclose to the public the extent of any stabilising transactions or the amount of any long or short position.

11. DEMATERIALISATION OF THE OFFER SHARES

The Offer Shares will be transferred from the issuer to successful applicants in dematerialised form only (the "dematerialised shares"). Accordingly, all successful applicants must appoint a CSDP under terms of the Securities Services Act, directly or through a broker, to receive and hold the dematerialised shares on their behalf. Dematerialised shares are shares that have been dematerialised (the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares for the purpose of Strate, the electronic settlement system used by the JSE and administered by the central security depository, Strate Limited, as contemplated in the Securities Services Act) and are "uncertificated securities" as defined in section 91A of the Companies Act. Should a shareholder require a physical share certificate for its Offer Shares following the Listing it should contact its CSDP to obtain one. It is noted that there are risks associated with holding shares in certificated form, including the risk of loss or tainted scrip, which are no longer covered by the JSE Guarantee Fund. All shareholders who elect to convert their dematerialised shares into shares that have not been dematerialised ("certificated shares") will have to dematerialise their Offer Shares should they wish to trade them under the terms of Strate. For more information, see "Strate" below.

Each applicant's duly appointed CSDP or broker will receive the dematerialised shares on its behalf against payment of the Offer Price by the applicant's CSDP, which is expected to occur on Tuesday, 14 December 2010 during the Strate settlement runs.

12. STRATE

Shares may only be traded on the JSE in electronic form as dematerialised shares and will be trading for electronic settlement in terms of Strate immediately following the Listing.

Strate is a system of "paperless" transfer of securities. If investors have any doubt as to the mechanics of Strate they should consult their broker, CSDP or other appropriate adviser. Please also refer to the Strate website at http://www.Strate.co.za. Some of the principal features of Strate are as follows:

- electronic records of ownership replace share certificates and the physical delivery of share certificates;
- trades executed on the JSE must be settled within five business days;
- all investors owning dematerialised shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning dematerialised shares specifically request their CSDP to register them as an "own name" shareholder (which entails a fee), their CSDP's or broker's nominee company, holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the Shares and/or to attend and vote at shareholders' meetings.

13. LISTING OF OFFER SHARES ON THE JSE

The JSE has approved the Listing of all the Shares in the "Food Producer" sector of the JSE lists under the abbreviated name "Clover", JSE share code "CLR" and ISIN ZAE000152377, subject to the attainment of a spread of shareholders acceptable to the JSE. Should such conditions be fulfilled, the Listing is expected to be effective from the commencement of business on Tuesday, 14 December 2010.

14. APPLICABLE LAW

The Offer, applications, allocations and acceptances will be exclusively governed by the laws of South Africa and each applicant will be deemed, by applying for Offer Shares, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Offer.

PURCHASE AGREEMENT AND LOCK-IN AGREEMENTS

As at the date of this prelisting statement, no purchase agreement or lock-in agreement has been concluded in respect of the Offer. However, if the company decides to proceed with and implement the Offer, the issuer, the bookrunner and locked-in management intend to enter into the purchase agreement and the lock-in agreements in connection with the Offer once the Offer Price has been determined as described above in "Particulars of the Offer – Offer Price".

If the purchase agreement is concluded, the issuer will, subject to the terms and conditions described in the purchase agreement, agree to issue the Offer Shares, and the bookrunner will agree to procure subscribers, or, failing that, to subscribe itself, for the Offer Shares at the Offer Price. If the purchase agreement is concluded, the obligations of the bookrunner to purchase and pay for the Offer Shares on the closing date will be subject to customary closing conditions.

Pursuant to the purchase agreement, if concluded, the bookrunner will have the right to terminate the purchase agreement under specified circumstances upon written notice to the issuer at any time after conclusion of the purchase agreement but before the Settlement Date.

The bookrunner is acting as bookrunner and, pursuant to the purchase agreement, if concluded, will be the manager of the Offer.

The following are the details of the bookrunner:

FirstRand Bank Limited, acting through its Rand Merchant Bank division

Registration number:	1929/001225/06
Registered office:	1 Merchant Place, Corner Rivonia Road and Fredman Drive, Sandton 2196, Johannesburg, South Africa
Directors:	L L Dippenaar S E Nxasana V W Bartlett J J H Bester J P Burger L Crouse P M Goss P K Harris W R Jardine E G Matenge-Sebesho R K Store B J van der Ross H J van Greuning M H Visser

Pursuant to the purchase agreement, if concluded, the total commissions to be paid to the bookrunner by the issuer will be 2% of the aggregate proceeds of the Offer (including those related to the Over-allotment Option) as compensation for underwriting, managing and distributing the Offer, subject to a minimum fee of R7.5 million.

In a lock-in agreement, if concluded, the issuer, Clover Milk Producer's Trust, and locked-in management intend to agree with the bookrunner that, subject to certain exceptions, they will not, during the period described below, directly or indirectly and without the consent of the bookrunner (which shall not be unreasonably withheld):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ordinary shares of the company; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares of the company,

whether such transaction is to be settled by delivery of ordinary shares of the company or such other securities, in cash or otherwise.

It is intended that these limitations will apply during the period of 180 days following the date of this prelisting statement. The aforegoing lock-in arrangements will not preclude any person who acquires Offer Shares in terms of the Offer from trading in, or transferring, such Shares.

The Shares traded on an over-the-counter market facilitated by the Group prior to the Offer. no assurances can be given that the Listing will result in a more active trading market than the over-the-counter market or that the Offer Shares will trade above the Offer Price. The Offer Price will be determined as described in the "Particulars of the Offer – Offer Price" section on page 70.

From time to time, in the ordinary course of their respective businesses, the bookrunner and its affiliates have engaged, and may engage in the future, in commercial or investment banking transactions with the issuer.

No promoter nor any of the issuer's directors or officers has any beneficial interest, direct or indirect, in the bookrunner which would, in the context of such promoter or issuer's directors or officers, be regarded as material or of a nature pursuant to which any significant benefit could accrue pursuant to the provisions of the purchase agreement.

The Offer is, unless the JSE otherwise permits, subject to the attainment of a spread of at least 300 shareholders, holding at least 20% of the Shares.

TAXATION

The following summary describes certain tax consequences of the purchase, ownership and disposition of the Shares. It is not a complete description of all the possible tax consequences of such purchase, ownership or disposition. This summary is based on the laws as in force and as applied in practice on the date of this prelisting statement and is subject to changes to those laws and practices subsequent to the date of this prelisting statement. Investors should consult their own advisers as to the tax consequences of the purchase, ownership and disposal of the Offer Shares in light of their particular circumstances, including, in particular, the effect of any state, regional, local or other tax laws.

South African Taxation

Residence-based System of Taxation

Residents of South Africa are taxed on their worldwide income and capital gains, whereas non-residents are taxed only on income and certain capital gains sourced in South Africa or deemed to be from a source in South Africa.

Individuals

An individual will be a resident of South Africa for tax purposes if:

- such individual is "ordinarily resident" in South Africa. This expression is not defined in the Income Tax Act, and therefore its meaning is determined according to guidelines established by the courts. Generally, a person's ordinary residence will be "the country to which he would naturally and as a matter of course return from his wandering; as contrasted with other lands it might be called his usual or principal residence and it would be described more aptly than other countries as his real home"; or
- the requirements of the physical presence test are met. This is basically determined with reference to the number of days spent by the individual in South Africa during a five-year period.

Legal persons (company, close corporation and trust)

As regards legal persons (and for these purposes, a trust is deemed to be a person), a resident is defined in the Income Tax Act as any person which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa.

General proviso regarding treaty resident persons

The Income Tax Act excludes from the definition of "resident" any person (legal or natural) that is deemed to be exclusively resident in another country in terms of an agreement for the avoidance of double taxation to which South Africa and that other country are parties.

Dividend Income

Dividends declared by a South African company are exempt from tax in the hands of the recipient. Currently there is no withholding tax on dividends paid by a South African company to its shareholders, whether or not they are resident in South Africa (but see notes on the introduction of Dividends Tax below).

However, STC is levied on a company distributing profits by way of a dividend, subject to certain exemptions. STC is triggered by the declaration of a dividend and is levied at a flat rate of 10%, during its relevant "dividend cycle". "Dividend cycle" means the period commencing on the day following the date of accrual to a company's shareholders of the last dividend declared by the company and ending on the date on which the dividend in question accrues to the shareholder concerned. An excess of dividends accruing to a company over dividends paid may be carried forward to subsequent dividend cycles as a so-called STC "credit".

STC is a tax on the declaring company, not the recipient shareholder. Relief on the rate is therefore not generally provided by the double taxation agreements entered into by South Africa. Certain double tax agreements, such as the agreement entered into by South Africa with the United Kingdom, have been amended to provide that a credit for the STC may be granted in the shareholder's country of residence.

Legislation has been passed for the repeal of STC and the introduction of a 10% withholding tax on dividends to both resident and non-resident shareholders ("Dividends Tax"), but subject to certain exceptions (such as when received by a South African resident company) and the reduction in appropriate circumstances under a double tax agreement. The date of the introduction of the Dividends Tax is not certain at this stage but will not occur during 2010 dividends tax.

It is proposed that for a maximum period of five years from the replacement of STC, companies will be exempt from dividend withholding tax to the extent of accumulated STC credits.

Disposal of Shares

The disposal of shares will give rise to either a capital or revenue receipt or accrual in the hands of a taxpayer. In determining whether the income derived from the disposal of such shares is of a capital or revenue nature, the South African tax authorities and courts look at, among other things, the intention of the holder of the shares to determine whether the disposal gave rise to a capital or revenue profit. Profits derived from the disposal of South African shares held as long-term investments are generally regarded as profits of a capital nature and are not subject to South African income tax. The onus of proof of a capital intent is on the taxpayer.

Subject to certain relief under double taxation agreements, if a non-resident shareholder trades (that is, conducts business or speculates) in South African shares, such non-resident shareholder could be subject to South African income tax if the proceeds from the disposal are considered to be from a South African source, which would generally be the case where the trading activities take place in South Africa.

Where, however, the shares have been held for more than three years and such shares qualifies as equity shares, the proceeds from the disposal will be deemed to be capital if the provisions of section 9C of the Income Tax Act are met.

Capital Gains Tax

Residents

Residents of South Africa (subject to certain relief under double taxation agreements) are subject to CGT in respect of gains made on the disposal of their world-wide assets.

CGT was introduced into the Income Tax Act with effect from 1 October 2001 by way of the incorporation of the Eighth Schedule thereto. In terms of this Eighth Schedule, all South African tax residents are liable to pay CGT on the gains realised from the disposal of capital assets (including a share held for more than three years, as described above). An asset is widely defined and includes movable and immovable property, corporeal and incorporeal property, and rights or interests in such property, but excludes certain limited items.

The following table sets out the prescribed portion of a capital gain that would be included in a taxpayer's taxable income, the normal tax rates applicable to certain taxpayers and, consequently, the effective rate at which capital gains are taxed:

Type of Taxpayer	**Prescribed Portion of the Capital Gain Included in Taxable Income** (%)	**Statutory Income Tax Rate** (%)	**Effective Rate** (%)
Individuals	25	0 – 40	0 – 10
Trusts			
Special	25	0 – 40	0 – 10
Other	50	40	20
Life assurers			
Individual policyholder fund	25	30	7.5
Company policyholder fund	50	28	14
Corporate fund	50	28	14
Untaxed policyholder fund	0	0	
Companies	50	28	14
Permanent establishments (branches)	50	33	16.5
Collective investment schemes	0	0	0

Corporate Tax

The corporate tax rate is 28% of taxable income.

As indicated, STC is payable by resident companies of South Africa at a rate of 10% calculated on the net amount of dividends declared by a company during any dividend cycle, therefore the effective maximum tax rate on companies of 34.55%.

For resident companies, capital gains are effectively taxed at half the rate, that is 14%, and on distribution STC is payable at the rate of 10%, giving a combined effective rate of 21.8%.

Securities Transfer Tax

The Offer Shares will be delivered in dematerialised form only. Securities Transfer Tax is imposed in respect of the transfer of shares (except where there is no change in beneficial ownership) at the rate of 0.25% of the taxable amount of such securities being the value or consideration given for the shares or (effectively) the market value, whichever is the higher, determined according to the Securities Transfer Tax Act. The acquirer of the shares is liable for the Securities Transfer Tax.

EXCHANGE CONTROL

The following summary describes certain exchange control consequences of acquiring and disposing of Shares. This summary should not be read as extending the Offer to, or resulting in the Offer being made, in any jurisdiction other than South Africa. Investors should consult their own advisers as to the exchange control consequences of acquiring and disposing of Shares.

Exchange Controls and Other Limitations Affecting Shareholders

Currency and shares are not freely transferable from South Africa to any jurisdiction falling outside the geographical borders of the Republic of South Africa, other than jurisdictions falling within the Common Monetary Area, and must be dealt with in terms of the South African exchange control regulations as described below. The South African exchange control regulations also regulate the acquisition by former residents and non-residents of Offer Shares.

Applicants who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to the Offer.

The following summary is intended as a guide and is therefore not comprehensive. If investors are in any doubt regarding South African exchange control regulations, they should consult their professional adviser.

Emigrants from the Common Monetary Area

- A former resident of the Common Monetary Area who has emigrated from South Africa may use emigrant blocked funds to acquire Offer Shares in terms of this prelisting statement.
- All payments in respect of subscriptions for or purchases of Offer Shares by an emigrant using blocked funds must be made through an authorised dealer in foreign exchange controlling the blocked assets.
- Share certificates issued in respect of Offer Shares (subsequent to the issue of the Offer Shares it being recorded that the Offer Shares will be issued in dematerialised form) and acquired with emigrant blocked funds in terms of this prelisting statement will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios.
- Shares subsequently re-materialised and issued in certificated form will be endorsed "Non-Resident" and will be sent to the authorised dealer in foreign exchange through whom the payment was made.
- If applicable, refund monies payable in respect of unsuccessful applications or partly successful applications for Offer Shares, as the case may be, in terms of this prelisting statement, emanating from emigrant blocked accounts, will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants' blocked accounts.

The CSDP or broker through whom the company's shareholders have dematerialised their shares is responsible for ensuring adherence to the South African exchange control regulations.

Applicants Resident outside the Common Monetary Area

- A person who is not resident in the Common Monetary Area, including an emigrant not using emigrant blocked funds, should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable a sale to be made in terms of the private placing.
- In the case of a dematerialised ordinary shareholder, all Offer Shares issued will be credited directly to the ordinary shareholder's non-resident share account held by his duly appointed CSDP. The CSDP or broker through whom the company's shareholders have dematerialised their shares will ensure that they adhere to the South African exchange control regulations.
- Applicants resident outside the Common Monetary Area should note that, where shares are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed "Non-Resident" in terms of the South African exchange control regulations.

Investments in South African Companies

A non-resident investor may invest freely in ordinary shares in a South African company, provided that such transactions are concluded at arm's length, at fair market-related prices and are financed in an approved manner. In this regard, such financing must be in the form of the introduction of foreign currency, Rand from a Non-Resident account or in terms of approved local borrowings that comply with exchange control regulations. The creation of any loan account between a resident and a non-resident would require prior exchange control approval.

Acquisitions of shares or assets of South African companies by non-South African purchasers are not generally subject to review by the South African Reserve Bank (the "SARB") when the consideration is in cash, but may require SARB review in certain circumstances, including when the consideration is equity in a non-South African company or when the acquisition is financed by a loan from a South African lender.

Any foreign investor may also sell shares in a South African company and transfer the proceeds out of South Africa without restriction, provided that such transactions are concluded at arm's length and at market-related prices.

Dividends

Dividends declared to non-resident shareholders are not subject to approval by the SARB and are freely transferable to non-resident shareholders by publicly listed companies. The transfer of funds abroad in respect of the declaration of a dividend *in specie* or special dividend by a publicly listed company requires prior SARB approval.

Interest

Interest on foreign loans is freely transferable abroad, provided the introduction of the loans received prior SARB approval.

Voting Rights

There are no limitations imposed by South African law or by the issuer's memorandum and articles of association on the rights of non-South African shareholders to vote the ordinary shares.

1. INFORMATION ON SUBSIDIARIES

Details of the issuer's subsidiaries are set out in Annexure 6 to this prelisting statement.

2. PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED

As at the last practicable date, the Group owned 84 immovable properties. Details of the principal immovable properties owned by the Group are set out in Annexure 7 to this prelisting statement. As at the last practicable date, none of the issuer's directors had any material interest in any of the immovable properties owned by the Group.

As at the last practicable date, the Group had 1 material lease over an immovable property. Details of the material lease are set out in Annexure 7 to this prelisting statement. As at the last practicable date none of the issuer's directors had any material interest in the material lease over the applicable immovable property.

3. MATERIAL ACQUISITIONS

The issuer and its subsidiaries have not made any material acquisitions of assets in the three years preceding the last practicable date.

4. PROPERTY ACQUIRED OR TO BE ACQUIRED

The Group has not acquired any immovable property in the three years preceding the last practicable date and the Group has no intention or option, as at the last practicable date, to acquire any further immovable property.

5. DISPOSAL OF PROPERTY

There were no material disposals of property by the Group since 1 July 2008 save for a disposal which took place in May 2009 as part of the recapitalisation of Danone Clover (Proprietary) Limited ("DC"). As at May 2009, the shares in DC were held as to 45% by Clover and 55% by Compagnie Gervais Danone ("CGD"). DC issued 139,000,000 shares to Clover and CGD, in proportion to their shareholdings in DC, for a subscription price of R330,847,000. CGD paid its portion of the subscription price, being R181,951,000, in cash. Clover discharged its portion of the subscription price, being R148,896,000, as follows:

- a cash payment of R3,500,000;
- transfer to DC of certain equipment and software;
- transfer to DC of the following immovable properties:
  - Erf 26 Anderbolt Extension 9, Gauteng, Registration Division IR, measuring 9,821m²;
  - Erf 98 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 16,584 hectare;
  - Erf 99 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 4,165m²;
  - Erf 100 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 4,283m²;
  - Erf 101 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 4,352m²;
  - Erf 102 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 4,428m²;
  - Erf 16 Anderbolt Extension 4, Gauteng, Registration Division IR, measuring 9,801m²;
  - Erf 17 Anderbolt Extension 4, Gauteng, Registration Division IR, measuring 1.5694 hectare;
  - Erf 18 Anderbolt Extension 4, Gauteng, Registration Division IR, measuring 1.1337 hectare;
  - Erf 243 Anderbolt Extension 66, Gauteng, Registration Division IR, measuring 1.8817 hectare;
  - Erf 244 Anderbolt Extension 66, Gauteng, Registration Division IR, measuring 1.9414 hectare;
  - Erf 414 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 1,794m²;
  - Erf 415 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 1,121m²;
  - Erf 416 Anderbolt Extension 18, Gauteng, Registration Division IR, measuring 214m².

Clover has subsequently disposed of its shareholding in DC to CGD.

The Pretoria and Springs warehouses and the Wesselsbron factory are now defunct and it is the intention of the Group to dispose of such properties in due course. Furthermore, after the completion of Project Cielo Blu the Mayfair factory may also become redundant and may possibly be sold by the Group. As yet, no buyers have been identified in respect of the aforegoing properties nor has any purchase price been agreed in respect thereof. Other than that, as at the last practicable date, there were no proposed material disposals by the Group of any property.

6. INTERESTS OF ADVISERS AND PROMOTERS AND AMOUNTS PAID OR PAYABLE TO PROMOTERS

None of the advisers, as set out in the "Corporate Information" section on page iii of this prelisting statement, holds any Shares or has agreed to acquire any Shares, except as contemplated in the Purchase Agreement.

Other than as disclosed in "Additional Information – Expenses" below, the company has not paid any amount (whether in cash or in securities), nor given any benefit to any promoters or any partnership, syndicate or other association of which the promoter was a member, not being a director since 1 July 2008. Other than as disclosed in "Additional Information – Expenses" below, no promoters have any material beneficial interest in the company's promotion.

7. MATERIAL CONTRACTS

Annexure 11 to this prelisting statement sets out:

- material contracts that have been entered into by the company or its subsidiaries during the two years preceding the last practicable date, other than in the ordinary course of business; and
- contracts entered into at any time prior to the two years preceding the last practicable date other than in the ordinary course of business that contain obligations or settlements material to the company or its subsidiaries as at the last practicable date.

There are no existing or proposed contracts relating to royalties or secretarial or technical fees payable by the Group to third parties.

8. MATERIAL CHANGES

There have been no material changes to the Group's financial or trading position between the financial year ended 30 June 2010 and the last practicable date.

9. MATERIAL CAPITAL COMMITMENTS

The Group's future capital commitments as at 30 June 2010 were R48 million, split into capital commitments contracted for R25 million and capital commitments authorised but not contracted of R23 million.

10. MATERIAL LOANS RECEIVABLE

As at the last practicable date neither the issuer nor any of its subsidiaries had any material loans receivable from third parties.

11. MATERIAL INTER-COMPANY BALANCES

Details of inter-company balances of the issuer as at 30 June 2010 before elimination were as follows:

	Owing by Clover SA R'000	**Owing to Clover SA R'000**	**Owing to Clover Industries R'000**
Clover Beverages	322,599	27,973	–
Clover Fonterra Ingredients	13,307	5,811	–
Lactolab	70	62	–
Clover Botswana	27	18,746	–
Clover Capital	–	579,374	–
Clover Industries	–	461,012	–
Clover West Africa	–	5,352	–
Clover Zambia	–	5,500	–
Clover Swaziland	–	3,459	–
Clover Producers Trust	–	–	4,398
Clover Share Purchase Trust	–	–	22,911
Total	**336 003**	**1 107 289**	**27,309**

12. NO MATERIAL CHANGE

There has been no material change in the nature of the business of issuer and its subsidiaries between 30 June 2010 and the last practicable date. Furthermore, save as disclosed in this Prelisting Statement, no material fact or circumstance has occurred between 30 June 2010 and the last practicable date.

13. CONTINGENT LIABILITIES

Clover has been referred to the Competition Tribunal by the Competition Commission. See the discussion below for more detail on the status of this matter. The Group has no other material contingent liabilities.

14. LEASE PAYMENTS

The Group has various operating lease agreements for machinery, offices, office equipment and other facilities. Future minimum lease payments under non-cancellable operating leases as at 30 June 2010, in respect of periods in excess of five years, are R0.3 million.

15. LOAN CAPITAL AND MATERIAL LOANS

Details of the Group's material borrowings as at 30 June 2010 are set out in Annexure 8 to this prelisting statement.

16. WORKING CAPITAL STATEMENT

The directors of the company are of the opinion that in the ordinary course of business the working capital available to Clover and its subsidiaries, following the Offer, is sufficient for their present requirements, that is, for at least 12 months following the date of this prelisting statement.

17. LITIGATION STATEMENT

From time to time, the Group is involved in legal proceedings arising in the ordinary course of business, certain of which are also covered by insurance. Save as set out in the succeeding paragraphs, the company believes that there are no legal proceedings pending that are likely to have a material adverse effect on its financial condition, results of operations or cash flows. Furthermore, there are no legal or arbitration proceedings have been instituted that may have or have had in the last 12 months a material effect on the Group's financial position, nor is the company aware of any such proceedings that are pending or threatened.

On 9 February 2005, the Competition Commission ("the commission"), purported to refer certain complaints ("the Complainants") against seven dairy processors (including Clover) to the Competition Tribunal ("the tribunal") for determination ("the pending matter"). This event has, over a prolonged period of time, received wide publication in the press. The complaints contain allegations of unlawful conduct on the part of Clover (and other respondents) that involve prohibited practices including collusion in regard to the fixing of milk prices. Clover has from inception disputed these contentions.

There has thus far been several interlocutory proceedings between the commission and some of the respondents, including Clover. These were dealt with by the tribunal and the Competition Appeal Court ("CAC"). It has caused the litigation to become protracted. The matter of determining the merits of the complaints has, in the result, not commenced as yet. It is anticipated – in view of what follows below – that there will be further interlocutory applications at the behest of certain respondents including Clover.

In one of these interlocutory proceedings, the CAC held that a summons whereunder certain documentary evidence had been procured from a respondent (Woodlands), was invalid. The commission was ordered to return all documents thus procured to Woodlands.

In another instance, an appeal lodged by two respondents (Woodlands and Milkwood) was recently upheld by the Supreme Court of Appeal ("SCA"). The SCA concluded, *inter alia*, that the initiation of the complaints against these respondents was invalid and that, pursuant thereto, the purported referral of such complaints to the tribunal was similarly flawed. The tribunal was accordingly not vested with the requisite capacity to entertain the referral.

Clover has informed the commission that it intends pursuing a similar challenge against the commissioner's referral. Attention is nevertheless drawn to the fact that the Act makes provision for the imposition of "administrative penalties" that may be as high as ten percent of a firm's turnover for the financial year preceding the relevant referral, which in Clover's case, amounted to approximately R3.3 billion.

Clover has since inception been represented by an experienced and reliable legal team. It acts in accordance with advice thus received. It will be noted that Clover has made no provision for the payment of any "administrative penalty" in regard to the pending matter.

18. EXPENSES

The Group has not incurred any preliminary expenses (within the meaning of the Listings Requirements and the Companies Act) over the last three financial years.

The expenses of the Offer (including expenses incurred in relation to issuing the new shares, referred to as the issue expenses) and the Listing, estimated to be approximately R17 812 000, will be paid by the company.

The table below sets out the total estimated expenses of the Offer and the Listing, including the issue expenses:

Expenses of the Offer and Listing	**(R'000)**
Bookrunner – Rand Merchant Bank, a division of FirstRand Bank Limited	10,000
Issuer's counsel – Werksmans Inc.	1,610
Rand Merchant Bank's counsel – Webber Wentzel	700
Rand Merchant Bank's advising fee	2,500
Independent reporting accountants and auditors – Ernst & Young.	1,000
Sponsor – Rand Merchant Bank, a division of FirstRand Bank Limited	150
Printing, publishing and distribution costs – Ince (Pty) Limited	295
JSE listing fees	270
JSE documentation fees	62
Marketing expenses	600
Transfer secretary – Computershare Investor Services (Proprietary) Limited	25
Share issue duties	450
Other	150
Total expenses and fees	**17,812**

19. COMMISSIONS PAID OR PAYABLE TO BOOKRUNNER

Other than as disclosed in the "Purchase Agreement and Lock-in Agreements" section on page 74, no consideration has been paid since 1 July 2008 or is payable to any person (including any commissions so paid or payable to any sub-underwriter that is the company's holding company, promoter, director or officer) for subscribing or agreeing to apply to subscribe, or agreeing to procure subscriptions for any of the Offer Shares. No commissions, discounts, brokerage or other special terms were granted since 1 July 2008 in connection with the issue of any securities, stock or debentures in the issuer's capital. Should the purchase agreement be concluded, the issuer will pay to the bookrunner the commission described in the "Purchase Agreement and Lock-in Agreements" section on page 74 and will reimburse certain related expenses.

20. REGISTRATION OF PRELISTING STATEMENT

As the Offer is not an offer to the public as contemplated under the Companies Act, a copy of this prelisting statement is not required to be registered with CIPRO in terms of Section 155(1) of the Companies Act.

21. CONSENTS

Each of the legal advisers, the auditors and independent reporting accountants and the bookrunner (in its capacity as bookrunner) named in this prelisting statement have consented in writing to act in the capacities stated and to their names being stated in this prelisting statement, and none of these consents have been withdrawn prior to the issue of this prelisting statement.

22. DIRECTORS' RESPONSIBILITY STATEMENT

The issuer's board of directors, whose names are given under "Management and Corporate Governance – Directors and Management", collectively and individually accept full responsibility for the accuracy of the information contained herein and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this prelisting statement contains all information required by law and the Listings Requirements.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the issuer's registered office and the sponsors' offices set out in the "CORPORATE INFORMATION" section during normal business hours (Saturdays, Sundays and official South African public holidays excepted) from the date of issue of this prelisting statement until the closing date:

- the issuer's and its subsidiaries' memoranda and articles of association;
- the Clover Share Appreciation Rights Plan (2010), as amended;
- the issuer's audited consolidated annual financial statements for the years ended 30 June 2008, 2009 and 2010;
- the report of the independent reporting accountants and auditors dated 19 November 2010, which are included as Annexures 2 and 4 to this prelisting statement;
- the written consents of each of the legal advisers, the sponsor, the bookrunner and the auditors and independent reporting accountants named in this prelisting statement to act in those capacities and references thereto in the form and context in which they are included in this prelisting statement;
- copies of the material contracts referred to in Annexure 11 to this prelisting statement;
- the service agreements referred to in Annexure 5 to this prelisting statement.

SIGNED IN JOHANNESBURG ON 29 NOVEMBER 2010 BY OR ON BEHALF OF THE DIRECTORS OF CLOVER INDUSTRIES LIMITED

John Allan Hutchinson Bredin
Chairman

Johann Hendrik Vorster
Chief Executive Officer

LEGAL MATTERS

The validity of the Offer Shares and certain other legal matters will be pronounced upon by Werksmans Inc., the issuer's counsel, and certain legal matters will be pronounced upon by Webber Wentzel to the bookrunner's counsel.

INDEPENDENT REPORTING ACCOUNTANTS AND AUDITORS

The issuer's historical consolidated financial statements for the years ended 30 June 2008, 2009 and 2010 included in this prelisting statement have been audited by Ernst & Young Inc., as stated in their audit report included in this prelisting statement.

CONSOLIDATED HISTORICAL FINANCIAL STATEMENTS OF CLOVER INDUSTRIES LIMITED AND ITS SUBSIDIARIES FOR THE YEARS ENDED 30 JUNE 2008, 30 JUNE 2009 AND 30 JUNE 2010

I. INTRODUCTION

The historical financial information of CIL set out below has been extracted from the audited annual financial statements of CIL for the years ended 30 June 2008, 2009 and 2010. The annual financial statements were audited by Ernst & Young Inc. and reported on without qualification.

The historical financial information of CIL is the responsibility of the directors of CIL.

The historical financial information of CIL for the years ended 30 June 2008, 2009 and 2010 were authorised for issue on 18 November 2010 by the board of Directors.

II. COMMENTARY

Detailed commentary on the historical financial information of CIL is provided in the selected consolidated financial information of the Group included in the prelisting statement.

III. HISTORICAL FINANCIAL INFORMATION

The 2009 and 2008 historical financial information were adjusted for the purpose of improved disclosure to comply with the revised presentation format of IAS1. Refer to note 2.4(t) in the Consolidated Historical Financial Information for further details. It should be noted that these adjustments had no impact on the previously reported net profits.

In addition no material change in the nature of the business of the issuer and its subsidiaries occurred and no material fact or circumstance has occurred between the end of the latest financial year of the issuer and the date of the prelisting statement, in so far as not already dealt with in historical financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income for the years ended 30 June 2008, 2009 and 2010

	Notes	2010 R'000	Group 2009 Restated R'000	2008 Restated R'000
CONTINUING OPERATIONS				
Sales of products		5,409,689	4,991,653	5,288,483
Rendering of services		583,073	481,383	427,242
Rental income		2,978	2,810	2,580
REVENUE		**5,995,740**	**5,475,846**	**5,718,305**
Cost of sales	6.1	(4,328,694)	(4,035,544)	(4,060,134)
Gross profit		**1,667,046**	**1,440,302**	**1,658,171**
Other operating income	6.2	60,054	22,722	33,955
Profit on sale of associated company		337,682	–	–
Profit on deconsolidation of joint venture	4.2	–	637,518	–
Dividends received		649	344	713
Selling and distribution costs		(1,200,290)	(1,177,568)	(1,182,168)
Administrative expenses		(149,061)	(216,477)	(186,320)
Restructuring expenses	6.7	(149,458)	(25,619)	(11,350)
Other operating expenses	6.3	(7,652)	(16,884)	(15,774)
Operating profit	6.4	**558,970**	**664,338**	**297,227**
Finance income	6.6	27,353	15,388	16,352
Finance cost	6.5	(90,871)	(151,137)	(137,485)
Profit before tax from continuing operations		**495,452**	**528,589**	**176,094**
Taxes	7.1	(191,662)	(29,239)	(50,472)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**303,790**	**499,350**	**125,622**
DISCONTINUED OPERATIONS				
Profit after tax for the year from discontinued operations	8	32,123	39,560	–
PROFIT FOR THE YEAR		**335,913**	**538,910**	**125,622**
OTHER COMPREHENSIVE INCOME				
Exchange differences on translations of foreign operations		(2,717)	3,879	(2,965)
Total comprehensive income for the year, net of tax		**333,196**	**542,789**	**122,657**
Profit attributable to:				
Equity holders of the parent		330,819	527,170	119,924
Non-controlling interests		5,094	11,740	5,698
		335,913	**538,910**	**125,622**
Total comprehensive income attributable to:				
Equity holders of the parents		328,881	531,331	115,891
Non-controlling interests		4,315	11,458	6,766
		333,196	**542,789**	**122,657**

Consolidated statement of comprehensive income
for the years ended 30 June 2008, 2009 and 2010

	Notes	2010 Cents	Group 2009 Restated Cents	2008 Cents
Earnings per share				
Basic, profit for the year attributable to ordinary equity holders of the parent	9	428.0	22.3*	5.2*
Basic, profit for the year attributable to preference equity holders of the parent	9	–	596.4*	135.6*
Diluted, profit for the year attributable to ordinary equity holders of the parent	9	428.0	22.3*	5.2*
Diluted, profit for the year attributable to preference equity holders of the parent	9	–	596.4*	135.6*
Earnings per share for continuing operations				
Basic, profit from continuing operations attributable to ordinary equity holders of the parent	9	386.4	20.6*	5.2*
Basic, profit from continuing operations attributable to preference equity holders of the parent	9	–	551.7*	135.6*
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent	9	386.4	20.6*	5.2*
Diluted, profit from continuing operations attributable to preference equity holders of the parent	9	–	551.7*	135.6*

* The preference shares participated in the ordinary dividends with the ordinary shares proportionate to the par value of ordinary shares and the issue prices of the preference shares. Even though preference shares only participated in earnings to the extent that ordinary dividends have been declared, earnings per share and diluted earnings per share were disclosed for both ordinary as well as preference shares based on the dividend rights associated with the type of shares. On 31 May 2010 the preference shares were converted to redeemable preference shares and the rights of preference shares to ordinary dividends were suspended.

Consolidated statements of financial position
for the years ended 30 June 2008, 2009 and 2010

	Notes	2010 R'000	Group 2009 Restated R'000	2008 Restated R'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	914,413	931,778	1,028,547
Investment properties	12	1,010	1,221	1,114
Intangible assets	13	287,060	289,001	328,128
Investment in associated company	30	–	601,747	–
Other investments	30	–	3	3,503
Deferred tax assets	14	18,740	110,349	104,764
		1,221,223	**1,934,099**	**1,466,056**
Current assets				
Inventories	15	465,994	529,221	609,520
Trade and other receivables	16	807,463	791,232	791,305
Prepayments		6,170	4,591	–
Cash and short-term deposits	17	429,274	273,971	504,423
		1,708,901	**1,599,015**	**1,905,248**
Assets classified as held-for-sale	10	1,979	52,393	2,892
		1,710,880	**1,651,408**	**1,908,140**
Total assets		**2,932,103**	**3,585,507**	**3,374,196**

Consolidated statements of financial position
for the years ended 30 June 2008, 2009 and 2010

	Notes	2010 R'000	Group 2009 Restated R'000	2008 R'000
EQUITY AND LIABILITIES				
Equity				
Issued capital	18.3	6,192	17,498	17,498
Share premium	18.3	115,348	121,032	121,032
Treasury share capital and share premium	18.4	–	(4,024)	(4,024)
Other reserves	19	242,188	843,587	239,893
Retained earnings	20	684,631	462,029	564,222
Equity attributable to equity holders of the parent		**1,048,359**	**1,440,122**	**938,621**
Non-controlling interests		28,108	40,886	48,308
Total equity		**1,076,467**	**1,481,008**	**986,929**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	21	592,504	761,425	657,001
Share-based payments	31	–	130	–
Provisions	22	50,357	60,364	62,883
Deferred tax liability	14	6,363	6,292	28,577
Trade and other payables	23	6,320	–	–
Total non-current liabilities		**655,544**	**828,211**	**748,461**
Current liabilities				
Trade and other payables	23	1,115,327	1,020,335	1,103,825
Interest-bearing loans and borrowings	21	66,947	234,809	517,581
Share-based payments	31	–	985	–
Income tax payable	25.1	1,368	3,510	3,097
Provisions	22	16,450	16,649	14,303
Total current liabilities		**1,200,092**	**1,276,288**	**1,638,806**
Total liabilities		**1,855,636**	**2,104,499**	**2,387,267**
Total equity and liabilities		**2,932,103**	**3,585,507**	**3,374,196**

Consolidated statements of changes in equity
for the year ended 30 June 2008, 2009 and 2010

	Group										
	Notes	Ordinary and preference share capital R'000	Ordinary and preference share premium R'000	Preference share capital and premium transferred to debt R'000	Treasury share capital and premium R'000	Other capital reserves R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 July 2007		**16,340**	**259,322**	**(149,691)**	**(3,589)**	**248,493**	**(4,567)**	**462,674**	**828,982**	**28,508**	**857,490**
Profit for the year								119,924	119,924	5,698	125,622
Other comprehensive income							(4,033)		(4,033)	1,068	(2,965)
Total comprehensive income							(4,033)	119,924	115,891	6,766	122,657
Ordinary shares issued	18.3	1,158	11,103						12,261		12,261
Movement in treasury shares				298	(435)				(137)		(137)
Dividends of subsidiaries										(10,008)	(10,008)
Dividends declared	24							(18,376)	(18,376)		(18,376)
Preference shares issued										15,209	15,209
Acquisition of interest in Mayo Dairy										7,833	7,833
Balance at 30 June 2008		**17,498**	**270,425**	**(149,393)**	**(4,024)**	**248,493**	**(8,600)**	**564,222**	**938,621**	**48,308**	**986,929**
Profit for the year								527,170	527,170	11,740	538,910
Other comprehensive income							4,161		4,161	(282)	3,879
Total comprehensive income							4,161	527,170	531,331	11,458	542,789
Dividends	24							(29,984)	(29,984)		(29,984)
Transfer to sundry reserve						599,533		(599,533)	–		–
Dividends of subsidiaries										(6,819)	(6,819)
Deconsolidation of joint venture										(12,061)	(12,061)
Acquisition adjustment – Mayo Dairy								154	154		154
Balance at 30 June 2009		**17,498**	**270,425**	**(149,393)**	**(4,024)**	**848,026**	**(4,439)**	**462,029**	**1,440,122**	**40,886**	**1,481,008**
Profit for the year								330,819	330,819	5,094	335,913
Other comprehensive income							(1,938)		(1,938)	(779)	(2,717)
Total comprehensive income							(1,938)	330,819	328,881	4,315	333,196
Preference share capital of subsidiary repaid										(15,208)	(15,208)
Dividends of subsidiaries										(1,885)	(1,885)
Buy-back of equity rights of preference shares (Special dividend)	24							(370,030)	(370,030)		(370,030)
Transfer to retained profit						(600,194)		600,194	–		–
Reduction in ordinary share capital – CIL	18	(504)							(504)		(504)
Clover Milk Producer's Trust											
Reduction in ordinary share capital – HCI	18	(3,088)						(337,363)	(340,451)		(340,451)
Ordinary shares issued	18	935	86,394						87,329		87,329
Preference shares issued	18	295	8,967						9,262		9,262
Increase in ordinary treasury shares					(41)				(41)		(41)
Treasury preference shares issued to executives					3,047				3,047		3,047
Reversal of debt portion on issue of treasury preference shares				(2,257)					(2,257)		(2,257)
Share based payment reserve						733			733		733
Increase in debt portion on conversion of preference shares to redeemable preference shares				(107,732)					(107,732)		(107,732)
Ordinary treasury shares realised and written off with deconsolidation of Clover Milk Producer's Trust					1,018			(1,018)	–		–
Balance at 30 June 2010		**15,136**	**365,786**	**(259,382)**	**–**	**248,565**	**(6,377)**	**684,631**	**1,048,359**	**28,108**	**1,076,467**

Consolidated statement of cash flows
for the years ended 30 June 2008, 2009 and 2010

	Notes	2010 R'000	Group 2009 Restated R'000	2008 R'000
Operating activities				
Profit before tax from continuing operations		495,452	528,589	176,094
Profit before tax from discontinued operations	8	–	71,705	–
Profit before tax		495,452	600,294	176,094
Adjustments to reconcile profit before tax to net cash flow				
Adjustment for non-cash items:				
Depreciation and impairment of property, plant and equipment		89,253	98,317	94,576
Amortisation and impairment of intangible assets		7,438	7,963	6,149
Depreciation of investment properties		48	56	–
Impairment of assets held for sale		1,013	–	–
Foreign exchange loss/(profit)		2,005	2,280	(13,918)
Movement in provisions		(10,205)	2,405	2,782
Movements in long term incentive bonus provisions		6,320	–	–
Profit on disposal of investment in associated company		(337,682)	–	–
Profit on deconsolidation of Danone Clover		–	(637,518)	–
(Profit)/Loss on disposal and scrapping of assets		(49,011)	3,830	(5,057)
Impairment of plant included in restructuring cost		10,732	6,654	47
Movement in provision for share based payment		(382)	–	–
Foreign exchange differences on fixed assets		959	–	–
Adjustments and reclassification between asset groups		–	657	(428)
Other adjustments:				
Finance cost		90,871	175,503	137,485
Finance income		(27,353)	(19,366)	(16,352)
Dividends received		(649)	(344)	(713)
Working capital adjustments				
Decrease/(increase) in inventories		63,226	38,404	(294,934)
Increase in trade and other receivables		(17,810)	(147,753)	(197,819)
Increase in trade and other payables		124,976	15,136	239,345
Taxes	25.1	(102,124)	(66,822)	(80,857)
Net cash flow from operating activities		**347,077**	**79,696**	**46,400**

Consolidated statement of cash flows
for the years ended 30 June 2008, 2009 and 2010

	Notes	2010 R'000	Group 2009 Restated R'000	2008 R'000
Investing activities				
Proceeds from sale of property, plant and equipment		155,661	5,804	19,914
Reduction in cash on deconsolidation of Danone Clover	25.2	–	(39,454)	–
Foreign exchange loss		(2,005)	(2,280)	13,918
Interest received	6.6	27,353	19,366	16,352
Income from other investment		3	–	–
Dividends received		649	344	713
Dividends received from associated company		–	35,121	–
Proceeds on sale of associate company		1,079,560	–	–
Proceeds from sale of other investment		–	–	530
Tangible assets acquired with acquisition of interest in Mayo Dairy		–	–	(11,712)
Increase in investment in associated company		(150,554)	–	–
Capital expenditure: tangible assets	11.4	(98,089)	(190,035)	(196,729)
Capital expenditure: intangible assets	13.3	(5,527)	(19,418)	(56,695)
Foreign currency translation reserve		(1,938)	4,161	(4,033)
Acquisition of deferred tax asset in Mayo Dairy		–	–	640
Net cash flow from/(used in) investing activities		**1,005,113**	**(186,391)**	**(217,102)**
Financing activities				
Interest paid	6.5	(90,871)	(175,503)	(137,485)
Dividends paid		(400,014)	–	(18,376)
Repayment of preference share liability in subsidiary company		(50,000)	–	–
(Increase)/decrease in non-controlling interest		(2,665)	(7,101)	14,102
Ordinary share buy back		(340,955)	–	–
Treasury shares sold		3,006	–	(137)
Proceeds from issue of ordinary shares		87,329	–	12,261
Proceeds from issue of preference shares		9,262	–	–
Repayment of borrowings		(450,515)	(161,506)	(95,965)
Proceeds from borrowings		38,536	220,353	568,160
Net cash flows used in financing activities		**(1,196,887)**	**(123,757)**	**342,560**
Net increase/(decrease) in cash and cash equivalents		**155,303**	**(230,452)**	**171,858**
Cash and cash equivalents at the beginning of the year	**17**	**273,971**	**504,423**	**332,565**
Cash and cash equivalents at the end of the year	**17**	**429,274**	**273,971**	**504,423**

1. CORPORATE INFORMATION

Clover Industries Limited (the "company") is a company incorporated and domiciled in South Africa. The consolidated financial statements of the Group for the years ended 30 June 2008, 2009 and 2010 comprise the company and its subsidiary companies (together referred to as the "Group") and the Group's interest in jointly controlled entities.

2. BASIS OF ACCOUNTING

2.1 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations adopted by the International Accounting Standards Board.

(b) Preparation

The consolidated financial statements are presented in rands, rounded off to the nearest thousand. They are prepared on the historical-cost basis unless otherwise stated. The carrying values of the recognised liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.3. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases. Investments in subsidiaries are accounted for at cost by the investing company.

A change in the ownership interest of a subsidiary without a change in control is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date on which joint control commences until the date that joint control ceases. Financial statements of the joint ventures are prepared for the same reporting period as the parent company.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

From the date when a jointly controlled entity becomes an associate of the Group, the Group accounts for its interest in accordance with IAS 28. On the loss of joint control, the Group shall measure at fair value any investment the Group retains in the former jointly controlled entity through profit or loss.

Associated company

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and minority interest in the subsidiaries of the associates.

If the financial statements of an associate are not prepared for the same reporting period as the parent company, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associate the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and fair value of retaining investment and proceeds from disposal are recognised in profit or loss.

Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

(d) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

IFRS 8 Operating Segments, effective date 1 January 2009

IAS 1 Presentation of Financial Statements, effective date 1 January 2009

IAS 23 Borrowing Costs, effective date 1 January 2009

IAS 32 & IAS 1 Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

– Puttable Financial Instruments and Obligations arising on Liquidation, effective date 1 January 2009

IFRIC 16 Hedges of a net investment in a foreign operation, effective date 1 October 2008

Improvements to IFRS (May 2008), effective date mostly 1 January 2009

IFRS 7 Financial Instruments: Disclosures, effective date 1 January 2009

IFRIC 9 Remeasurement Embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement, effective date periods ending on or after 30 June 2009

IFRS 2 Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations, effective date 1 January 2009

IFRIC 17 Distribution of Non-Cash Assets to Owners, effective date 1 July 2009

IFRIC 18 Transfer of assets from customers, effective date 1 July 2009

The Directors are of the opinion that the impact of the standards will be as follows:

- IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

  The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

- IFRS 7 Financial Instruments: Disclosures

  The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three-level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

- IFRS 8 Operating Segments

  This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segments Reporting. Additional disclosures about each of these segments are shown in Note 5, including revised comparative information.

- IAS 1 Revised Presentation of Financial Statements

  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

- IAS 23 Borrowing Costs (Revised)

  The standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the standard this has been adopted as a prospective change.

Therefore, borrowing costs will be capitalised on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

- IAS 32 Financial Instruments: Presentation and IAS1 Puttable Financial Instruments and Obligations Arising on Liquidation

  The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

  These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

  The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of an net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation. As the Group did not dispose of any net investment, it has no impact on the financial position or results.

- IFRIC 17 Distribution of Non-cash Assets to Owners

  This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

- IFRIC 18 Transfers of Assets from Customers

  This interpretation is to be applied prospectively to transfers of assets from customers received in periods beginning on or after 1 July 2009. IFRIC 18 applies to all entities that receive from customers an item of property, plant and equipment or cash for the acquisition or construction of such items. These assets must then be used to connect the customer to a network or to provide ongoing access to a supply of goods or services of both. However, if the transfer is a government grant or the asset is used in a service concession arrangement, the interpretation will not apply.

- Improvements to IFRS

  In May 2008 the board of IFRIC issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

2.2 Standards, Interpretations and Amendments issued that are not yet effective

At the date of authorisation of the Group annual financial statements for the year ended 30 June 2010, the following standards and interpretations were issued but not yet effective:

Improvements to IFRS (May 2010), effective date 1 July 2010

IFRS 2 Amendments to IFRS 2 Share-based payments: Group cash-settled share-based payment transactions, effective date 1 January 2010

IFRS 9 Financial Instruments (Phase 1 of new standard to replace IAS 39), effective date 1 January 2013

IAS 24 Amendments to IAS 24 – Related party disclosures, effective date 1 January 2011

IFRIC 19 Extinguishing financial liabilities with equity instruments, effective date 1 July 2010

IAS 32 Amendments to IAS 32 – Classification of rights issues denominated in a foreign currency, effective date 1 February 2010

IFRIC 14 Amendments to IFRIC 14 – Prepayments of a minimum funding requirement, effective date 1 January 2011

The standards must be implemented for annual periods beginning on or after the effective date.

2.3 Significant accounting judgements and estimates

The preparation of the Group's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's accounting policies, Management has made judgements which may have significant effects on the amounts recognised in the financial statements. Such judgements are disclosed in the relevant notes to the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment

The carrying values of property, plant and equipment are based on Management's estimates of the useful lives and residual values. These estimates are based on product life cycles and assessments by engineering and other specialist staff.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, Management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model and making assumptions about them.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Hull-White Trinominal Lattice model, taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Deferred taxation assets

Deferred taxation assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant Management judgement is required to determine the amount of deferred taxation assets that can be recognised, based on the likely timing and level of future taxable profits together with future taxation planning strategies.

Income tax expense

Taxes are a matter of interpretation and subject to changes. The Group makes use of tax experts to advise on all tax matters. Estimations of normal company tax and CGT are based on the advice and Management's interpretation thereof.

Long service bonus provision and defined benefit-pension plan

The cost of the long service bonus provision and defined-benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.4 Summary of significant accounting policies

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables as well as derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes interest-bearing loans and borrowings, trade payables, liabilities to banks, finance lease payables and derivative financial liabilities.

Measurement

Financial instruments are generally recognised as soon as the Group becomes a party under the contractual regulations of the financial instruments. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position, when and only when, the entity currently has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement with the asset. Continuing involvement that takes a form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(a) (i) Financial assets

Investments and other financial assets

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. All regular-way purchases and sales of financial assets are recognised on the trade date i.e. the date that the risks and rewards of ownership are passed to the Group. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention within the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains and losses on investments held-for-trading are recognised in profit or loss.

Loans and accounts receivables

Loans and accounts receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees and transaction costs that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

Amortised cost

Loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, short-term deposits and highly liquid investments.

(ii) Financial liabilities

Trade and other payables

Trade payables are non-interest bearing and carried at the original invoice amount.

Interest-bearing loans and borrowings

All loans, borrowings and financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. Borrowing cost are expensed through profit or loss as incurred.

(b) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rand at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to rand at rates approximating the foreign exchange rates ruling at the date of the transaction.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price for contracts with similar maturity profiles. The change in the fair value of the hedging derivative is recognised in profit or loss. The change in the fair value of the hedged instrument attributable to the risk hedged is recorded as part of the carrying value of the hedged instrument and is also recognised in profit or loss.

(c) Property, plant and equipment

Owned assets

Plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. When each major service and/ or inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All buildings are measured at cost less accumulated depreciation and accumulated impairment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised. The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, at each financial year-end.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits incidental to ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings: 10 to 50 years
- Plant: 3 to 30 years
- Furniture and equipment: 3 to 15 years
- Vehicles: 5 to 20 years

(d) Investment properties

Investment properties are properties which are held either to earn rental income or capital appreciation or both. Investment properties are initially measured at cost, including transaction costs. Investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment. They are tested for impairment if there is an indication of impairment. The estimated useful lives of investment properties are 10 to 50 years and are depreciated using the straight-line basis. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Trademarks, patents and software licences

Trademarks, patents and software licences are measured on initial recognition at cost. Following initial recognition they are amortised on a straight-line basis over a period of five to fifteen years. Impairment testing is done annually or more frequently when an indication of impairment exists. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Research and development cost

Research and development costs are recognised in profit or loss as incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses cannot be reversed in future periods.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first-in, first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a portion of manufacturing overheads, based on normal operating capacity but excluding finance cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(g) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable value. An asset's recoverable value is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Such a reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(h) Cumulative preference shares

The component of the cumulative preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position. The corresponding dividends on those shares are charged as interest expense in profit or loss. On issue of the preference shares, the fair value of the liability component is determined using cost of capital and this amount is carried as a long-term liability on the amortised cost basis until cleared on conversion or redemption.

The remainder of the amount after deduction of the debt component is recognised and included in shareholders' equity net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

(i) Treasury shares

Shares in the company held by the Group are classified as treasury shares. On consolidation, these shares are treated as a deduction from the issued number of shares and the cost price of the shares is deducted from share capital and share premium in the statement of financial position. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Dividends received on treasury shares are eliminated on consolidation.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(k) Retirement benefits

It is the policy of the Group to provide for pension liabilities by payments to separate funds, independent of the Group, and contributions are recognised in profit or loss. Surpluses are not accounted for, as they accrue to members of the fund.

Defined-benefit fund

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and previous periods, that benefit is discounted to determine its present value and the fair value of any plan assets is deducted. Actuarial valuations are done on the projected unit credit actuarial valuation method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Defined-contribution funds

Obligations for contributions to defined-contribution pension and provident plans are recognised as an expense in profit or loss as incurred.

Medical aid

The obligation in respect of post-retirement health care is the sole responsibility of the retired employee. Therefore there is no Group obligation or liability in this regard.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, taking into account confidential discounts; distribution, sales and marketing services rendered; contract manufacturing; and rental income. The following specific recognition criteria must also be met before revenue is recognised:

Sales of products

Invoiced product sales are recognised as turnover, excluding value-added taxation.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue comprises invoiced gross sales of products, less discounts and provisions for product claims.

Services rendered

Revenue from the rendering of services is recognised on the completion of the service.

Finance income

Revenue is recognised as interest accrues (using the effective interest rate – that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). The Group deposits surplus funds at financial institutions and does not act as a supplier of finance to third parties. Interest received is recognised as finance income.

Dividends received

Dividends are recognised when the right to receive payment is established.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the rental income. The rental of properties does not form part of the core business of the Group. Income in this regard is recognised as other operating income.

(m) Cost of sales

Cost of sales consists of the following:

- cost of milk, ingredients and packaging
- milk collection cost
- manufacturing direct and indirect costs
- primary distribution costs
- charges against sales.

(n) Finance costs

Finance costs are recognised as an expense when incurred.

(o) Taxes

Current taxation

Current taxation assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The taxation rates and taxation laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred taxation

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax is based on current rates of taxation. IFRS requires the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted at the reporting date, to be applied.

Value-added taxation

Revenues, expenses, assets and liabilities are recognised net of the amount of value-added taxation, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Secondary taxation on companies

Secondary taxation on companies is recognised if one of the following events occurs:

- Dividends are declared whether regular or preferences or
- Events have occurred which result in a deemed dividend.

STC is calculated at the prescribed legislated rate and the expense is reflected as part of the taxation expense in profit or loss.

(p) Segment reporting

The business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(q) Share-based compensation

The Group operates an equity-settled, as well as a cash-settled share-based compensation plan.

Equity-settled share-based compensation plan

The fair value of the employee services received in exchange for the shares granted is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value on the grant date of the shares granted, excluding the impact of any non-market vesting conditions.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to become exercisable. This recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. At each reporting date the entity revises its estimates of the number of shares that are expected to become exercisable.

Cash-settled share-based compensation plan

The cost of a cash-settled transaction is measured initially at fair value at the grant date using a modified version of the Hull-White Trinominal Lattice model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

(r) Earnings per share

The issued preference shares participated in ordinary dividends until conversion. The earnings per share and diluted earnings per share for both the ordinary and preference shares were therefore disclosed in the statement of comprehensive income. For earnings per share purposes the earnings for the year are split between the ordinary and preference shares based on the ordinary dividend rights attached to each class of share, even though the preference shares only participated in earnings to the extent that dividends are declared. The earnings per share for preference shares excluded the cumulative preferential dividends that accrued to preference shareholders annually.

On 31 May 2010 the preference shares were converted into redeemable preference shares and the rights of the preference shares to ordinary dividends were cancelled. no earnings are attributable to preference shareholders on 30 June 2010 and the calculation of earnings per preference share are no longer applicable.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they incur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group capitalised borrowing costs for all eligible assets where construction was commenced on or after 1 July 2009.

(t) Comparative figures

Where account balances were adjusted for the purpose of improved disclosure, the comparative figures have been restated accordingly. It has also been restated, where applicable to comply with the revised presentation format of IAS 1.

Income from services rendered by sales, distribution and administration to subsidiaries, associate company and principals were previously set off from selling and distribution expenses and administration expenses in the statement of comprehensive income. As revenue is now use to determine gross profit, income from services rendered is included in gross profit. Previously turnover was used to determine gross profit which excluded income from services rendered.

Rental income was previously recognised as other income. As revenue is now used to determine gross profit rental income is included in gross profit. Previously turnover was used to determine gross profit which excluded rental income.

Income from services rendered by production and milk procurement to third parties, subsidiaries, associate company and Principals were previously set off from manufacturing and milk collection cost which forms part of cost of sales. As revenue is now used to determine gross profit the reallocation did have no effect on gross profit.

3. DEFINITIONS

3.1 Dividend per ordinary share

Dividend paid to ordinary shareholders, divided by the weighted average number of ordinary shares in issue at the end of the year.

3.2 Equity dividend per preference share

Ordinary dividend paid to preference shareholders, divided by the weighted average number of preference shares in issue at the end of the year.

Preference dividend recognised as interest per preference share

Preference dividend paid, divided by the weighted average number of preference shares in issue at the end of the year.

3.3 Earnings and diluted earnings per share

Earnings per ordinary share

Profit attributable to ordinary shareholders, based on ordinary dividend rights divided by the weighted average number of ordinary shares net of the weighted average number of treasury shares in issue at the end of the year.

Diluted earnings per ordinary share

Profit attributable to ordinary shareholders, based on ordinary dividend rights, divided by the weighted average number of ordinary shares, adjusted for options issued, net of the weighted average number of treasury shares at the end of the year, adjusted for options issued.

Earnings per preference share

Profit attributable to preference shareholders, based on ordinary dividend rights, divided by the weighted average number of preference shares net of the weighted average number of treasury shares in issue at the end of the year.

Diluted earnings per preference share

Profit attributable to preference shareholders, based on ordinary dividend rights, divided by the weighted average number of preference shares, adjusted for options issued, net of the weighted average number of treasury shares at the end of the year.

3.4 Net assets

Total assets less total liabilities.

3.5 Cash flow

Cash flow from operating activities.

3.6 Cash flow per share

Cash flow divided by the weighted average number of ordinary shares in issue at the end of the year.

3.7 Net asset turnover

Turnover divided by average net assets less average cash on hand.

3.8 Return on net assets

Operating profit as a percentage of average assets less average current liabilities excluding current interest-bearing loans and borrowings.

3.9 Return on shareholders' funds

Profit attributable to shareholders as a percentage of average shareholders' funds, before minority interest.

3.10 Gearing percentage

Interest-bearing loans and borrowings reduced by cash funds, as a percentage of total shareholders' interest, including minority interest.

3.11 Current ratio

Current assets divided by current liabilities.

3.12 Activities pertaining to cash flow

Operating activities

All transactions and other events that are not investing or financing activities.

Financing activities

Activities that result in changes in the size and composition of the capital structures of the Group. This includes both the equity and debt not falling within the definition of cash and cash equivalents.

Investing activities

Activities relating to the acquisition, holding and disposal of long-term assets.

3.13 Cash and cash equivalents

Cash on hand and in current bank accounts.

3.14 Restructuring cost

Restructuring cost consists of costs incurred in order to streamline processes of the Group.

3.15 Abbreviations

The following abbreviations are used in the financial statements

Company names	Abbreviation
Clover Industries Limited:	CIL
Clover Holdings Limited:	Clover Holdings
Clover S.A. (Proprietary) Limited:	Clover S.A.
Clover Beverages Limited:	Clover Beverages
Danone Southern Africa (Proprietary) Limited (formerly Danone Clover (Proprietary) Limited):	Danone Clover/Danone SA
Compagnie Gervais Danone:	Danone Group/Danone
Clover Industries Limited and subsidiaries:	The Group/Clover
Clover Fonterra Ingredients (Proprietary) Limited:	CFI/Clover Fonterra
Clover Botswana (Proprietary) Limited (incorporated in Botswana):	Clover Botswana
Hosken Consolidated Investments Limited:	HCI
Fonterra Limited:	Fonterra
Clover Swaziland (Proprietary) Limited (incorporated in Swaziland):	Clover Swaziland
Clover Capital (Proprietary) Limited:	Clover Capital
Clover Manhattan (Proprietary) Limited:	Clover Manhattan
The Model Dairy (Proprietary) Limited:	The Model Dairy
Clover Zambia Limited (incorporated in Zambia):	Clover Zambia
Saclo Properties (Proprietary) Limited:	Saclo
Mayo Dairy (Proprietary) Limited:	Mayo Dairy
Clover Manhattan Unincorporated Joint Venture:	Clover Manhattan J.V.
Clover Industries Limited Stabilisation Trust changed to: Clover Milk Producers Trust	Clover Milk Producers Trust
Other	
International Accounting Standards:	IAS
International Financial Reporting Standards:	IFRS
Depreciated Replacement Cost:	DRC
Net Current Replacement Cost:	NCRC
Property, plant and equipment:	PP&E
Rand Merchant Bank:	RMB
Capital Gains Tax:	CGT
Share Appreciation Rights:	SAR

4. INTEREST IN JOINT VENTURES AND ASSOCIATED COMPANY

Clover Industries indirectly held a 45% interest in Danone Clover through Clover S.A. which was reclassified as an associate company on 1 June 2009 and was disposed of on 1 January 2010. The associated company was classified as a discontinued operation in the current year. Refer to Note 8, Discontinued operations.

Clover Industries indirectly holds a 50,1 % interest in Clover Manhattan through Clover Beverages. Clover also formed a unincorporated joint venture, Clover Manhattan J.V. which is involved in the manufacture, marketing and distribution of ice tea.

Clover Industries indirectly holds a 51% interest in Clover Fonterra through Clover S.A. Clover Fonterra is involved in the marketing and distribution of dairy-related products.

		Group	
	2010 R'000	**2009 R'000**	**2008 R'000**
4.1 Interest in joint ventures			
The Group's share in the assets, liabilities, income and expenses of the jointly controlled entities at 30 June 2010 which are included in the consolidated financial statements, are as follows:			
Clover Manhattan J.V. and Clover Manhattan Assets			
Current assets	6,792	–	–
Liabilities			
Current liabilities	5,753	–	–
Income statement			
Revenue	27,501	–	–
Cost of sales	(18,123)	–	–
Sales, marketing, distribution and administrative expenses	(7,717)	–	–
Other operating costs	(218)	–	–
Profit before taxation	1,443	–	–
Income tax expense	(404)	–	–
Profit distributed to partners	1,039	–	–
Capital commitments			
Capital commitments authorised and contracted for	–	–	–
Capital commitments authorised but not contracted for	–	–	–
Clover Fonterra			
Assets			
Current assets	29,854	94,325	65,438
Non-current assets	223	222	239
Liabilities			
Current liabilities	15,180	16,359	52,732
Non-current liabilities	2,093	–	–

	2010 R'000	Group 2009 R'000	2008 R'000
4.1 Interest in joint ventures (continued)			
Income statement			
Turnover	59,177	66,206	118,558
Cost of sales	(39,825)	(49,978)	(96,181)
Sales, marketing, distribution and administrative expenses	(10,036)	(8,152)	(11,248)
Other operating (expenses)/income	(103)	(93)	90
Finance income	295	417	422
Profit before taxation	9,508	8,400	11,641
Income tax expense	(3,148)	(3,053)	(3,954)
Profit attributable to shareholders of the parent company	6,360	5,347	7,687
Capital commitments			
Capital commitments authorised and contracted for	–	–	–
Capital commitments authorised but not contracted for	–	–	–
Danone Clover			
Assets			
Current assets	–	–	206,685
Non-current assets	–	–	249,005
Liabilities			
Current liabilities	–	–	155,543
Non-current liabilities	–	–	216,685
Income statement			
Revenue	–	–	717,064
Cost of sales	–	–	(517,336)
Sales, marketing, distribution and administrative expenses	–	–	(144,737)
Other operating (expenses)/income	–	–	746
Finance cost	–	–	(15,773)
Profit before taxation	–	–	39,964
Minority interest	–	–	(194)
Income tax expense	–	–	(12,475)
Profit attributable to shareholders of the parent company	–	–	27,295
Capital commitments			
Capital commitments authorised and contracted for	–	–	–
Capital commitments authorised but not contracted for	–	–	10,918

		Group	
	2010	**2009**	**2008**
	R'000	**R'000**	**R'000**

4.2 Interest in associated company

The investment in Danone Clover was reclassified and accounted for as an associated company with effect from 1 June 2009. On 1 January 2010 the Group disposed of its interest in Danone Clover, as disclosed in the Directors' report.

Danone Clover

The following summarised information of the Group's investment in the associated company is included in the consolidated financial statements:

	2010 R'000	2009 R'000	2008 R'000
Cost	–	20,025	–
Share of retained earnings	–	75,208	–
Unrealised inter-group profits on sale of UltraMel business	–	(90,427)	–
Profit on deconsolidation of Danone Clover	–	637,518	–
Fair value at date of loss of joint control	**–**	**642,324**	**–**
Dividends received from associated company	–	(35,121)	–
Share of loss of associated company	–	(5,456)	–
Carrying amount of the investment	**–**	**601,747**	**–**

The following summarised information of the Group's interest in the associated company was not included in the financial statements:

	2010 R'000	2009 R'000	2008 R'000
Revenue for the month of June 2009	–	62,105	–
Assets as at 30 June 2009	–	526,568	–
Liabilities as at 30 June	–	(367,449)	–

Following from the sale of this investment the Group's income from this investment is disclosed as a discontinued operation and the comparative figures in the statement of comparative income have been restated accordingly. See Note 8 for further disclosure in this regard.

4.3 Acquisition of interest in Mayo Dairy

Danone Clover, in which Clover S.A. has a 45% interest, acquired a 70% interest in Mayo Dairy for R142,4 million on 1 May 2008. The Group's share of goodwill derived from the purchase of Mayo Dairy was R45,8 million. Goodwill was determined as follows:

	2010 R'000	2009 R'000	2008 R'000
Cash consideration	–	–	142,425
Less: Fair value of assets acquired	–	–	(40,615)
Goodwill recognised			101,810
CIL Group's share in the goodwill recognised			**45,815**

The carrying value of the net assets acquired in the previous year equalled the fair value of the net assets on the date of acquisition. The contribution that Mayo Dairy made to net profit for the year was negligible, as the acquisition was made two months before year-end.

Several factors contributed to the recognition of goodwill on the acquisition of the Group's interest in Mayo Dairy namely:

- Mayo Dairy has a unique business model that the Group will explore in its existing businesses;
- The business and brand are well established with loyal customers and products complementing the existing Group products;

Possibilities exist for the Mayo Dairy products being distributed through the extensive Group sales and distribution network for much wider distribution;

Existing synergies between the Group and Mayo Dairy can lead to increased effectiveness;

The intellectual capital and critical management of the business have been adequately secured.

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The Group comprises the following main business segments:

* The dairy products segment is focused on providing the market with quality dairy products. Other dairy consist of Clover Botswana, Clover Zambia, Clover Fonterra and Clover Swaziland.
* The non-alcoholic beverages segment focus on the development and marketing of non-alcoholic, value-added branded beverages products.
* Other consist of Clover Industries Limited holding company and Lactolab (Proprietary) Limited that render laboratory services.

Operating segments

The following tables present revenue, profit, assets and liability information of the Group's operating segments for the years ended 30 June 2010, 2009 and 2008 respectively.

30 June 2010 SEGMENTAL REPORT	Dairy products Clover S.A. R'000	Dairy products Other R'000	Dairy products Total R'000	Non alcoholic beverages Clover Beverage R'000	Other Clover Industries and Laktolab R'000	Other Adjustments and eliminations R'000	Consolidated – Continuing operations Clover Industries Group R'000	Discontinued operation Danone Clover R'000	Consolidated Total Clover Industries Group R'000
Statement of income									
External revenue	4,596,983	333,951	4,930,934	1,055,800	9,006	–	5,995,740	–	5,995,740
Inter-segment revenue	459,706	5,383	465,089	–	–	(465,089)	–	–	–
Total revenue	**5,056,689**	**339,334**	**5,396,023**	**1,055,800**	**9,006**	**(465,089)**	**5,995,740**	**–**	**5,995,740**
Revenue	5,056,689	339,334	5,396,023	1,055,800	9,006	(465,089)	5,995,740	–	5,995,740
Cost of sales	(3,644,520)	(261,320)	(3,905,840)	(658,427)	(2,984)	238,557	(4,328,694)	–	(4,328,694)
Gross profit	**1,412,169**	**78,014**	**1,490,183**	**397,373**	**6,022**	**(226,532)**	**1,667,046**	**–**	**1,667,046**
Depreciation	(92,856)	(1,035)	(93,891)	(3,169)	(335)	(358)	(97,753)	–	(97,753)
Other (cost)/income	(1,161,719)	(66,645)	(1,228,364)	(285,413)	9,460	236,415	(1,267,902)	–	(1,267,902)
Recurring operating profit	**157,594**	**10,334**	**167,928**	**108,791**	**15,147**	**9,525**	**301,391**	**–**	**301,391**
Profit from sale of Danone Clover	908,981	–	908,981	–	–	(571,299)	337,682	–	337,682
Profit from sale of Boksburg properties	93,365	–	93,365	–	–	(42,546)	50,819	–	50,819
Dividends received	25,675	–	25,675	–	195,649	(220,675)	649	–	649
Restructuring expenses	(131,442)	–	(131,442)	(129)	–	–	(131,571)	–	(131,571)
Operating profit as per statement of comprehensive income	**1,054,173**	**10,334**	**1,064,507**	**108,662**	**210,796**	**(824,995)**	**558,970**	**–**	**558,970**
Net financing cost	(55,351)	(24)	(55,375)	9,068	(17,211)	–	(63,518)	–	(63,518)
Profit before taxation	**998,822**	**10,310**	**1,009,132**	**117,730**	**193,585**	**(824,995)**	**495,452**	**–**	**495,452**
Tax expense	(127,905)	(5,215)	(133,120)	(32,933)	(63,594)	37,985	(191,662)	–	(191,662)
Profit for the year after tax	**870,917**	**5,095**	**876,012**	**84,797**	**129,991**	**(787,010)**	**303,790**	**–**	**303,790**
Share of associate company's profit	–	–	–	–	–	–	–	32,123	32,123
Profit for the year	**870,917**	**5,095**	**876,012**	**84,797**	**129,991**	**(787,010)**	**303,790**	**32,123**	**335,913**
Assets and liabilities									
Segment assets	3,151,070	140,722	3,291,792	374,363	497,605	(1,231,657)	2,932,103	–	2,932,103
Segment liabilities	1,757,693	96,770	1,854,463	45,249	838,285	(882,361)	1,855,636	–	1,855,636

	Dairy products			Non alcoholic beverages	Other		Consolidated – Continuing operations	Discontinued operation	Consolidated Total
30 June 2009 SEGMENTAL REPORT	**Clover S.A. R'000**	**Other R'000**	**Total R'000**	**Clover Beverage R'000**	**Clover Industries and Laktolab R'000**	**Adjustments and eliminations R'000**	**Clover Industries Group R'000**	**Danone Clover R'000**	**Clover Industries Group R'000**
Income statement									
External revenue	4,149,379	344,908	4,494,287	972,576	8,983	–	5,475,846	767,068	6,242,914
Inter-segment revenue	529,110	5,785	534,895	–	–	(534,895)	–	–	–
Total revenue	**4,678,489**	**350,693**	**5,029,182**	**972,576**	**8,983**	**(534,895)**	**5,475,846**	**767,068**	**6,242,914**
Revenue	4,678,489	350,693	5,029,182	972,576	8,983	(534,895)	5,475,846	767,068	6,242,914
Cost of sales	(3,360,367)	(283,711)	(3,644,078)	(620,057)	(2,660)	231,251	(4,035,544)	(526,478)	(4,562,022)
Gross profit	**1,318,122**	**66,982**	**1,385,104**	**352,519**	**6,323**	**(303,644)**	**1,440,302**	**240,590**	**1,680,892**
Depreciation	(87,888)	(829)	(88,717)	(3,717)	(553)	(909)	(93,896)	(12,440)	(106,336)
Other (cost)/income	(1,312,880)	(47,204)	(1,360,084)	(254,737)	21,457	299,858	(1,293,506)	(136,861)	(1,430,367)
Recurring operating profit	**(82,646)**	**18,949**	**(63,697)**	**94,065**	**27,227**	**(4,695)**	**52,900**	**91,289**	**144,189**
Profit on deconsolidation of Danone Clover	–	–	–	–	–	637,518	637,518	–	637,518
Dividends received	175,633	–	175,633	–	52,312	(227,602)	343	–	343
Restructuring expenses	(26,405)	(18)	(26,423)	–	–	–	(26,423)	804	(25,619)
Operating profit as per statement of comprehensive income	**66,582**	**18,931**	**85,513**	**94,065**	**79,539**	**405,221**	**664,338**	**92,093**	**756,431**
Net financing cost	(143,240)	1,356	(141,884)	14,775	(8,596)	(44)	(135,749)	(20,388)	(156,137)
(Loss)/Profit before taxation	**(76,658)**	**20,287**	**(56,371)**	**108,840**	**70,943**	**405,177**	**528,589**	**71,705**	**600,294**
Tax expense	61,006	(4,350)	56,656	(31,292)	(16,606)	(37,997)	(29,239)	(26,689)	(55,928)
(Loss)/Profit for the year after tax	**(15,652)**	**15,937**	**285**	**77,548**	**54,337**	**367,180**	**499,350**	**45,016**	**544,366**
Share of associate company's profit	–	–	–	–	–	–	–	(5,456)	(5,456)
(Loss)/Profit for the year	**(15,652)**	**15,937**	**285**	**77,548**	**54,337**	**367,180**	**499,350**	**39,560**	**538,910**
Assets and liabilities									
Segment assets	3,374,566	177,627	3,552,193	287,307	488,783	(742,776)	3,585,507	–	3,585,507
Segment liabilities	2,058,316	129,837	2,188,153	23,610	234,494	(341,758)	2,104,499	–	2,104,499

	Dairy products			Non alcoholic beverages	Other		Consolidated – Continuing operations	Discontinued operation	Consolidated Total
30 June 2008 SEGMENTAL REPORT	**Clover S.A. R'000**	**Other R'000**	**Total R'000**	**Clover Beverage R'000**	**Clover Industries and Laktolab R'000**	**Adjustments and eliminations R'000**	**Clover Industries Group R'000**	**Danone Clover R'000**	**Clover Industries Group R'000**
Income statement									
External revenue	3,896,617	331,095	4,227,712	777,029	30,886	–	5,035,627	682,678	5,718,305
Inter-segment revenue	488,554	6,240	494,794	–	–	(494,794)	–	–	–
Total revenue	**4,385,171**	**337,335**	**4,722,506**	**777,029**	**30,886**	**(494,794)**	**5,035,627**	**682,678**	**5,718,305**
Revenue	4,385,171	337,335	4,722,506	777,029	30,886	(494,794)	5,035,627	682,678	5,718,305
Cost of sales	(2,881,854)	(279,193)	(3,161,047)	(497,671)	(6,473)	88,007	(3,577,184)	(482,950)	(4,060,134)
Gross profit	**1,503,317**	**58,142**	**1,561,459**	**279,358**	**24,413**	**(406,787)**	**1,458,443**	**199,728**	**1,658,171**
Depreciation	(74,416)	(862)	(75,278)	(3,569)	(7,721)	(615)	(87,183)	(13,561)	(100,744)
Other (cost)/income	(1,307,245)	(39,838)	(1,347,083)	(214,499)	24,180	417,248	(1,120,154)	(129,410)	(1,249,563)
Recurring operating profit	**121,656**	**17,442**	**139,098**	**61,290**	**40,872**	**9,846**	**251,106**	**56,757**	**307,864**
Profit on deconsolidation of Danone Clover	–	–	–	–	–	–	–	–	–
Dividends received	93,103	–	93,103	–	34,724	(127,114)	713	–	713
Restructuring expenses	(10,293)	(36)	(10,329)	–	–	–	(10,329)	(1,020)	(11,350)
Operating profit as per statement of comprehensive income	**204,466**	**17,406**	**221,872**	**61,290**	**75,596**	**(117,268)**	**241,490**	**55,737**	**297,227**
Net financing cost	(122,341)	1,877	(120,464)	24,963	(9,697)	(162)	(105,360)	(15,773)	(121,133)
(Loss)/Profit before taxation	**82,125**	**19,283**	**101,408**	**86,253**	**65,899**	**(117,430)**	**136,130**	**39,964**	**176,094**
Tax expense	13,141	(5,936)	7,205	(32,067)	(12,101)	(1,034)	(37,997)	(12,475)	(50,472)
(Loss)/Profit for the year after tax	**95,266**	**13,347**	**108,613**	**54,186**	**53,798**	**(118,464)**	**98,133**	**27,489**	**125,622**
Share of associate company's profit	–	–	–	–	–	–	–	–	–
(Loss)/Profit for the year	**95,266**	**13,347**	**108,613**	**54,186**	**53,798**	**(118,464)**	**98,133**	**27,489**	**125,622**
Assets and liabilities									
Segment assets	2,955,463	151,227	3,106,690	334,876	435,061	(958,121)	2,918,506	455,690	3,374,196
Segment liabilities	2,255,861	112,420	2,368,281	35,267	203,176	(591,684)	2,015,040	372,227	2,387,267

	Group 2010 R'000	2009 R'000	2008 R'000
6. INCOME AND EXPENSES			
6.1 Cost of sales			
Charges against sales	(94,056)	(72,559)	(281,678)
Cost of raw materials	(2,251,143)	(2,029,709)	(2,146,899)
Packaging costs	(699,668)	(663,376)	(644,808)
Milk collection cost	(268,688)	(265,939)	(257,491)
Manufacturing direct and indirect cost	(669,861)	(698,774)	(560,539)
Primary distribution cost	(345,278)	(305,187)	(168,719)
Total cost of sales	**(4,328,694)**	**(4,035,544)**	**(4,060,134)**
Included in cost of sales are operating expenses as indicated below			
Depreciation, impairment and amortisation			
– Depreciation of property, plant and equipment	60,071	53,731	41,594
– Amortisation and impairment of trademarks, patents and licences	3,082	2,865	1,555
Total depreciation, impairment and amortisation included in cost of sales	**63,153**	**56,596**	**43,149**
Total inventories, raw material and finished product written off or provided for included in cost of sales	**12,346**	**26,930**	**11,867**
6.2 Other operating income			
Impairment loss on trade receivables reversed	4,309	–	–
Profit on sale of property, plant and equipment	49,011	–	5,064
Insurance premiums refunded	–	10,033	–
Scrap sales	3,204	4,622	5,356
Foreign exchange profit	–	–	13,918
Sundry	3,530	8,067	9,617
Total other operating income	**60,054**	**22,722**	**33,955**
6.3 Other operating expenses			
Loss on sale of property, plant and equipment	–	(3,757)	–
Foreign exchange loss	(2,005)	(2,280)	–
Handling fees	(2,305)	(416)	(3,050)
Impairment loss on trade receivables	–	(4,142)	(4,517)
Provision: Consumable stock obsolescence	(1,395)	(2,151)	(3,988)
Underprovision for SARS export tax settlement	–	(2,139)	–
Sundry	(1,947)	(1,999)	(4,219)
Total other operating expenses	**(7,652)**	**(16,884)**	**(15,774)**

Sundry income and expenses consist of immaterial items.

			Group	
		2010 R'000	**2009 R'000**	**2008 R'000**
6.4	**Operating profit**			
	Operating profit before finance income/(cost) has been determined after taking into account the following expenses:			
	Other expenses			
	Development expenses	7,226	10,377	7,984
	Rentals			
	– land and buildings	18,093	16,798	24,335
	– equipment	22,825	21,204	37,118
	– vehicles	295,327	280,119	249,236
	– machines	21,609	20,699	6,180
	– other	3,087	5,775	868
	Direct operating expenses of investment properties			
	– maintenance	54	76	76
	Total other expenses	**368,221**	**355,048**	**325,797**
	Personnel expenses			
	– wages, salaries, bonuses and car allowances	963,822	1,009,500	892,730
	– company contributions	16,626	14,671	9,129
	– pension contributions	59,098	65,956	53,984
	– medical aid fund contributions	21,136	22,100	20,208
	– other personnel expenses	37,722	48,463	44,419
	Total personnel expenses	**1,098,404**	**1,160,690**	**1,020,470**
	Auditors' remuneration			
	– audit fees current year	8,508	9,398	8,828
	– audit fees adjustment previous year	1,064	22	1,691
	– other fees and expenses	630	893	562
	Total auditors' remuneration	**10,202**	**10,313**	**11,081**
	Depreciation and amortisation			
	Depreciation of property, plant and equipment	29,383	44,641	52,890
	Depreciation of investment properties	48	56	92
	Amortisation and impairment of trademarks, patents and licences	5,168	4,633	4,640
	Total depreciation and amortisation included in selling, distribution and administrative expense	**34,599**	**49,330**	**57,622**
6.5	**Finance cost**			
	Bank loans and overdrafts	(14,837)	(60,488)	(56,166)
	Debtor's securitisation	(48,084)	(56,210)	(43,439)
	Preference dividends transferred to finance cost	(22,290)	(32,248)	(30,417)
	Fair value adjustments to a loan hedged by an interest-rate swap	–	(1,044)	(7,206)
	Other	(5,660)	(1,147)	(257)
	Total finance cost	**(90,871)**	**(151,137)**	**(137,485)**

		2010 R'000	Group 2009 R'000	2008 R'000
6.6	**Finance income**			
	Bank interest	1,782	5,784	5,093
	Interest received on call deposits	22,567	6,291	8,351
	Inter-company	–	–	51
	Other	3,004	3,054	2,774
	Fair value adjustment to a loan hedged by an interest-rate swap	–	259	83
	Total finance income	**27,353**	**15,388**	**16,352**
6.7	**Restructuring cost**			
	Restructuring cost has been determined after taking into account the following expense:			
	Impairment	–	6,654	1,020
	Carrying value written off	10,732	–	–
	In the current year a sorter at Clover City Deep branch was written off			

7. TAXES

7.1	**The major components of the tax expense are:**			
	Local income tax			
	Current income tax			
	– current year	(46,572)	(43,888)	(58,852)
	– previous year	(86)	–	(137)
	Deferred tax			
	– current year	(90,090)	20,471	23,633
	– previous year	(1,590)	–	(2,646)
	Withholding tax			(1,417)
	Secondary taxation on companies			
	– current year	(53,324)	(4,436)	(8,370)
	Foreign taxation	–	–	
	Current income tax			
	– current year	–	(3,664)	(2,818)
	– previous year	–	2,394	
	Deferred taxation			
	– current year	–	(116)	135
	Total tax expense	**(191,662)**	**(29,239)**	**(50,472)**
	Estimated taxation losses available for reduction of future taxable income	**322,198**	**759,413**	**459,253**

7.2	**Reconciliation of tax rate**			
		%	**%**	**%**
	Standard income tax rate	28,0	28,0	28,0
	Adjusted for:			
	Permanent differences	(0,6)	(24,0)	4,3
	Income tax rate adjustment			1,5
	Deferred tax on STC credits	0,1	0,3	(5,0)
	Secondary taxation on companies – paid	10,8	1,6	4,8
	Withholding	–	–	0,8
	Long-service bonus – adjustment	–	–	(6,2)
	Other	0,4	(0,4)	0,5
	Effective tax rate	**38,7**	**5,5**	**28,7**

	Group 2010 R'000	Group 2009 R'000	Group 2008 R'000
8. DISCONTINUED OPERATIONS			
The Group's interest in Danone Clover, an associated company, was sold to Compagnie Gervais Danone effective from 1 January 2010. The associate represented the Group's interest in yoghurt and long life custard. The investment was classified as an asset held for sale and as a discontinued operation.			
The results of the associate are presented below:			
Income statement			
Revenue	–	767,068	–
Cost of sales	–	(526,478)	–
Sales, marketing, distribution and administrative expenses	–	(145,285)	–
Other operating costs	–	(3,212)	–
Finance income	–	3,978	–
Finance costs	–	(24,366)	–
Profit before taxation	–	71,705	–
Income tax expense			
– current income tax	–	(24,326)	–
– deferred income tax	–	(2,363)	–
Share of profit/(loss) of associated company net of taxation	32,123	(5,456)	–
Profit attributable to equity holders of the parent company	**32,123**	**39,560**	**–**
Non-controlling interest	–	(4,036)	–
Profit for the period/year from a discontinued operation	**32,123**	**35,524**	**–**
As an associate of the Group, the assets and liabilities of Danone Clover were not recognised in the Group's consolidated financial statements.			
The net cash flows incurred by Danone Clover are as follows:			
Profit before tax	–	71,705	–
Finance income	–	(3,978)	–
Finance cost	–	24,366	–
Income tax paid	–	(26,689)	–
Cash generated from operating activities	–	65,404	–
Investing activities			
Non-controlling interest	–	4,036	–
Net cash flow from investing activities	–	4,036	–
Investing activities			
Finance income	–	3,978	–
Net cash flow from investing activities	–	3,978	–
Financing activities			
Finance costs	–	(24,366)	–
Net cash flow used in financing activities	–	(24,366)	–
Net cash flow	**–**	**49,052**	**–**

	Cents per share	Cents per share	Cents per share
Earnings per ordinary share			
Basic and diluted, from discontinued operation	41,6	1,7	–
Earnings per preference share			
Basic and diluted, from discontinued operation	0,0	44,8	

	2010 R'000	Group 2009 R'000	2008 R'000

9. EARNINGS PER SHARE

The preference shares participated in the ordinary dividends with the ordinary shares proportionate to the par value of ordinary shares and the issue prices of the preference shares. Even though preference shares only participated in earnings to the extent that ordinary dividends have been declared, earnings per share and diluted earnings per share were disclosed for both ordinary as well as preference shares based on the dividend rights associated with the type of shares. On 31 May 2010 the preference shares were converted to redeemable preference shares and the rights of preference shares to ordinary dividends were suspended.

9.1 Profit attributable to the different classes of shares

	2010 R'000	2009 R'000	2008 R'000
Profit attributable to ordinary shareholders of the parent company	**330,819**	**17,572**	**3,997**
Profit attributable to preference shareholders of the parent company	–	509,598	115,927
Profit attributable to shareholders of the parent company	**330,819**	**527,170**	**119,924**
Profit from a discontinued operation	32,123	39,560	–
Profit from continued operations	**298,696**	**487,610**	**119,924**
Profit from continued operations attributable to the different classes of shares			
Profit attributable to ordinary shareholders of the parent company	298,696	16,254	–
Profit attributable to preference shareholders of the parent company	–	471,356	–
Profit attributable to shareholders of the parent company	**298,696**	**487,610**	**–**

		Number of shares	Number of shares	Number of shares
9.2	**Basic earnings and diluted earnings per ordinary shares**			
	Weighted average number of issued ordinary shares			
	Number of issued ordinary shares	86,302,270	88,485,311	76,907,793
	Issued to Hosken Consolidated Investment on 10 August 2007			10,277,030
	Less: treasury shares	(9,004,549)	(9,773,777)	(9,773,777)
	Weighted average number of issued ordinary shares	**77,297,721**	**78,711,534**	**77,411,046**
	Diluted weighted average number of issued ordinary shares			
	Number of issued ordinary shares	86,302,270	88,485,311	76,907,793
	Issued to Hosken Consolidated Investment on 10 August 2007			10,277,030
	Less: treasury shares	(9,004,549)	(9,773,777)	(9,773,777)
	Diluted weighted average number of issued ordinary shares	**77,297,721**	**78,711,534**	**77,411,046**

	Cents per share	Cents per share	Cents per share
Earnings per share			
Basic profit for the year attributable to ordinary equity holders of the parent	428,0	22,3	5,2
Earnings per share for continuing operations			
Basic profit from continuing operations attributable to ordinary equity holders of the parent	386,4	20,6	5,2

		Number of shares	Number of shares	Number shares
9.3	**Basic earnings and diluted earnings per preference shares**			
	There are no instruments in issue that could have a dilutive effect and therefore the diluted earnings per share equal the earnings per share.			
	Weighted and diluted average number of issued preference shares			
	Number of issued preference shares	–	86,492,589	86,492,589
	Less: treasury shares	–	(1,050,567)	(975,567)
	Weighted and diluted average number of issued preference shares	**–**	**85,442,022**	**85,517,022**

	Cents per share	Cents per share	Cents per share
Earnings per share			
Basic profit for the year attributable to preference equity holders of the parent	0,0	596,4	135,6
Earnings per share for continuing operations			
Basic profit from continuing operations attributable to preference equity holders of the parent	0,0	551,7	135,6

		2010 Before tax	2010 After tax	2009 Before tax	2009 After tax	2008 Before tax	2008 After tax
9.4	**Headline earnings per share**						
	Profit attributable to equity holders of the parent		330.8		527.2		119.9
	Adjusted for:						
	Loss/(gain) on disposal and scrapping of property, plant and equipment	0.9	0.7	3.8	2.8	(5.1)	(3.6)
	Gain on the sale of Boksburg factory	(50.8)	(56.2)				
	Gain on deconsolidation of Danone Clover			(637.5)	(599.5)		
	Gain on disposal of Danone Clover	(337.7)	(232.5)	–	–	–	–
	Impairment of plant and equipment recognised as restructuring cost	10.7	7.7	6.7	4.8	–	–
	Impairment or property, plant and assets held for sale	0.8	0.6	–	–	–	–
	Total of adjustments		**(279.7)**		**(591.9)**		**(3.6)**
	Headline earnings/(loss) attributable to equity holders of the parent		51.1		(64.7)		116.3
	Less: Profit after tax from discontinued operations		(32.1)		(39.6)		
	Headline earnings/(loss) from continuing operations attributable to equity holders of the parent	**–**	**19.0**		**(104.3)**		**116.3**
	Headline earnings/(loss) and diluted headline earnings/(loss) from continuing operations attributable to equity holders of the parent per share (cents)		**24.6**		**(132.5)**		**150.2**

	Group 2010 R'000	2009 R'000	2008 R'000
10. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE			
Net book value at the beginning of the year	52,393	2,892	2,892
Impairment	(1,013)	–	–
Transfer to assets classified as held-for-sale	4,339	50,611	–
Disposals	(53,740)	(1,110)	–
Carrying value	1,979	52,393	2,892

Some properties are classified as held-for sale following the decision of the Group's Management to sell certain properties no longer required for Group operations.

Sales are expected to be realised within the next six months. The value of the properties is estimated at R3,7 million (2009: R151,8 million, 2008: R5,3 million). The fair value of the disposal group exceeds the carrying value.

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Freehold land and buildings

	2010 R'000	2009 R'000	2008 R'000
Cost			
Balance at the beginning of the year	420,275	433,978	415,711
Additions capitalised	7,795	61,522	20,117
Impairment	–	(507)	–
Transfer to assets classified as held-for-sale	(4,989)	(53,028)	–
Deconsolidation of Danone Clover	–	(21,677)	–
Disposals	(2)	(13)	(1,850)
Balance at the end of the year	**423,079**	**420,275**	**433,978**
Accumulated depreciation			
Balance at the beginning of the year	(128,392)	(135,851)	(124,052)
Depreciation for the year	(13,826)	(14,844)	(12,522)
Transfer to assets classified as held-for-sale	2,175	17,707	–
Disposals	–	12	723
Deconsolidation of Danone Clover	–	4,584	–
Balance at the end of the year	**(140,043)**	**(128,392)**	**(135,851)**
Carrying amounts			
Balance at the beginning of the year	291,883	298,127	291,659
Balance at the end of the year	283,036	291,883	298,127

	Group 2010 R'000	2009 R'000	2008 R'000
11.2 Leasehold properties			
Cost			
Balance at the beginning of the year	8,888	9,063	8,610
Additions capitalised	–	203	–
Foreign exchange differences	(694)	(378)	453
Balance at the end of the year	**8,194**	**8,888**	**9,063**
Accumulated depreciation			
Balance at the beginning of the year	(1,560)	(1,424)	(1,163)
Depreciation for the year	(194)	(195)	(200)
Foreign exchange differences	122	59	–
Adjustments and reclassification between asset group and intangible assets	–	–	(61)
Balance at the end of the year	**(1,632)**	**(1,560)**	**(1,424)**
Carrying amounts			
Balance at the beginning of the year	7,328	7,639	7,447
Balance at the end of the year	6,562	7,328	7,639
11.3 Plant, equipment and vehicles			
Cost			
Balance at the beginning of the year	998,049	977,605	906,832
Additions capitalised	88,729	232,487	97,573
Transfer to assets classified as held-for-sale	(5,478)	(12,989)	–
Disposals	(52,550)	(47,377)	(26,918)
Impairment	200	(6,147)	–
Foreign exchange differences	(546)	(150)	118
Deconsolidation of Danone Clover	–	(145,380)	–
Balance at the end of the year	1,028,404	998,049	977,605
Accumulated depreciation			
Balance at the beginning of the year	(414,521)	(434,237)	(372,370)
Depreciation for the year	(75,433)	(83,278)	(81,762)
Transfer to assets classified as held-for-sale	3,953	4,526	–
Disposals	31,486	38,864	19,977
Deconsolidation of Danone Clover	–	59,471	–
Foreign exchange differences	257	133	–
Adjustments and reclassification between asset groups and intangible assets	–	–	(82)
Balance at the end of the year	**(454,258)**	**(414,521)**	**(434,237)**
Carrying amounts			
Balance at the beginning of the year	583,528	543,368	534,462
Balance at the end of the year	574,146	583,528	543,368

	Group 2010 R'000	2009 R'000	2008 R'000
11.4 Total property, plant and equipment			
Cost			
Balance at the beginning of the year	1,427,212	1,420,646	1,331,153
Additions capitalised	96,524	294,212	117,690
Transfer to assets classified as held-for-sale	(10,467)	(66,017)	–
Deconsolidation of Danone Clover	–	(167,057)	–
Disposals	(52,552)	(47,390)	(28,768)
Foreign exchange differences	(1,240)	(528)	–
Impairment	200	(6,654)	–
Adjustments and reclassification between asset group and intangible assets	–	–	571
Balance at the end of the year	**1,459,677**	**1,427,212**	**1,420,646**
Accumulated depreciation			
Balance at the beginning of the year	(544,473)	(571,512)	(497,585)
Depreciation for the year	(89,453)	(98,317)	(94,484)
Transfer to assets classified as held-for-sale	6,128	22,233	–
Deconsolidation of Danone Clover	–	64,055	–
Disposals	31,486	38,876	20,700
Foreign exchange differences	379	192	–
Adjustments and reclassification between asset group and intangible assets	–	–	(143)
Balance at the end of the year	**(595,933)**	**(544,473)**	**(571,512)**
Capital work-in-progress			
Balance at the beginning of the year	49,039	179,413	88,662
Adjustments	(98)	(4)	–
Transfer to investment properties	–	(163)	–
Additions: current year	98,089	189,872	208,441
Amounts capitalised	(96,524)	(294,212)	(117,690)
Deconsolidation of Danone Clover	163	(25,867)	–
Balance at the end of the year	**50,669**	**49,039**	**179,413**
Total property, plant and equipment including work-in-progress			
Carrying amounts			
Total property, plant and equipment at the beginning of the year	931,778	1,028,547	922,230
Total property, plant and equipment at the end of the year	914,413	931,778	1,028,547

The estimated fair value of property, plant and equipment on 30 June 2010 is R1 916,6 million (2009: R2 079,7 million, 2008: R2 010,7 million).

During the year under review the Group has written off and impaired plant and equipment to the value of R10.9 million (2009: R3,3 million, 2008: R0.00). A sorter at the City Deep branch was written off.

The fair value of property, plant and equipment has been determined based on valuations performed by 'The Property Partnership', an accredited independent valuer, as at 30 June 2010, 30 June 2009 and 30 June 2008 for the current and previous years respectively. 'The Property Partnership' is an industry specialist in valuing property, plant and equipment. The fair value has been determined as follows:

Land and buildings: This category has either been assessed on a capitalised rental income basis or, where specialised facilities are involved, by way of a depreciated replacement cost basis.

11.4 Total property, plant and equipment (continued)

Plant and machinery: This category has been assessed on a Net Current Replacement Cost/ Depreciated Replacement Cost basis.

Registers containing details of land are available for inspection at the registered office. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2010 was R148,5 million (2009: R269,5 million, 2008: R68,1 million). Additions during the year were R19,6 million (2009: Nil, 2008: R2,3 million) of plant and equipment held under finance lease and hire purchase agreements. Leased assets and assets bought under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

12. INVESTMENT PROPERTIES

		Group	
	2010 R'000	**2009 R'000**	**2008 R'000**
Cost			
Balance at the beginning of the year	2,542	2,379	4,569
Additions capitalised	(163)	163	–
Transfer to assets classified as held-for-sale	–	–	(2,190)
Balance at the end of the year	**2,379**	**2,542**	**2,379**
Accumulated depreciation			
Balance at the beginning of the year	(1,321)	(1,265)	(2,517)
Depreciation for the year	(48)	(56)	(92)
Transfer to assets classified as held-for-sale	–	–	1,344
Balance at the end of the year	**(1,369)**	**(1,321)**	**(1,265)**
Carrying amounts			
Balance at the beginning of the year	1,221	1,114	2,052
Balance at the end of the year	1,010	1,221	1,114

The fair value for these properties is R6,4 million (2009: R5,3 million, 2008: R5,7 million).

The fair value of investment properties has been determined based on valuations performed by The Property Partnership, an accredited independent valuer, for the current and previous years. The Property Partnership is an industry specialist in valuing investment properties. The fair value has been determined as follows:

Land and buildings: This category has either been assessed on a capitalised rental income basis or, where specialised facilities are involved, by way of a Depreciated Replacement Cost basis.

	Group 2010 R'000	2009 R'000	2008 R'000
13. INTANGIBLE ASSETS			
13.1 Goodwill			
Cost			
Balance at the beginning of the year	255,398	301,685	255,891
Acquisitions	–	(472)	45,815
Deconsolidation of Danone Clover	–	(45,815)	–
Adjustments and reclassification between asset groups and tangible assets	–	–	(1)
Balance at the end of the year	**255,398**	**255,398**	**301,685**
Impairment losses			
Balance at the beginning of the year	(1,311)	(1,311)	(1,311)
Balance at the end of the year	**(1,311)**	**(1,311)**	**(1,311)**
Carrying amounts			
Balance at the beginning of the year	254,087	300,374	254,560
Balance at the end of the year	254,087	254,087	300,374
13.2 Trademarks, patents and software licences			
Cost			
Balance at the beginning of the year	60,281	47,779	37,253
Acquisitions	4,844	23,390	10,880
Transfer to assets classified as held-for-sale	–	(8,129)	–
Impairment	–	–	(47)
Deconsolidation of Danone Clover	–	(2,728)	–
Disposals	(335)	(31)	(307)
Balance at the end of the year	**64,790**	**60,281**	**47,779**
Accumulated amortisation			
Balance at the beginning of the year	(25,367)	(20,025)	(14,175)
Amortisation for the year	(7,438)	(7,963)	(6,149)
Deconsolidation of Danone Clover	–	1,300	–
Disposals	305	21	298
Transfer to assets classified as held-for-sale	–	1,300	–
Adjustments and reclassification between asset groups and tangible assets	–	–	1
Balance at the end of the year	**(32,500)**	**(25,367)**	**(20,025)**
Carrying amounts			
Balance at the beginning of the year	34,914	27,754	23,078
Balance at the end of the year	32,290	34,914	27,754

	2010 R'000	Group 2009 R'000	2008 R'000
13.3 Total intangible assets			
Cost			
Balance at the beginning of the year	315,679	349,464	293,124
Acquisitions	4,844	22,918	56,695
Transfer to assets classified as held-for-sale	–	(8,129)	–
Deconsolidation of Danone Clover	–	(48,543)	–
Disposals	(335)	(31)	(307)
Impairment	–	–	(47)
Adjustments and reclassification between asset groups and tangible assets	–	–	(1)
Balance at the end of the year	**320,188**	**315,679**	**349,464**
Accumulated amortisation			
Balance at the beginning of the year	(26,678)	(21,336)	(15,486)
Amortisation for the year	(7,438)	(7,963)	(6,149)
Deconsolidation of Danone Clover	–	1,300	–
Disposals	305	21	298
Transfer to assets classified as held-for-sale	–	1,300	–
Adjustments and reclassification between asset groups and tangible assets	–	–	1
Balance at the end of the year	**(33,811)**	**(26,678)**	**(21,366)**
Carrying amounts			
Balance at the beginning of the year	289,001	328,128	277,638
Balance at the end of the year	286,377	289,001	328,128
Capital work-in-progress			
Balance at the beginning of the year	–	–	–
Additions: current year	5,527	–	–
Amounts capitalised	(4,844)	–	–
Balance at the end of the year	**683**	**–**	**–**
Total intangible assets at the beginning of the year	289,001	328,128	277,638
Total intangible assets at the end of the year	287,060	289,001	328,128

13.4 Impairment testing of goodwill

An impairment test is done annually at the Group's financial year-end on goodwill acquired through business combinations. The present value of future cash flows generated by the businesses is estimated for a five-year period and is based on:

Current net profits before tax, projected forward for average growth of 7% and adjusted for non-cash items; an effective tax rate of 28%; required capital expenditure; movements in working capital; and a discount rate equal to the weighted average cost of capital of the business.

Goodwill has been allocated to the following cash generating units for purposes of the impairment review:

	2010	2009	2008
– Clover dairy business	25,387	25,387	25,387
– Clover beverage business	227,756	227,756	227,756

	Group 2010 R'000	2009 R'000	2008 R'000
14. DEFERRED TAXATION			
Balance at the beginning of the year	104,057	76,187	55,705
Movements during the year	(91,680)	27,870	23,768
Acquisition	–	–	(640)
Taxation rate adjustment	–	–	(2,646)
Balance at the end of the year	**12,377**	**104,057**	**76,187**
The balance is constituted as follows:			
Deferred tax assets			
Bad debts provision	1,745	1,973	1,486
Export claim	–	–	1,680
Secured loan: RMB – sale and lease back	–	–	3,395
Provision: credit notes	2,386	2,601	2,589
Consumable stores	1,756	1,848	1,678
Long-service bonus	8,484	10,505	10,685
Property, plant and equipment	6	–	4
Leave pay provision	10,019	10,969	10,310
Share-based payments	205	312	–
Provision: special bonus	–	1,511	869
In-plant building	1,142	1,320	1,498
Leases	1,677	2,017	3,613
Provision: Rentals, straight-line adjustment	2,586	2,614	2,024
Provisions	3,121	1,393	2,858
Assessed loss carried forward	90,215	212,636	128,591
Secondary tax on companies	–	483	8,850
Other	1,352	2,964	1,710
Total deferred tax assets	**124,694**	**253,146**	**181,840**
Deferred tax liabilities			
Property, plant and equipment	(109,498)	(107,346)	(98,789)
Provision: foreign exchange contracts	–	–	(761)
Prepayments	(918)	(984)	(1,271)
Capital gains tax on deconsolidation of Danone Clover	–	(37,985)	–
Leased assets	–	–	(601)
Rent paid: Machine – Long term	–	–	(2,237)
Provision: Rentals, straightline adjustments	(2,126)	(2,771)	–
Other	225	(3)	(1,994)
Total deferred tax liabilities	**(112,317)**	**(149,089)**	**(105,653)**
Net deferred tax asset	**12,377**	**104,057**	**76,187**
Reflected in the balance sheet as follows:			
Deferred tax assets	18,740	110,349	104,764
Deferred tax liabilities	(6,363)	(6,292)	(28,577)
Net deferred tax asset	**12,377**	**104,057**	**76,187**

In assessing the availability of sufficient future taxable profit for utilisation against unused tax losses, cognisance was taken of the Group's vision, goals and strategies. The Board is of the opinion that future taxable profits would be adequate to utilise the unused tax losses.

The balance sheet disclosure for deferred tax assets is the total amount for all Group Companies with net deferred tax assets. Likewise the deferred liability represents the total of all Companies with net deferred tax liabilities. Note 14 however groups all deferred tax assets and liabilities in the Group, irrespective of the net position of individual Group companies.

The asset and liability totals per this Note will therefore not agree to the balance sheet disclosure although the net amount corresponds.

	Group		
	2010	**2009**	**2008**
	R'000	**R'000**	**R'000**
15. INVENTORIES			
Delivery agreements	5,909	5,793	5,793
Raw materials	72,253	73,218	89,891
Work-in-progress	71,192	47,480	85,631
Consumable stores	43,982	47,625	56,847
Finished goods	272,658	355,105	371,358
Total inventories	**465,994**	**529,221**	**609,520**

The amount of the write-down of inventories recognised as an expense is R12,3 million (2009: R26,9 million, 2008: R11,9 million). This expense is included in the cost of sales line item as a cost of inventories.

Inventory valued at RNil (2009: R23,7 million, 2008: R124,4 million) included above, has been sold to ABSA as part of a commodity financing agreement, as set out in Note 21.1(d).

	2010	2009	2008
16. TRADE AND OTHER RECEIVABLES			
Trade receivables	695,883	693,560	695,347
Other receivables and advance payments	48,556	94,490	95,386
Loans to Directors and employees (refer note 33 for detail)	73,882	20,612	20,481
Allowance for impairment	(2,198)	(8,708)	(5,633)
Credit note accrual	(8,660)	(8,722)	(14,276)
Total trade and other receivables	**807,463**	**791,232**	**791,305**

The loans to Directors and Senior Personnel were made to finance ordinary shares in CIL issued to them on 31 May 2010. The terms of the loans are as follows: they will bear interest at 90% of the prime rate of ABSA Bank, interest will be capitalised on a monthly basis, repayable by management on the sale of the ordinary shares or within two months of leaving the employ of Clover or within six months in the case of death. The shares are ceded to CIL as security for the loans in addition to 9,35 million preference shares held by them.

Clover S.A. securitised its trade debtors, excluding debtors generated from export sales, through a special-purpose entity, Clover Capital. Clover Capital was consolidated into the results of the Group.

The payment terms for accounts receivable are 30 days after the end of the month in which the goods were delivered.

	2010 R'000	Group 2009 R'000	2008 R'000

17. CASH AND SHORT-TERM DEPOSITS

Cash at bank earns interest at floating rates based on daily deposit rates.

Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At 30 June 2010, the Group had available R214 million (2009: R206,0 million, 2008: R130,9 million) of unutilised committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the consolidated cash flow statements, cash and short-term deposits comprise the following:
Cash at bank and on hand

	2010 R'000	2009 R'000	2008 R'000
On hand	259	351	1,555
Outstanding deposits	63,874	53,913	133,726
Call loans	8,259	51,973	1,552
Cash in banks	356,882	167,734	367,590
Total cash and short-term deposits	**429,274**	**273,971**	**504,423**

	Number of shares	Number of shares	Number shares

18. SHARE CAPITAL AND SHARE PREMIUM

18.1 Ordinary shares

Authorised

100 million ordinary shares with a par value of 10 cents each

	Number of shares	Number of shares	Number shares
Share capital issued			
Number of ordinary shares issued:			
At 1 December 2003	57,603,937	57,603,937	57,603,937
At 6 October 2005	19,303,856	19,303,856	19,303,856
At 10 August 2007	11,577,518	11,577,518	11,577,518
At 31 May 2010 – issue to directors as part of capital restructuring	9,350,000	–	–
Buy back:			
At 31 May 2010	(35,910,330)	–	–
Total number of ordinary shares issued	**61,924,981**	**88,485,311**	**88,485,311**
Ordinary share capital			
61.9 million (2009: 88.5 million, 2008: 88.5 million) ordinary shares at 10 cents each	6,192	8,849	8,849
Ordinary share premium			
Ordinary share premium on 61,9 million (2009: 88.5 million, 2008: 88.5 million) ordinary shares.	114,870	28,476	28,476
Total ordinary share capital and share premium	121,062	37,325	37,325

	Number of shares	Number of shares	Number shares
18.2 Preference shares			
Authorised			
100 million cumulative preference shares with a par value of 10 cents each			
Share capital issued:			
Number of shares issued			
At 1 December 2003	57,603,937	57,603,937	57,603,937
At 6 October 2005	25,000,000	25,000,000	25,000,000
At 5 July 2006	3,888,652	3,888,652	3,888,652
At 28 October 2009	2,949,433	–	–
Total number of preference shares issued	**89,442,022**	**86,492,589**	**86,492,589**
	R'000	**R'000**	**R'000**
Preference share capital			
89.4 million (2009: 86.5 million, 2008: 86.5 million) preference shares at 10 cents each	8,944	8,649	8,649
Preference share premium			
Premium on 89,4 million (2009: 86.5 million, 2008: 86.5 million) preference shares	251,146	242,179	242,179
Share issue cost	(230)	(230)	(230)
Total preference share capital and premium	**259,860**	**250,598**	**250,598**

Holders of preference shares were entitled to a minimum preference dividend payable on a quarterly basis, calculated over the dividend period at 75% of ABSA's prime rate multiplied by the subscription price of R2,90 of the preference share. On 31 May 2010 the preference shares dividend rate increased from 75% of ABSA's prime rate to 90% of ABSA's prime rate.

In addition, preference shares did participate in ordinary dividends, if declared, in proportion to the issue price of preference shares and par value of ordinary shares. On 31 May 2010 the preference shares were converted into redeemable preference shares, redeemable on 03 June 2013 and the rights of preference shares to ordinary dividends were cancelled except in regards to matters affecting their rights. Preference shares have no voting rights.

			Group	
		2010	**2009**	**2008**
		R'000	**R'000**	**R'000**
18.3	**Total issued ordinary and preference share capital**	**15,136**	**17,498**	**17,498**
	Debt portion of preference share capital	8,944	–	–
	Total ordinary share capital	**6,192**	**17,498**	**17,498**
	Total ordinary and preference share premium	365,786	270,425	270,425
	Total debt portion of preference share premium	(250,438)	(149,393)	(149,393)
	Total share premium net of debt portion	**115,348**	**121,032**	**121,032**
	Shares were issued as follows during the year			
	9,35 million ordinary shares of 10 cents each	935	–	1,158
	Ordinary share premium of R9.24 per share	86,394	–	11,103
	Total ordinary share capital raised during the year	87,329	–	12,261
	2,95 million preference shares of 10 cents each	295	–	–
	Preference share premium of R3.04 cents per share	8,967	–	–
	Total preference share capital raised during the year	**9,262**	**–**	**–**
	Total ordinary and preference share capital raised during the year	**96,591**	**–**	**–**
	Shares were redeemed as follows during the year			
	Repurchased from HCI			
	30,9 million ordinary shares of 10 cents each	(3,088)	–	–
	Premium paid	(337,363)	–	–
		(340,451)	**–**	**–**
	Repurchase from Clover Milk Producer's Trust			
	5,0 million ordinary shares of 10 cents each	(504)	–	–

Share capital

On 31 May 2010 the ordinary and preference shareholders approved a capital restructuring of the company. Details of this restructuring are set out in the Directors' report.

At the 2009 Annual General Meeting the unissued shares of the company were placed under the control of the Directors until the next Annual General Meeting.

		2010	2009	2008
18.4	**Treasury share capital and share premium**			
	Nil (2009: 9.8 million, 2008: 9.8 million) ordinary shares at 10 cents each	–	(977)	(977)
	Nil (2009: 1.05 million, 2008: 1.05 million) preference shares at 10 cents each	–	(105)	(105)
	and a preference share premium on Nil (2009: 1.05 million, 2008: 1.05 million) preference shares	–	(2,942)	(2,942)
	Total treasury share capital and premium	**–**	**(4,024)**	**(4,024)**
18.5	**Debt portion of preference share capital**			
	Debt portion of preference shares	(259,382)	(151,650)	(151,650)
	Less: debt portion of preference treasury shares	–	2,257	2,257
	Total debt portion of preference share capital	**(259,382)**	**(149,393)**	**(149,393)**

		Group	
	2010	**2009**	**2008**
	R'000	**R'000**	**R'000**

19. OTHER RESERVES

	2010 R'000	2009 R'000	2008 R'000
Share-based payments reserve	30,099	29,366	29,366
Other capital reserves	218,466	818,660	214,560
	248,565	848,026	243,926
Foreign currency translation reserve	(6,377)	(4,439)	(4,033)
Total at the end of the year	**242,188**	**843,587**	**239,893**

20. RETAINED EARNINGS

	2010 R'000	2009 R'000	2008 R'000
Retained profit at the end of the year	**684,631**	**462,029**	**564,222**

21. INTEREST-BEARING LOANS AND BORROWINGS

21.1 Secured liabilities

	2010 R'000	2009 R'000	2008 R'000
(a) Rand Merchant Bank – Secured by plant and equipment with a book value of Nil (2009: R26.6 million, 2008: R29.4 million), Variable interest rate: 9.5% (2009: 9.5%, 2008: 14.8%).	–	20,570	26,428
(b) Secured by securitisation of trade debtors (Refer to Note 16). Repayable as follows: Third tranche: R155 million (2009:R280 million) maturity: 14 December 2011, fixed interest rate: 10,0% (2009: 10,0%, 2008: 10,0%). Fourth tranche: R150 million (2009: R150 million) maturity: 31 March 2013, fixed interest rate: 13,0% (2009: 13,0%, 2008: 13,0%). Fifth tranche: Nil (2009: R100 million): fixed interest rate: 10,9% (2009: 10,9%, 2008: 10,9%)	305,956	530,000	430,000
(c) Nedbank and Standard Bank – Secured by plant and equipment with a book value of R42.5 million (2009: R61.6 million, 2008: R34.1 million). Repayable in monthly instalments. Payments due within the next year are R13.0 million (2009: R10.7 million, 2008: R7.7 million). Variable interest rate portion: 7.8% – 11.3% (2009: 9.3% – 8.8%, 2008: 10.8% – 13.8%). Maturity: between December 2010 and March 2016. Fixed interest rate portion 9.6% and 11.5% (2009: 9.6% and 11.5%, 2008: 9.6% – 10%).	40,092	43,586	29,858
(d) ABSA Stock Sales Variable interest rate 9.0% – 9.5% (2009: 9.5% – 14.0%, 2008: 13% – 14%). Inventory is sold and repurchased on a monthly basis as part of a commodity financing agreement with the bank. This inventory is repurchased by the Group as utilised, the bank however, can require the Group to repurchase all the inventory on demand.	–	23,728	124,326

		Group 2010 R'000	2009 R'000	2008 R'000
21.1	**Secured liabilities (continued)**			
(e)	Investec – Revolving credit			
	Secured by plant and equipment with a book value of R106.1 million (2009: R177.5 million, 2008: R0). Variable interest rate: 9.5% – 8.5% (2009: 14.5% – 10.0%, 2008: nil). Maturity: 30 September 2013.	1,000	100,000	–
(f)	Secured by plant and equipment sold under lease-back with a book value of Rnil million (2008:R4.6 million). Fixed interest rate: 17.5% (2008: 17.5%). Maturity 30 June 2009.	–	–	12,126
	Total secured liabilities	**347,048**	**717,884**	**622,774**
21.2	**Unsecured liabilities**			
(a)	Debt portion of preference share capital:			
	Clover Industries	259,382	149,394	149,395
	Clover S.A.	–	34,791	34,791
	On 31 May 2010 the preference shares were converted to be redeemable on 3 June 2013. The total amount outstanding on the redeemable preference shares is recognised as debt.			
(b)	Bank overdraft			
	First National Bank – Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate: 11.0 – 10.0% (2009: 11.0% – 15.5%, 2008: 13% – 15.5%).	46,521	94,049	11,366
(c)	ABSA – Call loans			
	Variable interest rate: 9.3% – 9.4% (2009: 14.8% – 9.3%, 2008: 9.9% – 14.8%).	6,500	116	163,588
(d)	Unsecured short-term loan Repayable on demand. The full outstanding amount is repayable within one year. Variable interest: 12.9% – 15.5%	–	–	192,668
	Total unsecured liabilities	**312,403**	**278,350**	**551,808**
	Total secured and unsecured liabilities	**659,451**	**996,234**	**1,174,582**
	Short-term portion transferred to current liabilities:			
	– Secured liabilities	13,926	140,645	149,959
	– Unsecured liabilities	53,021	94,164	367,622
	Total short-term portion transferred to current liabilities	66,947	234,809	517,581
	Total long-term interest-bearing borrowings	592,504	761,425	657,001
	Total long- and short-term interest bearing loans and borrowings	**659,451**	**996,234**	**1,174,582**

The short-term borrowings will be financed through cash generated from operations.

Other than finance leases no other borrowings arose as a result of asset purchases.

	2010 R'000	**Group 2009 R'000**	**2008 R'000**

22. PROVISIONS

22.1 Long-service bonus

The projected-credit method is used for the calculation of the long-service bonus provision. Payments are recognised as utilisations.

The determination of the long-service bonus is based on the following assumptions:

	2010	2009	2008
Active members	5,982	6,416	6,196
Salary escalation ratio	7,4%	7,8%	9,7%
Discounting rate	9,4%	9,3%	10,9%
Normal retirement age	65	65	65
	R'000	**R'000**	**R'000**
Balance at the beginning of the year	37,382	38,098	39,135
Amounts provided	3,735	6,772	3,954
Amounts utilised	(10,822)	(7,488)	(4,991)
Total long-service bonus provision	**30,295**	**37,382**	**38,098**

Refer to Note 32 for further detail on the long-service bonus provision.

22.2 Leave pay

A provision for leave pay is recognised for the number of days leave due to employees at 30 June, valued at a rate per day based on the basic salary of each employee at 30 June. Leave payments are recognised as utilisations.

	2010 R'000	2009 R'000	2008 R'000
Balance at the beginning of the year	39,631	39,088	35,269
Amounts provided	7,148	7,019	9,110
Amounts utilised	(10,267)	(6,476)	(5,291)
Total leave pay provision	**36,512**	**39,631**	**39,088**

22.3 Total provisions

	2010 R'000	2009 R'000	2008 R'000
Long-term portion	50,357	60,364	62,883
Short-term portion transferred to current liabilities	16,450	16,649	14,303
Total long-term and short-term provisions	**66,807**	**77,013**	**77,186**

23. TRADE AND OTHER PAYABLES

	2010 R'000	2009 R'000	2008 R'000
Trade payables	913,602	863,463	885,665
Other payables	185,992	141,611	98,981
Interest payable	13,835	8,345	9,451
Payable to joint ventures	8,218	6,916	109,728
Total trade and other payables	**1,121,647**	**1,020,335**	**1,103,825**
Long-term portion transferred to non-current liabilities	6,320	–	–
Short-term portion	1,115,327	1,020,335	1,103,825
Total trade and other payables	1,121,647	1,020,335	1,103,825

The terms for trade payables range from 7 days after date of invoice to 45 days after month-end. Interest is payable on a monthly basis. Payables to joint ventures range from 30 days to 45 days after the end of the month in which the transaction took place.

	Group		
	2010 R'000	**2009 R'000**	**2008 R'000**

24. DIVIDENDS DECLARED

Mandatory dividends paid to preference shareholders are recognised as finance cost (Refer to Note 6.5).

During the year equity dividends were declared as follows:

	2010 R'000	2009 R'000	2008 R'000
To ordinary shareholders	–	1,000	619
To preference shareholders	370,030	28,984	17,757
Total dividends declared	370,030	29,984	18,376
	Cents per share	**Cents per share**	**Cents per share**
To ordinary shareholders	**0,0**	**1,1**	**0,7**
To preference shareholders	**413,7**	**33,5**	**20,5**

25. NOTES TO THE STATEMENTS OF CASH FLOWS

25.1 Tax paid

	2010 R'000	2009 R'000	2008 R'000
Amount unpaid at the beginning of the year	(3,510)	(3,097)	(12,360)
Taxation charged in income statement, excluding deferred taxation	(99,982)	(73,920)	(71,594)
Deconsolidation of Danone Clover	–	6,685	–
Amount due at the end of the year	1,368	3,510	3,097
Total tax paid	**(102,124)**	**(66,822)**	**(80,857)**

25.2 Reduction in cash on deconsolidation of Danone Clover

Due to the cessation of the proportionate consolidation method, the following assets, liabilities and shareholders' interest were removed from the Group's balance sheet on deconsolidation of Danone Clover:

	2010 R'000	2009 R'000	2008 R'000
Liabilities and shareholders' interest			
Accounts payable	–	(128,610)	–
Interest-bearing loans and borrowings	–	(237,195)	–
Minority interest	–	(12,061)	–
Retained profits	–	(4,808)	–
Provisions	–	(1,463)	–
Deferred tax liability	–	(9,878)	–
Income tax payable	–	(6,685)	–
	–	**(400,700)**	**–**
Assets			
Property, plant and equipment	–	128,869	–
Goodwill	–	45,815	–
Trademarks	–	1,428	–
Inventory	–	41,895	–
Accounts receivable	–	143,239	–
	–	**361,246**	**–**
Net reduction in cash and cash equivalents	**–**	**(39,454)**	**–**

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

26.1 Defined-benefit fund

The fund is a defined-benefit fund and an actuarial valuation of the pension fund was done on 1 July 2008. The actuarial method used in determining the cost of the retirement benefits is the same as those used in previous calculations. The assumptions regarding deaths, interest rates, salary increases, retirements, resignations and administration cost were all based on generally accepted standards for the industry. The fair value of the assets of the fund of R10.64 million (2009: R9.68 million, 2008: R9.76 million), exceeded the actuarial present value of promised retirement benefits of R8.65 million (2009: R7.84 million, 2008: R6.91 million).

The surplus has not been accounted for, as it accrues to the members of the fund. The Group policy is to fund any deficit in accordance with the Pension Fund Act of 1956 and published regulations issued by the Registrar of Financial Services from time to time. The fund is subject to the same Act which requires an actuarial valuation every three years. Number of members on 1 July 2010: 8 (1 July 2009: 10, 1 July 2008: 10). The fund closed for new entrants on 1 July 1994.

26.2 Defined-contribution funds

26.2.1 Clover S.A. pension fund

This is a defined-contribution fund. The value of this fund determines the benefits which accrue to members. The Company has no obligation other than its normal contributions. Number of members on 1 July 2010: 1,193 (1 July 2009: 1,371, 1 July 2008: 1,436).

26.2.2 Clover S.A. provident fund

This is a defined-contribution fund. The value of the fund determines the benefits which accrue to members. The Group has no obligation other than its normal contributions. Number of members on 30 June 2010: 5,313 (2009: 5,490, 2008: 5,353).

		Group	
	2010 R'000	**2009 R'000**	**2008 R'000**
26.3 Amounts recognised in the income statement			
Contributions for the Group for the current year:			
Defined-benefit fund	104	95	90
Pension fund	25,496	32,036	25,511
Provident fund	33,498	33,825	28,383
Total contributions recognised in income statement	**59,098**	**65,956**	**53,984**

27. COMMITMENTS AND CONTINGENCIES

27.1 Commitments

27.1.1 Operating lease commitments – Group as lessee

The Group entered into an outsourcing agreement whereby the Group is provided with distribution and milk collection vehicles. The Group also entered into commercial leases on motor vehicles and machinery. These leases have an average life of between three and ten years, with renewal options included on some of the contracts. There are no restrictions placed upon the lessee by entering into these lease contracts.

	2010 R'000	2009 R'000	2008 R'000
Future minimum lease payments are as follows:			
Within one year	247,409	276,919	295,765
After one year but not more than five years	628,484	1,006,689	1,238,993
More than five years	253	197,054	243,387
Total lease payments payable	**876,146**	**1,480,662**	**1,778,145**

	Group 2010 R'000	2009 R'000	2008 R'000

27.1 Commitments (continued)

27.1.2 Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus offices and manufacturing buildings. These non-cancellable leases have remaining terms of between one and six years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2010 R'000	2009 R'000	2008 R'000
Within one year	2,331	2,629	2,492
After one year, but not more than five years	6,144	7,815	9,627
More than five years	–	–	673
Total minimum lease payments	**8,475**	**10,444**	**12,792**

27.1.3 Finance leases and hire purchase agreements

The Group has finance leases and hire purchase contracts for various items of plant, machinery and vehicles. These leases have no terms of renewal, purchase options or escalation clauses.

Future minimum lease payments with the present value of the net minimum lease payments are as follows:

	2010 Minimum payments	2010 Present value of payments	2009 Minimum payments	2009 Present value of payments	2008 Minimum payments	2008 Present value of payments
Within one year	16,219	12,969	23,380	18,057	40,457	36,122
After one year but not more than five years	32,481	27,122	51,597	46,099	46,392	32,290
Total minimum lease payments	**48,700**	**40,091**	**74,977**	**64,156**	**86,849**	**68,412**
Less: amounts representing finance charges	(8,609)	–	(10,821)	–	(18,437)	–
Present value of minimum lease payments	**40,091**	**40,091**	**64,156**	**64,156**	**68,412**	**68,412**

	2010 R'000	Group 2009 R'000	2008 R'000
27.1 Commitments (continued)			
27.1.4 Capital commitments			
Capital expenditure authorised and contracted for	24,573	12,491	90,207
Capital expenditure authorised but not contracted for	23,472	3,629	7,885
Total capital commitments	**48,045**	**16,120**	**98,092**
The total commitments will be expanded in the following financial year. The following major items are included in capital commitments:			
Grinder and mixer	–	1,126	–
Electrical, pipework and transformers: cheese	–	4,850	–
Refrigeration plant: cheese	–	1,079	–
Cutting tools	–	1,175	–
Rotary valves	–	713	–
Condensing unit	–	694	–
Fresh milk equipment	–	897	–
Fillers and filling lines	–	–	47,863
Caprisun line	11,064	–	–
Ghee plan upgrade	7,432	–	–
Silo and buffer capacity upgrade	1,256	–	13,259
Warehouse management system	–	–	4,160
Process cheese equipment	–	–	3,075
Buttercup filler	–	–	6,954
Steri in-line inspection unit	1,417	–	–
Filmatic rotary filler	1,495	–	–
Whey pasturizing	3,376	–	–
Cheese holder	2,352	–	–

The capital expenditure will be partly funded from Group funds generated in the operations and partly from borrowings through asset finance.

27.2 Contingent liabilities

Competition commission

As previously advised, the Competition Commission has referred certain complaints against seven dairy processors, including Clover, to the Competition Tribunal for determination.

The Competition Appeal Court has since confirmed that the summons issued in respect of Woodlands is void. In terms of the ruling the Commissioner has to return all the documents procured from Woodlands in the referral proceedings, including the records of the interrogation of Woodlands' witnesses.

Woodlands and the Commissioner subsequently sought leave to appeal from the Competition Appeal Court with regard to specific issues, but were unsuccessful. Woodlands had on petition to the Supreme Court of Appeal been granted special leave to appeal. It claimed that the Competition Appeal Court omitted to deal with certain legal challenges, the effect of which could be to bring to a total end the proceedings against Woodlands. Woodlands alleged that there was an invalid complaint, an invalid interrogation, an invalid investigation and an invalid referral.

The Woodlands matter was heard by the Supreme Court of Appeal ("SCA") on 24 August 2010. The SCA concluded, *inter alia*, that the initiation of the complaints against these respondents was invalid and that, pursuant thereto, the purported referral of such complaints to the tribunal was similarly flawed. The tribunal was accordingly not vested with the requisite capacity to entertain the referral.

27.2 Contingent (continued)

Clover advised the Commissioner that it intends pursuing similar objections against the Clover summons and the interrogation of Clover witnesses. Attention is nevertheless drawn to the fact that the Act makes provision for the imposition of "administrative penalties" that may be as high as ten percent of a firm's turnover for the financial year preceding the relevant referral, which in Clover's case, amounted to approximately R3.3 billion.

Clover has since inception been represented by an experienced and reliable legal team. It acts in accordance with advice thus received. Clover has made no provision for the payment of any "administrative penalty" in regard to the pending matter.

28. RELATED PARTY DISCLOSURE

Transactions with related parties are made at normal market prices. Outstanding balances at the year-end are unsecured. No interest is paid on current accounts. Interest is payable on borrowings by the holding company from subsidiary companies at prime. Where the holding company lends money to subsidiary companies interest is charged at prime plus 1%. There have been no guarantees provided or received for any related party receivables or payables. These related party loans have various inception dates. For the year ended 30 June 2010, the Group has recorded an impairment of receivables relating to amounts owed by Clover Zambia for R4.0 million. No impairment was recorded for other related parties (2009: RNil, 2008: Rnil). This assessment is undertaken each financial year though examining the financial position of the related party and the market in which the related party operates.

		Group	
	2010	**2009**	**2008**
	R'000	**R'000**	**R'000**
28.1 With regard to operating activities with subsidiaries, associated companies and joint ventures, the following transactions took place during the year:			
(a) Fees earned by CIL for services rendered to Group Companies			
Clover S.A.	36,018	35,654	38,502
Total fees earned by CIL for services rendered to Group Companies	**36,018**	**35,654**	**38,502**
(b) Fees earned by Clover S.A. for services rendered to Group Companies			
Clover Beverages	398,806	359,713	306,491
Danone Clover	129,432	242,503	230,507
Clover Botswana	10,483	5,665	2,144
Clover Fonterra	4,677	3,534	5,327
Total fees earned by Clover S.A. for services rendered to Group Companies	**543,398**	**611,415**	**544,469**
(c) Finance income received by CIL from Group Companies			
Clover S.A.	2,249	15,333	14,527
CIL Share Purchase Plan Trust	2,267	2,489	2,072
Total finance income received by CIL from Group Companies	**4,516**	**17,822**	**16,599**
(d) Finance income received by Clover Beverages from Group Companies			
Clover S.A.	5,736	14,775	24,969
Total finance income received by Clover Beverages from Group Companies	**5,736**	**14,775**	**24,969**

	Group 2010 R'000	2009 R'000	2008 R'000
28.1 With regard to operating activities with subsidiaries, associated companies and joint ventures, the following transactions took place during the year: (Continued)			
(e) Finance income received by Clover S.A. from Group Companies			
CIL	4,012	–	–
Clover Zambia	214	–	–
Clover West Africa	1	–	–
Clover Beverages	24	–	–
Clover Swaziland	330	855	860
Clover Fonterra	–	–	105
Total finance income received by Clover S.A. from Group Companies	**4,581**	**855**	**965**
(f) Amounts owing by Clover S.A. to Group Companies			
Danone Clover	–	172,831	176,501
Clover Capital	–	116,274	11,253
Clover Beverages	186,124	171,803	170,713
Clover Beverages – amounts on call loan	136,475	50,918	92,201
CIL	–	54,201	129,567
Clover Swaziland	–	612	249
Clover Fonterra	13,307	14,114	23,649
Lactolab	70	–	–
Clover Botswana	27	47	80
Clover Zambia	–	901	1,438
Total amounts owing by Clover S.A. to Group Companies	**336,003**	**581,701**	**605,651**
(g) Amounts due to Clover S.A. from Group Companies			
Clover Capital	579,374	–	–
CIL	461,012	–	–
Clover West Africa	5,352	–	–
Clover Zambia	5,500	–	–
Lactolab	62	–	–
Clover Beverages	27,973	8,695	16,321
Clover Swaziland	3,459	6,255	3,899
Clover Fonterra	5,811	–	–
Clover Botswana	18,746	21,376	16,283
Total amounts due to Clover S.A. from Group Companies	**1,107,289**	**36,326**	**36,503**
(h) Amounts due to CIL from Group Companies			
Clover S.A.	–	54,201	129,567
CIL Stabilisation Trust *	4,398	4,398	4,398
CIL Share Purchase Trust	22,911	22,911	23,634
Total amounts due to CIL from Group Companies	**27,309**	**81,510**	**157,599**

* As part of the restructuring of the CIL group, the rules of the Stabilisation Trust were amended with the effect that the milk producers control the Stabilisation Trust.

This resulted in the CIL stabilisation trust no longer being classified as a related party at year end.

		Group	
	2010	**2009**	**2008**
	R'000	**R'000**	**R'000**
28.1 With regard to operating activities with subsidiaries, associated companies and joint ventures, the following transactions took place during the year: (Continued)			
(i) Clover S.A. received the following dividends during the year from Group Companies			
Danone Clover	–	60,136	–
Clover Fonterra Ingredients	4,861	6,986	7,279
Clover Beverages	18,369	107,539	71,654
Lactolab	945	972	–
Clover Swaziland	1,500	–	–
Clover Botswana	–	–	14,170
Total dividends received by Clover S.A. from Group Companies	**25,675**	**175,633**	**93,103**
(j) CIL received the following dividends during the year from Group Companies			
Clover S.A.	195,000	51,969	34,011
Total dividends received by CIL from Group Companies	**195,000**	**51,969**	**34,011**
(k) Milk sales by Clover S.A. to associate company and its subsidiary	**185,296**	**323,543**	**310,242**
28.2 The following transactions regarding the securitisation of debtors took place during the year between Clover S.A. and Clover Capital:			
Net finance cost paid by Clover S.A. to Clover Capital	48,085	56,210	43,439
Debtors sold to Clover Capital	7,783,661	7,308,998	6,891,614
Receipts from Clover Capital	(7,770,145)	(7,334,532)	(6,705,647)
28.3 With regard to business done with Directors and Senior Management, the following transactions took place:			
Milk purchased from Non-executive Directors by Clover S.A.	91,694	74,853	77,988
28.4 Compensation of Executive Directors, Non-executive Directors and Key Management Personnel			
Compensation of Executive Directors			
Short-term employee benefits	28,776	15,743	17,444
Total compensation of Executive Directors (refer note 34 for detail)	**28,776**	**15,743**	**17,444**
Compensation of Non-executive Directors			
Directors' fees	3,947	2,892	2,574
Retirement, medical, accident and death benefits	253	234	200
Expense allowance	45	52	50
Other expenses	451	530	541
Total compensation of Non-executive Directors (refer note 34 for detail)	**4,696**	**3,708**	**3,365**
Compensation of Key Management Personnel			
Salaries, wages, bonuses and car allowances	20,230	10,850	8,312
Contribution to pension and medical fund	3,059	762	698
Termination benefits	4,866	–	3,809
Total compensation of Key Management Personnel	**28,155**	**11,612**	**12,819**

The Non-executive Directors do not receive pension entitlements from the Group.

Cash-settled share purchase scheme

The Executive Directors and Key Management Personnel participate in a cash-settled long-term incentive scheme. Refer to Note 31 for the detail of the Share Appreciation Rights.

Equity-settled share purchase schemes

The Executive Directors and Key Management Personnel participate in an equity-settled long-term incentive scheme. Refer to Note 31 for the detail of the Share Appreciation Rights.

29. FINANCIAL INSTRUMENTS

The Group treasury function does not operate as a profit centre, but rather provides financial services to the divisions and Group companies, coordinates access to credit and loan facilities and manages the financial risks relating to the Group's operations. The Group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movement in currency and interest rates. Currency and interest rate exposure is managed within Board-approved policies and guidelines which restrict the use of derivatives to the hedging of specific underlying currency and interest rate exposures.

29.1 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

– credit risk

– liquidity risk

– market risk: foreign currency and interest rate risk.

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Group Financial Oversight and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

This Committee is assisted in its oversight role by Clover Internal Audit, assisted by KPMG Services (Proprietary) Limited. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

(i) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Credit risk primarily relates to potential exposure on bank and cash balances, investments and trade receivables. The Group limits its exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group is exposed to credit risk in the form of trade receivables. The maximum exposure is the carrying amount as disclosed in Note 29.5. Historically, Group bad debts have been negligible and the management of debtors payment terms have been very successful. Trade receivables comprise a large number of debtors and credit is extended in terms of the Group's credit policies. In the opinion of the Board there was no significant credit risk at year-end which had not been adequately provided for.

Investments

The Group limits its exposure to credit risk by only investing in reputable institutions with high credit ratings.

	Group 2010 R'000	2009 R'000	2008 R'000
29.1 Financial risk management (continued)			
(i) Credit risk management (continued)			
Guarantees			
The Group had the following guarantees outstanding at year-end:			
Municipalities	5,68	5,31	9
Other	8,27	7,97	27,9
Foreign	–	–	3,92
Total outstanding guarantees	**13,95**	**13,28**	**40,82**

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 67,7% (2009: 70%, 2008: 64%) of the Group's credit sales is attributable to sales transactions with the major national chain stores of good credit standing. However, geographically there is no concentration of credit risk.

The responsibility for effective credit management rests with the Chief Financial Officer. The granting of credit is governed by a policy for the approval and authorisation levels for new credit applications and revision of credit limits.

A credit application, duly authorised, is required before any new account is opened. The original credit application is retained at branch level for safe keeping.

The credit policy requires that each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Any variations in authorisation levels must be approved in terms of the credit policy. The review includes obtaining and evaluating trade references, bank codes, financial statements and trade history. Depending on the customer profile and credit limit required, further information on Directors and a credit bureau report will be obtained. With the exception of the major national chain stores, where credit risks are assessed as low, credit limits are established for each customer, which represents the maximum open amounts.

Most of the Group's customers have been transacting with the Group for many years and the Group has had a steady customer base. In monitoring customer credit risk, customers are grouped accordingly to their credit characteristics, including whether they are chain stores, general trade or wholesalers.

Additional credit is withheld from customers, excluding the major national chain stores, that have defaulted on their payments, until the situation has been resolved.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

As a general rule, sureties must be obtained for all new accounts, unless the Group waives its rights in this regard, backed by a low credit risk assessment.

Foreign customers are managed by ensuring that all exports are paid for in cash up front or suitable guarantees must be provided for payment prior to shipping.

29.1 Financial risk management (continued)

(ii) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group manages liquidity risk by monitoring actual and budgeted cash flows and ensuring that adequate borrowing facilities are maintained.

The Group ensures that it has sufficient cash on demand to meet expected operational demands, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Group maintains the lines of credit as can be viewed in Note 21.2.

The Group monitors the liquidity risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, preference shares, finance leases and hire purchase contracts. The Group's policy is that not more than 25% (2009: 25%, 2008: 25%) of long-term borrowings should mature in the next 12-month period. 10,2% (2009: 23,6%, 2008: 14%) of the Group's long-term debt will mature in less than one year at year-end based on the carrying value of borrowings reflected in the financial statements.

Trade creditors form an important part of the short-term financing of the Group's working capital. Careful management and control of trade creditors is applied to ensure maximum use of what is viewed as interest-free debt.

(iii) Market risk management

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return of risk.

The Group buys and sells derivatives in the ordinary course of business in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Policy.

Foreign currency risk management

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. Currencies primarily exposed to from time to time are the Euro, US Dollar, Botswana Pula and the British Pound. Certain exchange rate exposures are hedged through the use of forward exchange contracts. The Group has entered into certain forward exchange contracts on foreign commitments not yet due.

The Group hedges amounts greater than R200 000 denominated in a foreign currency. Forward exchange contracts are used to hedge currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

29.1 Financial risk management (continued)

(iii) Market risk management (continued)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates of the Euro, US Dollar and the Pula. The Group's exposure to foreign currency changes for all other currencies is not material.

	2010 Change in rate	2010 Effect on profit before tax	2010 Effect on equity
Forward exchange contracts open on balance sheet date			
Rand – strengthening	+30%		
Profit on Euro		211	
Profit on US Dollar		263	
Rand – weakening	(30%)		
Loss on Euro		(211)	
Loss on US Dollar		(263)	
Foreign subsidiaries – equity			
Rand – strengthening	+10%		
Profit on Pula's			3,395
Rand – weakening	(10%)		
Loss on Pula's			(2,777)

	2009 Change in rate	2009 Effect on profit before tax	20090 Effect on equity
Forward exchange contracts open on balance sheet date			
Rand – strengthening	+30%		
Profit on Euro		466	
Profit on US Dollar		–	
Rand – weakening	(30%)		
Loss on Euro		(466)	
Loss on US Dollar		–	
Foreign subsidiaries – equity			
Rand – strengthening	+10%		
Loss on Pula's			(3,071)
Rand – weakening	(10%)		
Profit on Pula's			3,071

29.1 Financial risk management (continued)

(iii) Market risk management (continued)

	2008 Change in rate	2008 Effect on profit before tax	2008 Effect on equity
Forward exchange contracts open on balance sheet date			
Rand – strengthening	+30%		
Profit on Euro		12,426	
Profit on Swiss Franc		1,002	
Rand – weakening	(30%)		
Loss on Euro		(12,426)	
Loss on Swiss Franc		(1,002)	
Foreign subsidiaries – equity			
Rand – strengthening	+10%		
Loss on Pula's			(2,539)
Rand – weakening	(10%)		2,539
Profit on Pula's			

Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings debt obligations with fixed and variable rates. The risk is managed by maintaining an appropriate mix of fixed and floating rates.

	Group 2010 R'000	2009 R'000	2008 R'000
At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:			
Fixed-rate instruments	574,484	714,185	626,312
Variable-rate instruments	84,967	282,049	548,270
Total fixed- and variable-rate instrument	**659,451**	**996,234**	**1,174,582**
Interest rate sensitivity			
An increase/decrease of 100 basis points (2009: 100 basis points) in interest rates at the reporting date would have affected profit before taxation, by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.			
Increase of 100 basis points (2008: 100 basis points)			
Decrease in profit before tax	850	2,819	8,223
Decrease of 100 basis points (2008: 100 basis points)			
Increase in profit before tax	850	2,819	5,484

29.2 Capital management

Capital consists of ordinary, preference and treasury share capital, as well as ordinary, preference and treasury share premium.

CIL was converted from a cooperative to a company in 2003 and a consequence was that the ordinary shares of the company, after conversion, were held by the former members of the cooperative, the milk producers. Linked to the ordinary shares were the milk supply agreements of the producers which ensured that only producers supplying milk to the company were allowed to own ordinary shares in the company. During 2005, the Articles of the company was amended to allow for a maximum of 34,9% of the ordinary shares to be held by non-producers. On 31 May 2010 the condition that only milk producers and certain empowerment entities may hold ordinary shares in the company was removed from the company's Memorandum. This opened up the opportunity to raise capital through listing on the Johannesburg Securities Exchange.

A combination of retained earnings, senior debt, preference shares, term asset finance, commodity finance and general banking facilities are used to fund the business. The bulk of the Group's debtors forms part of a securitisation programme. This program came into effect during 2001. Senior debt raised by the programme currently amounts to R305 million (2009: R530 million, 2008: R430 million). The securitisation provides access to senior debt equal to 74,5% (2009: 77,5%, 2008: 80%) of the debtors' book.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings. The Group's target is to achieve a return on shareholders' equity of at least 20% in the medium to long term. A return of 26,6% (2009: 44,3%, 2008: 13,6%) was achieved. In comparison the weighted average interest expense on interest-bearing borrowings was 11,05% (2009: 12,09%, 2008: 11,68%).

CIL was recapitalised during the financial year. Refer to Note 18 for further details.

29.3 Fair value

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2010		2009		2008	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair Value**
Financial assets						
Loans and receivables	812,883	812,883	795,823	795,823	788,586	788,586
Derivatives used in hedging	750	750	–	–	2,719	2,719
Cash and short-term deposits	429,274	429,274	273,971	273,971	504,423	504,423
Total financial assets	**1,242,907**	**1,242,907**	**1,069,794**	**1,069,794**	**1,295,728**	**1,295,728**
Financial liabilities						
Loans, trade and other payables	1,781,098	1,781,098	2,007,305	2,007,305	2,264,052	2,264,052
Derivatives used for hedging	–	–	191	191	–	–
Total financial liabilities	**1,781,098**	**1,781,098**	**2,007,496**	**2,007,496**	**2,264,052**	**2,264,052**

The carrying amount of these financial assets and liabilities is a reasonable approximation of fair value.

29.4 Liquidity risk

Maturity profile of financial instruments

The maturity profile of the financial instruments is summarised as follows for the Group:

2010	0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	>5 years R'000	Total R'000
Financial liabilities						
Secured loans	10,006	2,964	8,060	10,054	10,008	41,092
Secured by securitisation of trade debtors	957		155,000	150,000		305,957
Unsecured loans	6,500			259,382		265,882
Bank overdrafts	46,521					46,521
Trade and other payables	1,076,374	38,953	3,160	3,160		1,121,647
Total financial liabilities	**1,140,358**	**41,917**	**166,220**	**422,596**	**10,008**	**1,781,098**

2009	0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	>5 years R'000	Total R'000
Financial liabilities						
Secured loans	8,465	8,852	20,613	126,226		164,156
Secured by securitisation of trade debtors			280,000	250,000		530,000
Secured by stock	23,728					23,728
Unsecured loans					184,301	184,301
Bank overdrafts	94,049					94,049
Trade and other payables	964,553	55,782				1,010,335
Total financial liabilities	**1,090,795**	**64,634**	**300,613**	**376,226**	**184,301**	**2,016,569**

2008	0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	>5 years R'000	Total R'000
Financial liabilities						
Secured loans	6,476	19,121	29,448	13,367		68,412
Secured by securitisation of trade debtors				280,000	150,000	430,000
Secured by stock	124,362					124,362
Unsecured loans	356,256				184,186	540,442
Bank overdrafts	11,366					11,366
Trade and other payables	1,048,731	55,095				1,103,825
Total financial liabilities	**1,547,191**	**74,216**	**29,448**	**293,367**	**334,186**	**2,278,407**

Secured loans listed include finance charges

29.5 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

	Carrying value	Carrying value	Carrying value
Financial assets per class			
Trade receivables	695,883	693,560	695,347
Other receivables	117,750	102,263	95,958
Cash and short-term deposits	429,274	273,971	504,423
Total financial assets	**1,242,907**	**1,069,794**	**1,295,728**
Trade receivables			
The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:			
Retail chain stores	498,217	469,200	442,380
Wholesale chain stores	104,189	102,631	126,345
Industrial/Catering/General trade	93,477	121,729	126,623
Total	**695,883**	**693,560**	**695,348**
	Gross	**Gross**	**Gross**
The ageing of trade receivables at the reporting date is as follows:			
Not past due	659,585	627,879	625,812
Past due 0 – 30 days	29,737	55,087	56,254
Past due 31 – 120 days	3,055	9,540	11,890
More than 120 days past due	3,506	1,054	1,391
Total	**695,883**	**693,560**	**695,347**
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:			
Balance at the beginning of the year	8,708	5,633	5,858
(Decreases)/Increases in impairments	(4,227)	7,217	2,671
Impairment loss written off	(2,283)	(4,142)	(2,896)
Balance at the end of the year	**2,198**	**8,708**	**5,633**

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

The impairment loss written off relates to customers defaulting on payments and being handed over to lawyers for recovery.

	2010 R'000	Group 2009 R'000	2008 R'000
30. INVESTMENTS			
Investment in associated company			
Danone Clover	–	601,747	–
Total investment in subsidiary and associate company	**–**	**601,747**	**–**
Other investments			
Other	–	3	3,503
Total other investments	**–**	**3**	**3,503**

Subsidiary, joint venture and associated company

Name of company	**Country of incorporation**	**Nature of business**	**Effective interest in capital** %	%	%
Clover S.A.	South Africa	Dairy manufacturing, distribution, sales	100	100	100
Clover Beverages	South Africa	Marketing of non-alcoholic beverage products	94,8	94,8	94,8
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	70	70	70
The Model Dairy	South Africa	Dormant	100	100	100
Salpen	South Africa	Salary and pension administration	100	100	100
Clover Manhattan#	South Africa	Distribution and sales of ice tea	50,1	–	–
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	100	100	100
Lactolab	South Africa	Testing of dairy products	52	52	52
Clover Capital	South Africa	Finance	100	100	100
Saclo	South Africa	Property-owning	100	100	100
Danone Clover *	South Africa	Dairy manufacturing and sales	–	45	45
Clover Zambia	Zambia	Dairy manufacturing and sales	100	100	100
Clover Fonterra #	South Africa	Marketing, selling and distribution of dairy and related ingredient products	51	51	51

30. INVESTMENTS (continued)

Subsidiary, joint venture and associated company			**Investment in subsidiaries and joint ventures**		
Name of company	**Country of incorporation**	**Nature of business**	**R'000**	**R'000**	**R'000**
Clover S.A.	South Africa	Dairy manufacturing, distribution, sales	326,735	326,735	226,735
Clover Beverages	South Africa	Marketing of non-alcoholic beverage products	282,037	282,037	282,037
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	3,893	3,893	3,893
The Model Dairy	South Africa	Dormant	–	–	–
Salpen	South Africa	Salary and pension administration	–	–	–
Clover Manhattan #	South Africa	Distribution and sales of ice tea	3,034	–	–
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	1	1	1
Lactolab	South Africa	Testing of dairy products	–	–	–
Clover Capital	South Africa	Finance	91,000	91,000	96,230
Saclo	South Africa	Property-owning	–	–	1
Danone Clover *	South Africa	Dairy manufacturing and sales	–	642,324	20,025
Clover Zambia	Zambia	Dairy manufacturing and sales	3	3	3
Clover Fonterra #	South Africa	Marketing, selling and distribution of dairy and related ingredient products	3,060	3,060	3,060

Subsidiary, joint venture and associated company			**Profit/(loss) after taxation**		
Name of company	**Country of incorporation**	**Nature of business**	**R'000**	**R'000**	**R'000**
Clover S.A.	South Africa	Dairy manufacturing, distribution, sales	870,917	(15,652)	95,273
Clover Beverages	South Africa	Marketing of non-alcoholic beverage products	117,731	77,548	54,185
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	(49)	8,869	4,744
The Model Dairy	South Africa	Dormant	–	–	–
Salpen	South Africa	Salary and pension administration	–	–	–
Clover Manhattan #	South Africa	Distribution and sales of ice tea	1,039	–	–
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	1,252	1,799	915
Lactolab	South Africa	Testing of dairy products	1,392	2,156	2,819
Clover Capital	South Africa	Finance	–	–	–
Saclo	South Africa	Property-owning	(1,026)	–	8,562
Danone Clover *	South Africa	Dairy manufacturing and sales	–	35,524	27,295
Clover Zambia	Zambia	Dairy manufacturing and sales	(2,468)	(79)	–
Clover Fonterra #	South Africa	Marketing, selling and distribution of dairy and related ingredient products	6,360	5,347	7,685

* Associated company sold on 1 January 2010

Joint venture

	Group 2010 R'000	2009 R'000	2008 R'000
31. SHARE-BASED PAYMENTS			
31.1 Cash-settled share purchase scheme			
Total short-term portion provided as current liabilities (Phantom B)			
Provision at the beginning of the year	985	985	–
Provided/(utilised) during the year	(985)	–	–
Balance at the end of the year	**–**	**985**	**–**
Total long-term share-based payment provided as a non-current liability (Phantom A)			
Provision at the beginning of the year	130	–	–
Provided during the year	36,918	130	–
Paid to executives during the year	(37,048)	–	–
Balance at the end of the year	**–**	**130**	**–**

The cash-settled Long Term Incentive Plan, named Phantom B was rescinded in October 2009.

On 21 November 2008 the company approved a cash-settled Long Term Incentive Plan, named Phantom A, for Senior Executives of the Group. The Plan involved the issuance of Share Appreciation Rights to executives that originally vested over a period of five years. Executives could choose to exercise SAR that vested which will entitle them to a cash payment equal to the increase in the CIL preference share price over the issue price of the SAR. SAR were issued at the volume-weighted average price that CIL preference shares traded over-the counter during the 60 trading days preceding the issue date. With the capital restructuring on 31 May 2010 the SAR vested and an amount equal to the difference between R8,17 and the average strike price being R4,60 was paid in cash to the Executives, amounting to R37,1 million.

Share Appreciation Rights

Description	Grant date	Weighted average remaining contractual life (years)	Grant price (Rand)	SAR granted	Weighted average fair value per right (cents)	Vesting period
Phantom A	21 November 2008	0	R4,80	8,996,806	357	31 May 2010
	1 July 2009	0	R3,37	1,401,751	357	31 May 2010

31.2 Equity-settled share purchase scheme (Preference shares in CIL)

On 28 October 2009, 1 050 567 ungranted preference shares together with 2 949 433 newly issued preference shares in CIL were granted to Executive Directors of the company at the issue price of R3,14 per preference share. The exercise price of R3,14 was equal to the market price of the shares on the date of the grant. Details of shares granted and vested in terms of the scheme are as follows:

Shares granted and vested	Shares to be granted	Grant date	Grant price	Fair value at vesting date
4,000,000	–	28/10/2009	R3,14	R3,14

31.3 Equity-settled share purchase scheme – Clovers Share Appreciation Rights Plan (2010) (Ordinary shares in CIL)

On 31 May 2010 the ordinary and preference shareholders approved the Clover Share Appreciation Rights Plan (2010) as well as the placement of 8 million unissued ordinary shares under the control of the directors to fulfil the company's potential future obligations in terms of the plan. The main rules of the scheme are as follows:

The company's obligations in terms of this plan can at the election of the company be settled in cash or by the issue of ordinary shares.

New SAR was issued at the fair market value of ordinary shares on the date of issue and will vest in equal tranches on the expiry of 3, 4, and 5 years from the date of the issue thereof,

New SAR may be encashed, at the election of the participants, at any time after they have vested provided that the participant concerned is still in the employ of Clover. On encashment employees will be paid an amount equal to the difference between the fair market value of ordinary shares on the date of issue of the new SAR in question and the fair market value of ordinary shares on the date of encashment.

Further details on the scheme are available in the detail circular issued to shareholders on 7 May 2010.

The first SAR issues were approved by the shareholders on 31 May 2010 at R 9,34 per SAR as follows:

Share Appreciation Rights						
Description	**Grant date**	**Weighted average remaining contractual life (years)**	**Grant price (Rand)**	**SAR granted**	**Weighted average fair value per right (cents)**	**Vesting period**
Clover Share Appreciation Rights Plan (2010)	31 May 2010	*Until employment terminates	R9,34	8,000,000	9,34	One third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015

	Group 2010 R'000	2009 R'000	2008 R'000
Provision against income			
Share based payment reserve	733	–	–

The Hull-White Trinomial Lattice valuation model used a volatility of 30,3% for the calculation.

32. LONG-SERVICE BONUS

32.1 Introduction

The Group rewards employees with long service by remunerating them with a lump sum after a specific number of service years. Assumptions and valuation methods are as follows:

32.2 Background

The long-service bonuses which employees receive differ between employees whose employment date was before 1 January 2001 and employees whose employment date was after 1 January 2001. The benefit is as follows:

Employees with an employment date before 1 January 2001

Employees receive a bonus of three times their monthly basic salary after 15 years service and one time their monthly basic salary every five years thereafter.

Employees with an employment date after 1 January 2001

Employees receive a bonus of 10% of their monthly basic salary after 10 years' service, 15% after 15 years' service, 20% after 20 years' service, 25% after 25 years' service, etc.

32.3 Valuation method

The projected unit credit method is used in the calculations. The values of the past service liabilities and the future service liabilities are given separately. The past service liability is the value of the accumulated liability as at the calculation date in respect of service already rendered. The future service liability is the value of the liability from service after the calculation date until the next date the employee is entitled to receive a bonus payment. The total liability is evenly distributed over the period since service inception until the date when the benefit is payable.

		Group	
	2010	**2009**	**2008**
	R'000	**R'000**	**R'000**
32.4 Valuation results			
Past service liability			
The total past service liability in respect of long-service bonuses is set out as follows:			
Employees with employment date before 01/01/2001	29,835	39,666	39,533
Employees with employment date after 01/01/2001	592	513	504
Total past service liability	**30,427**	**40,179**	**40,037**

The valuation results as at 30 June 2010 are based on best estimate assumptions. The valuation is very sensitive to the real return rate assumed. For every 1% variance in the assumed rate of return, the liability varies by approximately R1 million. The results as at 30 June 2009 and 30 June 2008 are based on the previous best estimates. The figures do not agree with the provisions as per the Group statements as the full liability for the joint venture have been included in the valuation results.

	Group 2010 R'000	2009 R'000	2008 R'000
32.5 Past service liability build-up			
The build-up of the total past service liability for the past year, using the best estimate assumptions are as follows:			
(a) The following discount rate per annum was used for the calculation of interest cost.	9,4	9,3	10,9
(b) The following salary escalation rate per annum and merit increases were used.	7,4	7,8	9,7
(c) For current service cost an assumption is made that there are no withdrawals during the financial year.	–	–	–
(d) For benefits paid it is assumed that all benefits were paid as estimated by Clover.	–	–	–
The increase in the past service liability is summarised as follows:			
Past service liability build-up			
Opening balance	40,179	40,037	40,672
Effect of Danone exclusion	(2,676)	–	–
	37,503	40,037	40,672
Plus: Interest cost	3,159	3,723	4,433
Current service cost	2,217	2,369	2,558
Less: Benefits paid	(4,392)	(5,853)	(4,447)
Actuarial gain	(8,060)	(97)	(3,179)
Closing balance	**30,427**	**40,179**	**40,037**

33. LOANS TO DIRECTORS AND EMPLOYEES (REFER NOTE 16)

	2010 R'000
Executive Directors	
Johann Hendrik Vorster	28,382
Hermanus Bernardus Roode	20,382
Dr Christiaan Philippus Lerm	12,906
Louis Jacques Botha	9,984
Executive management	
Hendrikus Lubbe	1,876
Employees	352
Total	**73,882**

34. TOTAL REMUNERATION AND BENEFITS PAYABLE TO EACH DIRECTOR FOR THE YEAR ENDED 30 JUNE 2010

	Salaries	Incentives	Services	Pension scheme benefits	Other benefits	Total
Executive directors:						
Johann Hendrik Vorster	2,843,820	6,298,979	–	456,811	837,043	10,436,653
Hermanus Bernardus Roode	2,163,780	3,993,925	–	310,318	668,300	7,136,323
Dr Christiaan Philippus Lerm	1,687,860	3,115,467	–	242,399	554,321	5,600,047
Louis Jacques Botha	1,697,520	3,133,298	–	243,448	529,153	5,603,419
Total remuneration Executive directors	**8,392,980**	**16,541,669**	**–**	**1,252,976**	**2,588,817**	**28,776,442**
Non-executive directors:						
John Allan Hutchinson Bredin	–	–	825,826	–	84,181	910,007
Hercules Petrus Fredrik du Preez	–	–	491,092	–	71,401	562,493
Werner Ignatius Büchner	–	–	193,329	–	48,440	241,769
Martin Geoff Elliott	–	–	174,235	–	108,943	283,178
Dr Jacobus Christoffel Hendriks	–	–	212,423	–	65,423	277,846
Vivian Peter Turner	–	–	174,235	–	90,115	264,350
Thomas Alexander Wixley	–	–	346,092	–	–	346,092
Jan Willem Lotz	–	–	164,688	–	44,171	208,859
Malcolm Graham Mackenzie	–	–	174,235	–	41,057	215,292
Friedrich George Meyer	–	–	174,235	–	107,606	281,841
Desmond Kent Smith	–	–	498,831	–	88,108	586,939
John Anthony Copelyn	–	–	274,482	–	–	274,482
Marchel Jonathan Golding	–	–	126,500	–	–	126,500
Vilaphi Elias Mphande	–	–	116,953	–	–	116,953
Total remuneration non-executive directors	**–**	**–**	**3,947,156**	**–**	**749,445**	**4,696,601**
Total	**8,392,980**	**16,541,669**	**3,947,156**	**1,252,976**	**3,338,262**	**33,473,043**

35. NET ASSET VALUE

	2010 Cents	2009 Cents	2008 Cents
Net asset value per share	1,692.9	1,627.5	1,060.8
Net tangible asset value per share	1,229.4	1,300.9	689.9

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF CLOVER INDUSTRIES LIMITED AND ITS SUBSIDIARIES

"The Directors
Clover Industries Limited
Roodepoort Head Office
Clover Park
200 Constantia Drive
Constantia Kloof
Roodepoort 1709

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF CLOVER INDUSTRIES LIMITED AND ITS SUBSIDIARIES ("CLOVER")

Introduction

At your request, we present our Reporting Accountants' Report on the Consolidated Historical Financial Information of Clover for the three years ended 30 June 2010 ("Historical Financial Information"), for the purposes of complying with the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") and for inclusion in the Prelisting Statement to be dated on or about 29 November 2010 ("Prelisting Statement"). We are the independent auditors of Clover.

Responsibility of the Directors

The directors of Clover are responsible for the compilation, contents and preparation of the Prelisting Statement in accordance with the JSE Listings Requirements. The directors are also responsible for the fair presentation in accordance with International Financial Reporting Standards of the Consolidated Historical Financial Information contained therein to which this Independent Reporting Accountants' Report relates. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Historical Financial Information

We have audited the consolidated historical financial information, attached as Annexure 1 to the Prelisting Statement to be dated on or about 29 November 2010, prepared in accordance with International Financial Reporting Standards and in compliance with the JSE Listings Requirements.

Responsibility of the Independent Reporting Accountants' on the Consolidated Historical Financial Information for the three years ended 30 June 2010

Our responsibility is to express an audit opinion on the Consolidated Historical Financial Information for the three years ended 30 June 2010 included in Annexure 1 to the Prelisting Statement based on our audit.

We conducted our audit of the Consolidated Historical Financial Information in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Historical Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Historical Financial Information for the three years ended 30 June 2010. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Historical Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The evidence includes that evidence which was previously obtained by us in the conduct of our audits of the annual financial statements of Clover underlying the Consolidated Historical Financial Information.

Opinion on Consolidated Historical Financial Information for the three years ended 30 June 2010

In our opinion, the Consolidated Historical Financial Information for the three years ended 30 June 2010, included in the Prelisting Statement presents fairly, in all material respects, the consolidated financial position of Clover and its consolidated financial performance and its consolidated cash flows for the three years ended 30 June 2010 in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

Ernst & Young Inc.

Director: Dave Cathrall
Johannesburg

26 November 2010"

UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION OF CLOVER INDUSTRIES LIMITED AND ITS SUBSIDIARIES

The unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position of Clover Industries Limited and its subsidiaries before and after the IPO restructuring and before and after the Offer in terms of this prelisting statement is set out below.

The unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position have been presented for illustrative purposes only and because of their nature may not fairly present Clover Industries Limited and its subsidiaries financial position and results of operations nor the effect and impact of both the IPO restructuring and the Offer going forward.

It has been assumed for purposes of the unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position that the IPO restructuring and the Offer took place with effect from 1 July 2009 for income statement purposes and 30 June 2010 for balance sheet purposes.

The directors of Clover Industries Limited are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in this prelisting statement and for the financial information on which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with accounting policies of Clover Industries Limited; and the unaudited *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the Listings Requirements.

The unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position are presented in a manner consistent in all respects with IFRS and with the basis on which the historical financial information has been prepared in terms of accounting policies.

The unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position as set out below should be read in conjunction with the independent reporting accountants' limited assurance report set out in Annexure 4 to the prelisting statement.

Assumptions: It has been assumed that the offer will be subscribed for in full and that 47,619,048 Shares are issued pursuant to the Offer, based on a midpoint of the Offer Price Range of R10.50 per share.

	Unaudited *pro forma* statement of comprehensive income			
	"Before" the IPO restructure and the Offer[1] R'000	Effect of the IPO restructure (share split)[2] R' 000	Adjustments related to the Offer R' 000	"After" the IPO restructure and the Offer[5] R,000
Revenue	5,995,740	5,995,740	–	5,995,740
Cost of sales	(4,328,694)	(4,328,694)	–	(4,328,694)
Gross profit	1,667,046	1,667,046	–	1,667,046
Other income	398,385	398,385	–	398,385
Operating expenses	(1,506,461)	(1,506,461)	–	(1,506,461)
Listing expenses	–	–	(6,057)[3]	(6,057)
Operating profit	558,970	558,970	(6,057)	552,913
Net interest paid	(63,518)	(63,518)	–	(63,518)
Net income before taxation	495,452	495,452	(6,057)	489,395
Taxation	(191,662)	(191,662)	–	(191,662)
Net income after taxation	303,790	303,790	(6,057)	297,733
Profit after tax for the year from discontinued operations	32,123	32,123	–	32,123
Profit for the year	335,913	335,913	(6,057)	329,856
Outside shareholders interest	(5,094)	(5,094)	–	(5,094)
Income attributable to ordinary shareholders	330,819	330,819	(6,057)	324,762
Weighted number of ordinary shares in issue	77,300	155,100[2]	47,619[4]	202,719[4]
Earnings per share (cents)				
Basic, profit for the year attributable to ordinary equity holders of the parent	428.0	213.3		160.2
Diluted, profit for the year attributable to ordinary equity holders of the parent	428.0	213.3		160.2
Earnings per share for continuing operations (cents)				
Basic, profit from continuing operations attributable to ordinary equity holders of the parent	386.4	192.6		144.4
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent	386.4	192.6		144.4
Headline earnings per share				
Basic, profit for the year attributable to ordinary equity holders of the parent	66.1	33.0		22.2
Diluted, profit for the year attributable to ordinary equity holders of the parent	66.1	33.0		22.2
Headline earnings per share for continuing operations (cents)				
Basic, profit from continuing operations attributable to ordinary equity holders of the parent	24.6	12.2		6.4
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent	24.6	12.2		6.4

Notes to the unaudited *pro forma* statement of comprehensive income

(1) The 'before' financial information is based on the audited statement of comprehensive income of Clover Industries Limited and its subsidiaries for the year ended 30 June 2010 assuming that the IPO restructuring and the Offer took place with effect from 1 July 2009.

(2) To take into account both the issue of 250 000 ordinary shares to a member of the executive team prior to the IPO restructure and the effect of the IPO restructure.

On 4 November 2010, immediately prior to the IPO restructure, a member of the executive team subscribed for 250 000 ordinary shares at a subscription price of R9.34 per ordinary share which effectively increased issued ordinary shares from 61,924,981 to 62,174,981. The total subscription price was advanced to the member by Clover Industries Limited on loan account on the same terms and conditions as were made available to other executive members. After the IPO restructure, these subscribed shares doubled to 500,000 as more fully described below. (This adjustment has been made as its exclusion may otherwise be misleading when attempting to reconcile the number of ordinary shares in issue at year end to those utilised in calculating the share split resulting from the IPO restructure discussed below and described elsewhere in this prelisting statement.)

An IPO restructure to facilitate the Offer took place on 4 November 2010 whereby the issuer's authorised ordinary share capital which comprised of 100,000,000 ordinary shares of R0.10 each and the issuers ordinary issued share capital which comprised of 62,174,981 ordinary shares of R0.10 each was restructured by way of a sub division and an increase in ordinary shares such that the issuers ordinary issued share capital after the restructure comprised of 124,349,962 ordinary shares of R0.05 each.

(3) To take into account estimated expenses of the Offer and the Listing. Total estimated expenses amount to R17,812,000 and are split between those that are expensed (R6,057,000) due to not being incurred directly as a result of the issue of shares and those that are written off against share premium (R11,755,000) as a result of being directly attributable to the issue of shares.

(4) The number of ordinary shares to be issued to raise R500 million at an estimated price of R10.50 are 47,619,048. The weighted number of ordinary shares taking in account the issue of the 47,619,048 ordinary shares increases from 155,100,000 shares to 202.7 million shares. The "after" earnings per share was calculated based on the last mentioned number of weighted number of ordinary shares.

(5) The "after" financial information reflects the financial effects after taking into account the IPO restructure and the Offer.

(6) As noted in this prelisting statement, the proceeds of R500 million arising from the issue of ordinary shares will be used as follows:

(i) to raise R350 million to implement value-enhancing optimisation and expansion projects; and

(ii) to raise R150 million for general corporate purposes (including the acquisition of the interests of minorities in various of the company's subsidiaries and to fund working capital) and to defray costs associated with the Offer.

As a result of the above, no interest benefit has been taken into account when determining the effect on the unaudited *pro forma* statement of comprehensive income.

(7) All financial effects have an ongoing effect, with the exception of the transaction costs as set out in note (3) above.

	Reconciliation of headline earnings to profit			
	"Before" the IPO restructure and the Offer[1] R'000	Effect of the IPO restructure (share split)[2] R' 000	Adjustments related to the Offer R' 000	"After" the IPO restructure and the Offer[5] R,000
Headline earnings				
Profit attributable to equity holders of the parent	330,819	330,819	(6,057)	324,762
Adjusted for:				
Loss/(Profit) on sale and scrapping of property plant and equipment	908	908	–	908
Profit on the sale of Boksburg factory	(50,818)	(50,818)	–	(50,818)
Profit on sale of UltraMel long life business	–	–	–	–
Profit on sale of Clover Danone Beverages shares	–	–	–	–
Profit on cancellation of a distribution agreement	–	–	–	–
Profit on deconsolidation of Danone Clover	–	–	–	–
Profit on sale of Danone Clover	(337,682)	(337,682)	–	(337,682)
Impairment of plant and equipment recognised as restructuring cost	10,732	10,732	–	10,732
Impairment of property, plant and assets held for sale	814	814	–	814
Taxation adjustment on the above items	96,347	96,347	–	96,347
Total of adjustments	(279,699)	(279,699)	–	(279,699)
Headline earnings/(loss) attributable to equity holders of the parent adjusted for exceptional items	**51,120**	**51,120**	**(6,057)**	**45,063**
Less: Profit after tax from discontinued operations	(32,123)	(32,123)	–	(32,123)
Headline earnings/(loss) from continuing operations attributable to equity holders of the parent	**18,997**	**18,997**	**(6,057)**	**12,940**

	"Before" the IPO restructure and the Offer[1] R'000	Effect of the IPO restructure (share split)[2] R' 000	Adjustments related to the Offer R' 000	"After" the IPO restructure and the Offer[6] R,000
ASSETS				
Non-current assets	**1,221,223**	**1,221,223**	**–**	**1,221,223**
Property, plant and equipment	914,413	914,413	–	914,413
Investment properties	1,010	1,010	–	1,010
Intangible assets	287,060	287,060	–	287,060
Deferred tax asset	18,740	18,740	–	18,740
Current assets	**1,708,901**	**1,711,236**	**482,188**	**2,193,424**
Inventories	465,994	465,994	–	465,994
Trade and other receivables	807,463	809,798[2]	–	809,798
Prepayment	6,170	6,170	–	6,170
Cash and cash equivalents	429,274	429,274	482,188[3]	911,462
Assets classified as held for sale	1,979	1,979	–	1,979
Total assets	**2,932,103**	**2,934,438**	**482,188**	**3,416,626**
EQUITY AND LIABILITIES				
EQUITY				
Issued capital	6,192	6,217[2]	2,381[4]	8,598
Share premium	115,348	117,658[2]	485,864[4]	603,522
Other reserves	242,188	242,188	–	242,188
Retained earnings	684,631	684,631	(6,057)[5]	678,574
Equity attributable to equity holders of the parent	**1,048,359**	**1,050,694**	**482,188**	**1,532,882**
Non-controlling interests	28,108	28,108	–	28,108
Total equity	**1,076,467**	**1,078,802**	**482,188**	**1,560,990**
LIABILITIES				
Non-current liabilities	**655,544**	**655,544**	**–**	**655,544**
Interest-bearing loans and borrowings	592,504	592,504	–	592,504
Provisions	50,357	50,357	–	50,357
Deferred tax liability	6,363	6,363	–	6,363
Other payables	6,320	6,320	–	6,320
Current liabilities	**1,200,092**	**1,200,092**	**–**	**1,200,092**
Trade and other payables	1,115,327	1,115,327	–	1,115,327
Interest-bearing loans and borrowings	66,947	66,947	–	66,947
Income tax payable	1,368	1,368	–	1,368
Provisions	16,450	16,450	–	16,450
Total liabilities	**1,855,636**	**1,855,636**	**–**	**1,855,636**
Total equity and liabilities	**2,932,103**	**2,934,438**	**482,188**	**3,416,626**
Number of ordinary shares in issue	61,925	124,350[2]	47,619	171,969
Net asset value per share (cents)	1,692.9	844.9		891.4
Net tangible asset value per share (cents)	1,229.4	614.1		724.4

Notes to the unaudited *pro forma* statement of financial position:

(1) The 'before' financial information is based on the audited statement of financial position of Clover Industries Limited and its subsidiaries as at 30 June 2010 assuming that the IPO restructuring and the Offer took place as at 30 June 2010.

(2) To take into account both the issue of 250 000 ordinary shares to a member of the executive team prior to the IPO restructure and the effect of the IPO restructure.

On 4 November 2010, immediately prior to the IPO restructure, a member of the executive team subscribed for 250,000 ordinary shares at a subscription price of R9.34 per ordinary share which effectively increased issued ordinary shares from 61,924,981 to 62,174,981. As a result of this share issue, share capital increased by R25,000 (being 250,000 ordinary shares x R0.10 per share) and share premium increased by R2,310,000 (being 250,000 ordinary shares x R9.24 per share). The total subscription price was advanced to the member by Clover Industries Limited on loan account on the same terms and conditions as were made available to other executive members. After the IPO restructure, these subscribed shares doubled to 500 000 as more fully described below. (This adjustment has been made as its exclusion may otherwise be misleading when attempting to reconcile the number of ordinary shares in issue at year end to those utilised in calculating the share split resulting from the IPO restructure discussed below and described elsewhere in this prelisting statement.)

An IPO restructure to facilitate the Offer took place on 4 November 2010 whereby the issuer's authorised ordinary share capital which comprised of 100,000,000 ordinary shares of R0.10 each and the issuers ordinary issued share capital which comprised of 62 174 981 ordinary shares of R0.10 each was restructured by way of a sub division and an increase in ordinary shares such that the issuers ordinary issued share capital after the restructure comprised of 124,349,962 ordinary shares of R0.05 each.

(3) To take account of cash received from the listing, being R500 million less expenses incurred of R17,812,000.

(4) To take account of the issue of 47,619,048 ordinary shares with a nominal value of R0.05 each, issued at an estimated price of R10.50 (post the IPO restructure) to raise R500 million. Issued ordinary share capital and share premium have been increased by R2.38 million (being 47 619 048 ordinary shares x R0.05 per share) and R497.6 million (being 47,619,048 ordinary shares x R10.45 per share) respectively resulting from the Offer. The share premium excludes listing fees estimated at R11,755,000 directly related to the issue of shares and which have been written off against share premium.

(5) To take account of expenses (R6,057,000) that were written off in the statement of comprehensive income due to not being incurred directly as a result of the issue of shares.

(6) The "after" financial information reflects the financial effects after taking into account the IPO restructure and the Offer.

(7) All financial effects have an ongoing effect, with the exception of the transaction costs as set out in notes 4 and 5 above. It is further noted that the cash received will be utilised as described in this prelisting statement and as set out in note 6 of the unaudited *pro forma* statement of comprehensive income and that this balance is therefore unlikely to remain unchanged going forward.

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION OF CLOVER INDUSTRIES LIMITED AND ITS SUBSIDIARIES

"The Directors
Clover Industries Limited
Roodepoort Head Office
Clover Park
200 Constantia Drive
Constantia Kloof
Roodepoort 1709

INDEPENDENT REPORTING ACCOUNTANT'S LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF CLOVER INDUSTRIES LIMITED

We have performed our limited assurance engagement in respect of the unaudited *pro forma* consolidated statement of comprehensive income and statement of financial position (collectively the "unaudited *pro forma* financial information") set out on pages 59 to 60 as well as Annexure 3 of the Prelisting Statement to be dated on or about 29 November 2010 issued in connection with the proposed listing and simultaneous offering of 47,619,048 Ordinary Shares of R0.05 each, to be issued at an estimated price of R10.50 per Share of Clover Industries Limited ("Clover") ("the Transaction") that is the subject of this Prelisting Statement. The estimated Offer of 47,619,048 Ordinary Shares of R0.05 each, at an estimated Offer price of R10.50 per share represents the midpoint of the offer price range which will be between R9.00 and R12.00 per Offer share. The unaudited *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited's Listings Requirements ("Listings Requirements") for illustrative purposes only, to provide information about how the Transaction might have affected the reported historical financial information presented, had the Transaction been undertaken at the commencement of the period or at the date of the unaudited *pro forma* balance sheet being reported on.

Directors' responsibility

The directors are solely responsible for the compilation, contents and presentation of the unaudited *pro forma* financial information contained in the Prelisting Statement and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Clover; and the unaudited *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the Listings Requirements.

Reporting accountant's responsibility

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the Prelisting Statement. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements other than Audits or Reviews of Historical Financial Information – ISAE 3000 and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants.

The standard requires us to obtain sufficient appropriate evidence on which to base our conclusion. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the unaudited *pro forma* adjustments in light of the accounting policies of Clover, considering the evidence supporting the unaudited *pro forma* adjustments and discussing the adjusted unaudited *pro forma* financial information with the Directors of Clover in respect of Transaction which is the subject of this Prelisting Statement. In arriving at our conclusion, we have relied upon financial information prepared by the Directors of Clover and other information from various public, financial and industry sources. While our work performed has involved an analysis of the audited financial information and other information provided to us, our limited assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that pursuant to Sections 8.17 and 8.30 of the Listings Requirements: the unaudited *pro forma* financial information has not been properly compiled on the basis stated, such basis is inconsistent with the accounting policies of the issuer, and the *pro forma* adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed, in terms of Section 8.17 and 8.30 of the Listings Requirements.

Ernst & Young Inc.

Director: Dave Cathrall
Johannesburg

26 November 2010"

PARTICULARS AND REMUNERATION OF, AND OTHER MATTERS RELATING TO, THE DIRECTORS OF THE ISSUER

1. OTHER DIRECTORSHIPS AND PARTNERSHIPS HELD BY THE DIRECTORS IN THE FIVE YEARS IMMEDIATELY PRECEDING THE LAST PRACTICABLE DATE

Initials	Surname	Entity Name	Entity Type	Date Appointed	Date Resigned if no longer a Director
Stefanes Francois	Booysen	Efficient Financial Holdings	Public Company (Limited)	Sep 2009	
		Steinhoff International Holdings	Public Company (Limited)	08/09/2009	
		CMD Communications	Private Company (Proprietary Limited)	Oct 2009	
		Anger Property Specialists	Private Company (Proprietary Limited)	14/10/2009	
		PCI Properties	Private Company (Proprietary Limited)	Nov 2009	
		PCI Fintrade	Private Company (Proprietary Limited)	Nov 2009	
		Shonghai Capital	Private Company (Proprietary Limited)	13/11/2009	
		Metric Fibre Networx	Private Company (Proprietary Limited)	18/05/2010	
		Prism Estate	Private Company (Proprietary Limited)	04/01/1993	Deregistered
		Tasbet	Private Company (Proprietary Limited)	04/01/1993	Deregistered
		Sentrale Registrateurs	Public Company (Limited)	11/10/1993	Deregistered
		Bush Estates	Private Company (Proprietary Limited)	04/01/1993	Deregistered
		Offray South Africa	Private Company (Proprietary Limited)	04/01/1993	Deregistered
		Erf 707-720 Ferndale	Private Company (Proprietary Limited)	04/01/1993	Deregistered
		ABSA Asia Limited	External Company	15/06/2000	Deregistered
		Senkorp Investments	Public Company (Limited)	13/10/1993	Deregistered
		Senbank Management Company	Public Company (Limited)	05/01/1993	Deregistered
		Anan Properties	Private Company (Proprietary Limited)	04/01/1993	Deregistered
		Steinhoff Investment Holdings	Public Company (Limited)	02/03/2010	
		ABSA Group	Public Company (Limited)	01/08/2004	28/02/2009
		ABSA Bank	Public Company (Limited)	28/12/2001	28/02/2009
		ABSA Financial Services	Public Company (Limited)	08/23/2002	02/28/2009
		The Banking Association of South Africa	Article 21 (Association inc under Section 21)	01/08/2004	28/02/2008
		Jobco	Article 21 (Association inc under Section 21)	30/09/2005	05/02/2010
		Majorshelf 142	Private company (Proprietary Limited)	01/06/2010	
		Two Ships Trading 125	Private Company (Proprietary Limited)	12/12/2008	11/05/2009

		Senwes Limited	Public Company (Limited)	10/04/1997	

Initials	**Surname**	**Entity Name**	**Entity Type**	**Date Appointed**	**Date Resigned if no longer a Director**
Louis Jacques	Botha	APF Chartered Accountants	INC	31/08/2004	02/08/2006
		Gobodo Investments	INC	01/04/2000	
		Gobodo	INC	01/06/2000	01/08/2006
		Saclo Properties (Proprietary) Limited	Private Company (Proprietary) Limited	18/05/2007	Deregistered 17/09/2010
		LJB Properties (Proprietary) Limited	Private Company (Proprietary) Limited	31/07/1997	Deregistered 16/07/2010
		Executive Services (Proprietary) Limited	Private Company (Proprietary) Limited	01/03/1997	Deregistered 16/07/2010
		Clover Capital	Private Company (Proprietary) Limited		
John Allan Hutchinson	Bredin	Lonelydell	Private Company (Proprietary) Limited	19/03/2001	
		Nhlamvini Game Reserve (Proprietary) Limited	Private Company (Proprietary) Limited	09/11/1998	Deregistered 16/07/2010
Werner Ignatius	Büchner	Data Farm	Private Company (Proprietary) Limited	20/04/2009	
		Wildfire Trading 134	Close Corporation (CC)		
Johannes Nicolaas Stephanus	Du Plessis	Viermans Beleggings	Private Company (Proprietary Limited)	13/12/1982	16/07/2010
		Gyswest	Close Corporation (CC)	28/08/1991	16/07/2010
		Jansem Genetic Materials	Close Corporation (CC)	28/08/1991	
		Jamaican Music Stud	Close Corporation (CC)	28/08/1991	
		Sea Cottage Stud	Close Corporation (CC)	28/08/1991	
		Miss Averoff Stud	Close Corporation (CC)	28/08/1991	
		Bam Binello Stud	Close Corporation (CC)	13/03/2003	
		Respectable Stud	Close Corporation (CC)	28/08/1991	
		Semiljic Stud	Close Corporation (CC)	28/08/1991	
		Coral Lagoon Investments	Private Company (Proprietary Limited)	15/08/2008	
		Bam Binello Stud	Private Company (Proprietary Limited)	20/11/2007	
		Matlotlo Trading 130	Private Company (Proprietary Limited)	26/08/2008	
		Pink Potato Trading 50	Private Company (Proprietary Limited)	31/07/2009	
		Black Ridge Investments 11	Private Company (Proprietary Limited)	19/09/2008	
		Klawervlei Stud	Private Company (Proprietary Limited)	13/08/2004	
		Steinhoff Africa Property Services	Private Company (Proprietary Limited)	17/05/2006	
		Steinhoff at work	Private Company (Proprietary Limited)	17/05/2006	
		Steinhoff International Holdings	Private Company (Proprietary Limited)	15/03/2006	
		Cazador Trading and Investments	Private Company (Proprietary Limited)	01/01/2007	
		Twin River Trading 104	Private Company (Proprietary Limited)	24/10/2008	
		Steinhoff Africa Group Services	Private Company (Proprietary Limited)	17/05/2006	

Initials	Surname	Entity Name	Entity Type	Date Appointed	Date Resigned if no longer a Director
Hercules Petrus Fredrik	Du Preez	Herculette Boerdery	Private Company (Proprietary) Limited	16/07/2002	
Martin Geoff	Elliott	n/a			
Jacobus Christoffel	Hendriks	Inovula	Private Company (Proprietary Limited)	18/07/1995	
		Clover Holdings (Proprietary) Limited	Private Company Limited	27/02/2002	Resigned 23/03/2007
		Lacto Manna CC	Close Corporation (CC)	16/01/1996	Deregistered 16/07/2010
Christiaan Philippus		Lerm	n/a		
Nkateko Peter	Mageza	Sappi	Public Company Limited	10/12/2010	
		The Bidvest Group	Public Company Limited	28/08/2009	
		Remgro	Public Company Limited	04/11/2009	
		Absa Group	Public Company Limited	10/09/2007	28/02/2009
		Absa Bank	Public Company Limited	11/02/2003	30/06/2009
		Absa Vehicle Management Solutions	Private Company (Proprietary) Limited	10/06/2004	Resigned, date not known
		MTN Group	Public Company (Limited)	10/12/2010	
		Rifuwo Trading	Private Company (Proprietary) Limited	15/03/1996	
		Rainstar Group	Private Company (Proprietary) Limited	03/12/1997	
		Rainstar Investment Holdings	Private Company (Proprietary) Limited	03/12/1997	
		Hentiq 1851	Private Company (Proprietary) Limited	24/08/1999	Deregistered 16/07/2010
		Hentiq 1867	Private Company (Proprietary) Limited	03/09/1999	Deregistered 16/07/2010
		Majorshelf 142	Private Company (Proprietary) Limited	10/03/2010	
		Tunleys Mail and Print	Private Company (Proprietary) Limited	29/01/2010	
		Integrated Processing Solutions	Private Company (Proprietary) Limited	17/10/2006	30/06/2009
		Four Rivers Trading 261	Private Company (Proprietary) Limited	08/05/2007	
		Ntamele Investment Company	Private Company (Proprietary) Limited	12/02/2009	12/02/2009
		Integra Profile Assessment Centre	Private Company (Proprietary) Limited	10/03/2010	Resigned, date not known
		Kellrose Capital	Private Company (Proprietary) Limited	09/12/2009	
		Songhai Capital	Private Company (Proprietary) Limited	13/11/2009	
		Absa Fleet Services	Public Company Limited	31/03/2002	Resigned, date not known

Initials	Surname	Entity Name	Entity Type	Date Appointed	Date Resigned if no longer a Director
Hermanus Bernardus	Roode	Bespoke Soft Furnishings	Private Company (Proprietary) Limited	30/01/2008	
		Bespoke Soft Furnishings	Close Corporation (CC)	27/01/2009	
		Kamonande Chalet No 50	Close Corporation (CC)	21/07/2006	31/08/2009
		Kamonande Chalet No 48	Close Corporation (CC)	21/04/2006	11/07/2006
		Kamonande Chalet No 26	Close Corporation (CC)	27/11/2006	20/05/2010
		Kamonande Chalet No 53	Close Corporation (CC)	27/11/2006	19/06/2009
		Danone Southern Africa	Private Company (Proprietary) Limited	04/09/2001	31/12/2009
		Clover Share Finance Company	Private Company (Proprietary) Limited	27/06/2005	
		Dairy Standard Agency	Section 21	04/07/2003	25/01/2005
		Stand 3 & 3A, Melville	Close Corporation (CC)		
		The Model Dairy (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 23/01/2007
		Clover Dairies (Zululand) (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Addington Beach Developments (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Clover Dairies (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Dolphin Dairies (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Ansteys Beach Developments (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Huminduff Investments (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Clover Holdings (Proprietary) Limited	Private Company Limited	04/09/1998	Deregistered 04/01/2008
		Noordwes Vervaardigers (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Stellenburg Cheese (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Playtime Products (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		NCD (Bophuthatswana) (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Parin Park Properties (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Roodepoort Office Park (Proprietary) Limited	Private Company Limited	01/03/1998	Deregistered 15/12/2005
		Roodepoort Office Park (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Business Venture Investment No 19 (Proprietary) Limited	Private Company Limited	24/02/2003	Deregistered 16/07/2010
		Saclo Properties (Proprietary) Limited	Private Company Limited	18/05/2007	Deregistered 17/09/2010
		Clover Logistik (Proprietary) Limited	Private Company Limited	24/02/2000	Deregistered 05/11/2009
		Direct-Shelf 89 (Proprietary) Limited	Private Company Limited	01/04/2008	Deregistered 25/07/2008
		Clover Utilities (Proprietary) Limited	Private Company Limited	01/04/2004	Deregistered 05/11/2009

Initials	Surname	Entity Name	Entity Type	Date Appointed	Date Resigned if no longer a Director
Hermanus Bernardus (continued)	Roode	Panamo Properties Eighty Two (Proprietary) Limited	Private Company Limited	12/07/2004	Deregistered 16/07/2010
Vivian Peter	Turner	Goxhill Farm	Private Company (Proprietary) Limited	28/08/2004	
Johann Hendrik	Vorster	Holographix Properties 400	Close Corporation (CC)	08/07/2002	
		Danone Southern Africa	Private Company (Proprietary) Limited	01/11/2000	31/12/2009
		Clover Share Finance Company	Private Company (Proprietary) Limited	27/06/2005	12/10/2006
		The Model Dairy (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 23/01/2007
		Clover Dairies (Zululand) (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Addington Beach Developments (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Clover Dairies (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Dolphin Dairies (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Ansteys Beach Developments (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Huminduff Investments (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Clover Holdings (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 04/01/2008
		Noordwes Vervaardigers (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Stellenburg Cheese (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Playtime Products (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		NCD (Bophuthatswana) (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Parin Park Properties (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Roodepoort Office Park (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Business Venture Investment No 19 (Proprietary) Limited	Private Company Limited	24/02/2003	Deregistered 16/07/2010
		Roodepoort Office Park (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 15/12/2005
		Saclo Properties (Proprietary) Limited	Private Company Limited	18/05/2007	Deregistered 17/09/2010
		Clover Logistik (Proprietary) Limited	Private Company Limited	24/02/2000	Deregistered 05/11/2009
		Clover Utilities (Proprietary) Limited	Private Company Limited	01/04/2004	Deregistered 05/11/2009
		McDougall Investments (Proprietary) Limited	Private Company Limited	01/11/2000	Deregistered 23/01/2007
		JMYK Investments CC	Close Corporation (CC)	04/05/1999	Deregistered 16/07/2010

Initials	Surname	Entity Name	Entity Type	Date Appointed	Date Resigned if no longer a Director
Thomas Alexander	Wixley	Anglo Platinum	Public Company (Limited)	08/07/2001	
		Avusa	Public Company (Limited)	01/02/2008	
		Channel Life	Public Company (Limited)	19/05/2009	
		Corpcapital Investments	Private Company (Proprietary) Limited	04/05/2005	
		Corpcapital Life Insurance	Public Company (Limited)	24/08/2004	
		New Corpcapital	Public Company (Limited)	04/05/2005	
		Sanlam Developing Markets	Public Company (Limited)	01/02/2008	
		Sasol	Public Company (Limited)	08/03/2007	
		Strate Charity Shares	Article 21 (Association inc under Section 21)	03/07/2002	
		The South African Institute Of Race Relations	Article 21 (Association inc under Section 21)	10/10/2005	
		Corpcapital Investments Two (Proprietary) Limited	Private Company Limited	04/05/2005	

2. CONTRACTS RELATING TO DIRECTORS AND MANAGERIAL REMUNERATION

Each of the executive directors has a standard service agreement with Clover.

The material terms of the service agreements with the executive directors are set out below:

Name	Position	Date of appointment to current role	Total guaranteed cost to company package as of 1 July 2010	Incentive scheme on target *	Notice period	Restraint
Johann Herman Vorster	Chief Executive	01-Dec-05	4 387 760	4 575 878	One month	No
Hermanus Bernardus Roode	Deputy Chief Executive	02-Aug-05	3 371 553	2 901 383	One month	No
Christiaan Philippus Lerm (Dr)	Executive: Marketing/COO: Clover Beverages	01-May-10	2 646 737	2 263 221	One month	No
Louis Jacques Botha	Chief Financial Officer	01-Jul-07	2 650 211	2 276 182	One month	No
Total			**13 056 261**	**12 016 664**		

* The maximum incentive is uncapped and dependent on the Group's financial performance. A formula based on performance against budgets is used to calculate the total incentive.

It is worth noting that while the aforegoing executives are not restrained by virtue of restraint of trade agreements (and there are no restraint payments due to such executives or any other person) there are significant incentives in place to ensure that they do not compete against Clover or resign from Clover's employ.

Remuneration for directors as a group totalled R33,5 million for the year ended 30 June 2010.

The dates upon which the respective service agreements were entered into are:

Name	Position	Date
Mr Johann Hendrik Vorster	Chief Executive Officer	1 October 2000
Mr Hermanus Bernardus Roode	Deputy Chief Executive	1 March 1998
Christiaan Philippus Lerm (Dr)	Executive: Marketing/COO: Clover Beverages	1 September 1991
Mr Louis Jacques Botha	Chief Financial Officer	1 August 2006

DETAILS OF SUBSIDIARY COMPANIES AND THEIR DIRECTORS

1. OPERATING SUBSIDIARIES

Company	Registration Number	Jurisdiction	% Share-holding	Date of Incorporation	Date of becoming Subsidiary
Clover Beverages Limited	2000/000301/06	South Africa	94.8%	17/01/2000	25/10/2002
Clover Botswana (Proprietary) Limited	CO 5383	Botswana	70%	21/09/1984	11/03/1998
Clover Dairy Namibia (Proprietary) Limited	2010/0083	Namibia	100%	05/02/2010	05/02/2010
Clover Fonterra Ingredients (Proprietary) Limited	2003/014926/07	South Africa	51%	30/06/2003	01/06/2005
Clover Manhattan (Proprietary) Limited	2005/038515/07	South Africa	50.1%	27/10/2005	13/02/2007
Clover S.A. (Proprietary) Limited	1994/001064/07	South Africa	100%	18/02/1994	18/02/1994
Clover Swaziland (Proprietary) Limited	7/4187	Swaziland	100%	17/03/1984	01/02/2007
Clover West Africa (Proprietary) Limited	882760	Nigeria	55%	22/04/2010	22/04/2010
Lactolab (Proprietary) Limited	2000/000465/07	South Africa	52%	18/01/2000	18/07/2002

The main business of the above subsidiary is as follows:

- Clover Beverages Limited – to acquire, market, process, manufacture, purchase, sell, transport and otherwise deal in dairy products, beverages, food and all derivatives or concentrates of the aforegoing, and all business allied thereto; and to trade in all areas;
- Clover S.A. (Proprietary) Limited – to acquire, market, process, manufacture, purchase, sell, transport and otherwise deal in dairy products, beverages, food and all derivatives or concentrates of the aforegoing, and all business allied thereto; and to trade in all areas;
- Clover Manhattan (Proprietary) Limited – to acquire, market, process, manufacture, purchase, sell, transport and otherwise deal in dairy products, beverages, food and all derivatives or concentrates of the aforegoing, and all business allied thereto; and to trade in all areas;
- Clover Fonterra Ingredients (Proprietary) Limited – to invest and/or trade in and/or distribute food products as both agent and principal;
- Lactolab (Proprietary) Limited – test and analyse dairy and dairy related products, and all businesses allied thereto; and
- Clover Dairy Namibia (Proprietary) Limited, Clover Botswana (Proprietary) Limited, Clover West Africa (Proprietary) Limited and Clover Swaziland (Proprietary) Limited – acquiring, processing, manufacturing, selling and distribution of dairy and related products, and other foodstuffs and including import and export.

Other than the shareholders, by amending the articles of association, no person holds any rights enabling them to vary the voting rights of the shares in these subsidiaries.

The respective unaudited contributions of the issuer's subsidiaries to its operating profit for the year ended 30 June 2010 are set out below:

Company	Contribution to Group operating profit R'000	Contribution to Group net profit R'000
Clover Beverages Limited	109	85
Clover Botswana (Proprietary) Limited	1	(0)
Clover Dairy Namibia (Proprietary) Limited		
Clover Fonterra Ingredients (Proprietary) Limited	9	6
Clover Manhattan (Proprietary) Limited		
Clover S.A. (Proprietary) Limited	424	280
Clover Swaziland (Proprietary) Limited	3	1
Clover West Africa (Proprietary) Limited		
Clover Zambia (Proprietary) Limited	(2)	(2)
*Danone Clover (Proprietary) Limited	–	32
Lactolab (Proprietary) Limited	2	1
Other trusts etc.	0	(0)
Clover Industries Limited	13	(67)
Total	**559**	**336**

* Note: Clover sold its 45% interest in Danone Clover (Proprietary) Limited during December 2009.

2. NON-OPERATING AND DORMANT SUBSIDIARIES

Company	Status
Clover Zambia (Proprietary) Limited	Dormant
Salpen Services (Proprietary) Limited	Dormant

3. CHANGES TO SHARE CAPITAL OF THE SUBSIDIARIES

During the 2008 financial year Clover SA authorised and issued 50 million cumulative redeemable preference shares of R1 each. These shares were redeemed on 17 December 2009 and have been cancelled. Other than that there have been no alterations to the share capital of the issuer's subsidiaries which have occurred since 1 July 2008.

4. DIRECTORS OF OPERATING SUBSIDIARIES

The directors of Clover's operating subsidiaries are set out in the table below:

Company	Non-executive Directors	Executive Directors
Clover Beverages Limited	John Allan Hutchinson Bredin Hercules Petrus Fredrik du Preez	Johann Hendrik Vorster Hermanus Bernardus Roode Louis Jacques Botha Dr Christiaan Philippus Lerm
Clover Botswana (Proprietary) Limited	Lerie Brink Hermanus Bernardus Roode Frans Jooste Louis Jacques Botha	HP de Lange
Clover Dairy Namibia (Proprietary) Limited	Hermanus Bernardus Roode Dr James Henry Ferreira Botes	
Clover Fonterra Ingredients (Proprietary) Limited	Hermanus Bernardus Roode Brian Travers Willis Guy Roper Louis Jacques Botha	
Clover Manhattan (Proprietary) Limited		Nicoleen van der Walt Johannes Stephanus Kotze Christiaan Philippus Lerm Hermanus Bernardus Roode

Company	Non-executive Directors	Executive Directors
Clover S.A. (Proprietary) Limited	John Allan Hutchinson Bredin Hendrik Petrus Fredrik du Preez	Johann Hendrik Vorster Hermanus Bernardus Roode Louis Jacques Botha Dr Christiaan Philippus Lerm
Clover Swaziland (Proprietary) Limited	Hermanus Bernardus Roode Dr James Henry Ferreira Botes	
Clover West Africa (Proprietary) Limited	Hermanus Bernardus Roode Fidae Halawi Louis Jacques Botha	
Lactolab (Proprietary) Limited	Michael van der Berg Johan Christiaan van der Vyver Hermanus Bernardus Roode Dr Jan Floor Tobias Johannes Ferdinand de Villiers	
Salpen Services (Proprietary) Limited		Hermanus Bernardus Roode Walter Wilhelm Putter Johann Hendrik Vorster

Further details of the issuer's directors are set out in Annexure 5 to this prelisting statement. There are no other directorships held by the issuer's directors of its material subsidiaries during the previous two years not already set out above or in Annexure 5 to this prelisting statement.

DETAILS OF PRINCIPAL IMMOVABLE PROPERTIES LEASED OR OWNED

Details of the principal immovable properties owned by the issuer and its subsidiaries are as follows:

Owner	Description/Location	Extent
Clover S.A. (Pty) Limited	Erf 2505, Bethlehem	7732 m²
Clover S.A. (Pty) Limited	Erf 4492, Bethlehem	1.1997 Ha
Clover S.A. (Pty) Limited	Erf 14956, Bloemfontein	7,948 m²
Clover S.A. (Pty) Limited	Erf 99 Anderbolt Ext 18 Township, Boksburg	4,165 m²
Clover S.A. (Pty) Limited	Erf 16 Anderbolt Ext 4 Township, Boksburg	4,352 m²
Clover S.A. (Pty) Limited	Erf 17 Anderbolt Ext 4 Township, Boksburg	4,423 m²
Clover S.A. (Pty) Limited	Erf 18 Anderbolt Ext 4 Township, Boksburg	4,424 m²
Clover S.A. (Pty) Limited	Erf 20912, Triangle Farm, Bellville	1.7214 Ha
Clover Industries Limited	Erven 4931 Carletonville ext 6	1.0125 Ha
Clover Industries Limited	Erven 4932 Carletonville ext 6	1.0125 Ha
Clover Industries Limited	Erven 4933 Carletonville ext 6	1.0530 Ha
Clover S.A. (Pty) Limited	Ptn 19 (Ptn of Portion 18) Alewynspoort, Daleside	8.8832 Ha
Clover S.A. (Pty) Limited	Erf 18891, East London	1.8015 Ha
Clover S.A. (Pty) Limited	Lot 4539, Estcourt	6.7448 Ha
Clover S.A. (Pty) Limited	Erwe 619, Frankfort	8,250 m²
Clover S.A. (Pty) Limited	Erwe 620, Frankfort	6,724 m²
Clover S.A. (Pty) Limited	Erwe 621, Frankfort	6,998 m²
Clover S.A. (Pty) Limited	Erf 622, Frankfort	5,253 m²
Clover S.A. (Pty) Limited	Erwe 624, Frankfort	8,460 m²
Clover S.A. (Pty) Limited	Erwe 625, Frankfort	1.2036 Ha
Clover S.A. (Pty) Limited	Erwe 626, Frankfort	9,935 m²
Clover (Botswana) Pty Limited	Plot 14469, Gabarone West	2,810 m²
Clover (Botswana) Pty Limited	Plot 22042, Gabarone West	1.6235 Ha
Clover S.A. (Pty) Limited	Erf 15003 George	2,111 m²
Clover S.A. (Pty) Limited	Erf 1098, Phiritona (Leasehold Grant)	300 m²
Clover S.A. (Pty) Limited	Rem Erf 910, Heilbron	2.2985 Ha
Clover S.A. (Pty) Limited	Cons Title, Erf 1347, Heilbron	3.6848 Ha
Clover S.A. (Pty) Limited	Erf 1366, Heilbron	2,578 m²
Clover S.A. (Pty) Limited	Erf 1192, Heilbron	2.0145 Ha
Clover S.A. (Pty) Limited	Erf 784, Heilbron	1,395 m²
Clover S.A. (Pty) Limited	Sub 19 of the Farm Landsdowne, Ixopo	7.6134 Ha
Clover Industries Limited	Rem of Sub 1 of Lot 36 Stuartstown	2,687 m²
Clover Industries Limited	Lot 144, Stuartstown	2,115 m²
Clover S.A. (Pty) Limited	Ptn.141 of the farm Langlaagte No. 224	3.3045 Ha
Clover S.A. (Pty) Limited	Erven 126, City Deep Ext 5	1.4871 Ha

Owner	Description/Location	Extent
Clover S.A. (Pty) Limited	Erven127, City Deep Ext 5	1.5066 Ha
Clover S.A. (Pty) Limited	Erven 128, City Deep Ext 5	1.5100 Ha
Clover S.A. (Pty) Limited	Erf 5190, Kimberley	7,965 m²
Clover S.A. (Pty) Limited	Erf 1745, Kokstad	1,007 m²
Clover S.A. (Pty) Limited	Erf 1762, Ptn of 1034, Kokstad	1,120 m²
Clover S.A. (Pty) Limited	Erf 951, Lichtenburg	1.1643 Ha
Clover S.A. (Pty) Limited	Cons Title, Ptn.4 of Erf 1791, Lichtenburg, Ext 1	3.9002 Ha
Clover S.A. (Pty) Limited	Erf 976, Lichtenburg	8,798 m²
Clover S.A. (Pty) Limited	Ptn 3 of Erf 1791, Lichtenburg	1.3259 Ha
Clover S.A. (Pty) Limited	Erf 948, Lichtenburg Ext 1	2.0525 Ha
Clover Swaziland (Pty) Limited		1.3029 Ha
Clover Industries Limited	Subs 1 & 2 of Lot 81, Mooi River	2,175 m²
Clover Industries Limited	Sub 2 of Lot 20, Mooi River	1,310 m²
Clover S.A. (Pty) Limited	Ptn 3 of Erf 1410, Nelspruit Ext 3	8,948 m²
Clover S.A. (Pty) Limited	Erf 15238, Newcastle	4.5263 Ha
Clover S.A. (Pty) Limited	Erf 4316 Clayville Ext 11 Township, J R Transvaal Formerly erf 1266	9.1771 Ha
Clover S.A. (Pty) Limited	Erf 990 Clayville Ext 11 Township, J R Transvaal	1.2867 Ha
Bridgeport 33 (Pty) Limited	Erf 988 & 989 Clayville Ext 11 Township, J R Transvaal	
Clover S.A. (Pty) Limited	Erf 23396, Parow Industria	1.1054 Ha
Clover Industries Limited	Showground	
Clover S.A. (Pty) Limited	Erf 5780, Pietersburg Ext 8	1.2492 Ha
Clover S.A. (Pty) Limited	Erf 824, Redhouse	7.4947 Ha
Clover S.A. (Pty) Limited	Lot 470, Port Shepstone	1,012 m²
Clover S.A. (Pty) Limited	Lot 471, Port Shepstone	1,012 m²
Clover S.A. (Pty) Limited	Cons Title, Erf 1596, Port Shepstone	2,024 m²
Clover S.A. (Pty) Limited	Ptn 6, Erf 29, Potchindustria	1.0751 Ha
Clover S.A. (Pty) Limited	Ptns 7 of Erf 3171, Pretoria	9,289 m²
Clover S.A. (Pty) Limited	Lot 2999, Queensburgh	63.2036 Ha
Clover S.A. (Pty) Limited	Erven 231, New Era Ext 1, Springs	2.2886 Ha
Clover S.A. (Pty) Limited	Erf 7055, Upington Ext 16	1.2848 Ha
Clover Industries Limited	Erf 1210, Virginia	14,300 sq F
Clover S.A. (Pty) Limited	Erf 4184, Welkom Ext 4	2,617 m²
Clover S.A. (Pty) Limited	Erf 10708, Welkom Ext. 8	1.4401 Ha
Clover S.A. (Pty) Limited	Erf 664, Wesselsbron	1,327 m²
Clover S.A. (Pty) Limited	Erf 665, Wesselsbron Ext 4	1,366 m²
Clover S.A. (Pty) Limited	Erf 577 Wesselsbron	4,586 m²
Clover S.A. (Pty) Limited	Erf 578 Wesselsbron	4,630 m²
Clover S.A. (Pty) Limited	Erf 579, Wesselsbron	4,639 m²
Clover S.A. (Pty) Limited	Erf 575, Wesselsbron	4,639 m²
Clover S.A. (Pty) Limited	Erf 576, Wesselsbron, Ext 2	4,610 m²

Owner	Description/Location	Extent
Clover S.A. (Pty) Limited	Erf 574, Wesselsbron, Ext 2	4,630 m^2
Clover S.A. (Pty) Limited	Erf 573, Wesselsbron	4,630 m^2
Clover S.A. (Pty) Limited	Erf 572, Wesselsbron	4,610 m^2
Clover S.A. (Pty) Limited	Erf 580, Wesselsbron	4,630 m^2
Clover S.A. (Pty) Limited	Erf 581, Wesselsbron Ext 2	4,586 m^2

Clover is a party to the following material lease agreement as a lessee, namely:

Lessor	Lessee	Description/ Location	Term	Rental
Growth – Point Properties Limited	Clover S.A. (Proprietary) Limited	Erf 226, Brakpan Road, Boksburg, 1459 – Unit 1. Property located in Boksburg	01/07/2009 to 30/06/2015	R556,657,99 per month

DETAILS OF MATERIAL BORROWINGS

Material Borrowings

Clover SA, a group company, has the following borrowings and facilities as at the last practicable date all of which are unsecured and none of which are convertible or redeemable into equity or shares:

Bank	Bank Facilities Limit in millions	Utilised in millions	Available in millions	Current Interest Rate	Rate Description	Commitment Fees	Annual /Renewal Fees
ABSA call loan R100million facility	R100.00	R0.00	R100.00	8.25%	***	Nil	review fee .1% of
RMB call loan Nil	R 68.00	R0.00	R68.00	8.00%	***	.70% of unutilised short term facility	
Investec secured loan	R100.00	R–1.00	R99.00	9.25%	Prime less .25%	.80% of unutilised portion.	Nil
Investec call loan	R40.00	R–33.00	R7.00	6.90%	***	Nil	Nil
Total of call loans	**R308.00**	**R–34.00**	**R274.00**				

*** The interest rate on our overnight call accounts are not linked to Safex or Jibar.

The overnight call rate is determined by a number of factors:

(1) Liquidity in the market (Rates tend to increase at month end due to the increased demand for cash)

(2) Credit rating of the client

The process is as follows:

The dealers obtain an internal funding rate which is used for the day, this is in essence the base rate, and is dependant on the banks liquidity position.

The client rate is also however dependent on several factors including, but not limited to: liquid asset costs, (clients) credit rating, current repo rate and availability of funds. (Patently the factor with the most weighting would be the credit rating, this is reviewed on an annual basis).

Current utilisation of the above facilities, which are subject to annual review, is low. However, should any amounts become repayable under such facilities in the next twelve months, Clover would finance such repayments utilising (i) free cash flow from operations; (ii) new debt facilities and/or additional funds generated through the debtors' securitisation described in the next paragraph; and/or (iii) equity capital.

In addition, Clover SA, the Group's main operating subsidiary, has securitised its debtor's book through the Clover Capital (Proprietary) Limited a "Bankruptcy Remote" – Special Purpose Vehicle ("SPV") with an AA credit rating. This rating is valid for a funding ratio of 74,5% and the current finding in the vehicle is only R305m with a current average funding ratio of below 20%. At end November 2009 the debt in this SPV was R53m. Thereafter the proceeds on the sale of Danone Clover were utilised to reduce R225m of this debt. The debtors' securitisation is therefore currently over collateralised and additional debt in excess of R230 million could therefore be secured through this vehicle. A number of financial institutions have indicated their willingness to invest further funds in Clover Capital for periods ranging from three to six years. The current senior funding position Clover Capital is as follows:

Senior Funder	Maturity: 14 December 2011	Maturity: 31 March 2013	Total
Futuregrowth	R143m @ 10.03%	R103m @ 13.03%	R246m
Investec Asset Management	R12m @ 10.03%	R47m @ 13.03%	R59m
Total	**R155m**	**R150m**	**R305m**

Clover Botswana, a group company, has the following borrowings and facilities all of which are unsecured and none of which are convertible into equity or shares:

Facility provider	Facility amount	Facility type	Term	Utilised portion at 30/09/2010	Rate	Covenants
First National Bank Botswana	R33m	General Banking Facility	7 years	R29m	8.55%	None

EXTRACTS FROM ARTICLES OF ASSOCIATION

Extracts from Clover's Articles of Association

Set out below are extracts from Clover's articles of association:

Appointment and Qualification of Directors

"21.1 Subject to the provisions of the Act, unless otherwise determined by a general meeting, the number of directors shall be not less than four or more than twenty.

21.2 A general meeting or the directors shall have the power, from time to time, to appoint anyone as a director, either to fill a vacancy in the directors or as an additional director, provided that:

21.2.1 the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with these articles;

21.2.2 the appointment of any director appointed by the directors in terms of this **article 21.2** shall cease at the conclusion of the next annual general meeting, unless it is confirmed at that annual general meeting.

21.3 The continuing directors may act, notwithstanding any vacancy in their number. If, and for so long as, the number of continuing directors is reduced below the minimum number of directors required to act as such for the time being, the continuing directors may act only to:

21.3.1 increase the number of directors to the required minimum; or

21.3.2 summon a general meeting, provided that if there is no director able or willing to act, then any member may convene a general meeting for that purpose.

21.4 Neither a director nor an alternate director shall be obliged to hold any qualification shares."

Borrowing Powers of Directors

"24.1 The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party.

24.2 For the purpose of the provisions of article 24.1, the borrowing powers of the directors shall be unlimited."

Remuneration of Directors

"21.5 Subject to the provisions of the Act, the remuneration of the directors for their services as such shall be determined from time to time by a general meeting.

21.6 A director may be employed in any other capacity in the company or as a director or employee of a company controlled by or a subsidiary of the company, on such terms and conditions as to remuneration and otherwise as may be determined from time to time by a disinterested quorum of directors.

21.7 The directors shall:

21.7.1 be paid all travelling, subsistence and other expenses properly and necessarily incurred by them in the execution of their duties in or about the business of the company;

21.7.2 if required to perform extra services or to reside abroad or otherwise be specifically occupied about the company's business, be entitled to receive such remuneration,

as may be authorised or ratified by a disinterested quorum of directors."

Interests of Directors

"25.3 In the absence of some personal financial interest other than that referred to in the sub-paragraphs of this article 25.3, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

25.3.5 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit;

25.3.6 any proposal concerning the adoption, modification or operation by the company of an employee incentive scheme under which he may benefit."

Term of Office of Directors and Retirement by Rotation

“29 The directors shall retire from office on the following basis:

29.1 at each annual general meeting, directors comprising one-third of the aggregate number of directors (excluding the managing director, any other executive director and any director referred to in article 29.4) or, if their number is not three or a multiple thereof, then the number nearest to but not less than one third of the aggregate number of directors (excluding any managing director, any other executive director and any director referred to in 29.4) shall retire from office;

29.2 the directors who retire in terms of article 29.1 shall exclude any managing director, any other executive director and any director referred to in article 29.4 and shall be those who have been longest in office since their last election, provided that if more than one of them were elected directors on the same day, those to retire shall be determined by lot unless those directors agree otherwise between themselves;

29.3 if, after the retirement of directors in terms of article 29.2, there would remain in office any director (other than any managing director, any other executive director or any director referred to in 29.4) who would have held office for three years since his last election, he shall also retire, in addition to the directors retiring in terms of 29.1, at such annual general meeting;

29.4 any director appointed as such by the directors after the conclusion of the company’s preceding annual general meeting shall, in addition to the directors retiring in terms of article 29.1, retire from office at the conclusion of the annual general meeting held immediately after his appointment;

29.5 a retiring director shall be eligible for re-election, and, if re elected, shall be deemed, for all purposes other than articles 29.1 to 29.4, not to have vacated his office;

29.6 the annual general meeting at which a director retires may elect another person to fill the vacated office, and, if it is not so filled, the retiring director shall, if he has offered himself for re election, be deemed to have been re-elected unless the annual general meeting expressly resolves not to fill such vacated office or not to re-elect such retiring director;

29.7 no person other than a retiring director shall be eligible for election as a director at any annual general meeting unless the directors recommend otherwise, or unless a member who will be entitled to attend and vote at such annual general meeting shall, by not later than the seventh day preceding that annual general meeting, have lodged at the office written notice proposing such person as a director, together with the consent of that person to be elected as a director;

29.8 a retiring director shall continue to act as director throughout the general meeting at which he retires and his retirement shall become effective only at the end of such meeting.”

Directors’ Interests

“25.1 Subject to compliance with the provisions of the Act, a director shall not be liable (in the absence of any agreement to the contrary) to account to the company for any profit or other benefit arising out of any contract entered into by the company in which he is directly or indirectly interested.

25.2 Subject to 25.3, a director shall not vote in respect of any contract or arrangement or any other proposal whatever in which he has any personal financial interest (other than by virtue of his interest in shares or debentures or other securities issued by the company or by virtue of his office as a director of the company). A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

25.3 In the absence of some personal financial interest other than that referred to in the sub-paragraphs of this article 25.3, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

25.3.1 the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request, or for the benefit of, the company or any of its subsidiaries;

25.3.2 the giving of any security or indemnity to a third party in respect of a debt or obligation of the company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

25.3.3 any proposal concerning an offer of shares or debentures or other securities of or by the company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in any underwriting or sub-underwriting thereof;

25.3.4 any proposal concerning any other company in which he is interested directly or indirectly and whether as a director or other officer or shareholder or otherwise howsoever, provided that he is not directly or indirectly a holder of or beneficially interested in 1% or more (measured at the level of such other company) of any class of equity share capital of such other company or of the voting rights available to members of such other company, it being recorded that any such interest shall be deemed for the purpose of this article to be a material interest in all circumstances;

25.3.5 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit;

25.3.6 any proposal concerning the adoption, modification or operation by the company of an employee incentive scheme under which he may benefit.

25.4 Where any proposals are under consideration concerning the:

25.4.1 appointment (including the fixing or variation of the terms of appointment) of two or more directors to offices of employment with the company or any company in which the company is interested;

25.4.2 terms and conditions of employment (including, without limitation, the remuneration) of two or more directors;

25.4.3 the payment of two or more directors of any travelling, subsistence and/or other expenses in terms of article 21.7.1 and/or remuneration in terms of article 21.7.2; or

25.4.4 the allocation of shares in the company to two or more directors in terms of an employee incentive scheme adopted by the company,

such proposals may be divided and considered in relation to each director separately. In such cases, each of the directors (if not debarred from voting under the proviso to article 25.3.4) shall be entitled to vote (and be counted in a quorum) in respect of each resolution except the resolution concerning himself.

25.5 If any question arises at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such question shall be final and conclusive except in the case where the nature or extent of the interest of the director concerned has not been fully disclosed.

25.6 A general meeting may suspend or relax the provisions of articles 25.2, 25.3, 25.4 and 25.5 to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions or the provisions of the Act to the personal financial interests of a director.

25.7 Without derogating from the aforesaid provisions of this 25, the JSE shall be entitled to disregard the vote of any director, or any associate of a director, in respect of a resolution if it determines that such director or associate is a "related party", as contemplated in the JSE requirements, if and for so long as the shares of the company are listed on the exchange operated by the JSE."

Dividends and other payments

"31.1 A general meeting or the directors may declare dividends that are payable to any one or more classes of members from time to time registered as such at a date which shall be after the date of declaration or the date of confirmation of the dividend, whichever is the later, and which is a date after the date of publication of the announcement of the declaration of the dividend, provided that no greater dividend shall be declared by a general meeting than is recommended by the directors.

31.2 With the sanction of a general meeting, a company payment may be made either wholly or in part by the distribution of such specific assets in such manner as the directors may recommend or determine.

31.3 The company may transmit any company payment by:

31.3.1 ordinary post to the address of the holder thereof (or, where two or more persons are registered as the joint holders of any share, of any such joint holder) recorded in the register or such other address as the holder thereof may previously have given to the company in writing; or

31.3.2 electronic bank transfer to such bank account as the holder thereof may previously have given to the company in writing,

and the company shall not be responsible for any loss in transmission.

31.4 Any company payment:

31.4.1 which is unclaimed, may be retained by the company on trust for the member concerned;

31.4.2 shall not bear interest against the company, provided that any company payment which is a dividend payable on or in respect of a share which is retained and unclaimed for three years after the payment date of the dividend in question, shall be forfeited and revert to the company and may be dealt with by the directors or such assigns as they deem fit.

31.5 The company shall, for the purpose of facilitating its winding up or deregistration, or the reduction of its share capital, any share premium account or capital redemption reserve fund, be entitled by special resolution to delegate to any bank, registered as such in accordance with the laws of the Republic, the liability to make any company payment, which has not been forfeited in terms of article 30.4.

31.6 Notwithstanding the aforegoing provisions of this 31, any company payment that is made in terms of section 90 of the Act, or that includes a scrip dividend or capitalisation award, shall be made subject to the JSE requirements if an for so long as the shares of the company are listed on the exchange operated by the JSE."

Capitalisation

"33 The directors, subject to the provisions of the Act, or a general meeting, on the recommendation of the directors, may resolve to capitalise the whole or any part of:

33.1 any amount available for distribution as a dividend and not required for the payment or provision of dividends on preference shares;

33.2 any amount standing to the credit of any of the company's reserve accounts (including its share premium account or capital redemption reserve fund),

by applying such amount in paying up in full unissued shares of the company, to be issued to the members in the same proportions as if those shares had constituted a dividend declared by the company."

Winding-up

"35 If the company is wound up whether voluntarily or compulsorily:

35.1 the assets remaining after payment of the liabilities of the company and the costs of winding up shall be distributed amongst the members in proportion to the numbers of shares respectively held by them, subject to the rights of any members to whom shares have been issued on special conditions and subject to the company's right to apply set-off against the liability, if any, of members for unpaid capital or premium;

35.2 the liquidator, with the authority of a special resolution, may divide amongst the members in specie or kind the whole or any part of the assets and whether or not those assets consist of property of one kind or different kinds."

Indemnity

"36 Every director, alternate director, manager, secretary and other officer of the company shall be indemnified out of the company's funds against all liability incurred by him in defending any proceedings (whether civil or criminal) arising out of any actual or alleged negligence, default, breach of duty or breach of trust on his part in relation to the company in which judgment is given in his favour or in which he is acquitted or in connection with any matter in which relief is granted to him by the court in terms of the Act."

Extracts from Articles of Association of the issuer's Subsidiaries

Set out below are extracts from the articles of association of the issuer's subsidiaries:

Extracts from Articles of Association of Clover Beverages (Proprietary) Limited

Appointment and Qualification of Directors

"21.1 Subject to the provisions of the Act, unless otherwise determined by a general meeting, the number of directors shall be not less than four or more than twenty.

21.2 A general meeting or the directors shall have the power, from time to time, to appoint anyone as a director, either to fill a vacancy in the directors or as an additional director, provided that:

21.2.1 the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with these articles;

21.2.2 the appointment of any director appointed by the directors in terms of this article 21.2 shall cease at the conclusion of the next annual general meeting, unless it is confirmed at that annual general meeting.

21.3 The continuing directors may act, notwithstanding any vacancy in their number. If, and for so long as, the number of continuing directors is reduced below the minimum number of directors required to act as such for the time being, the continuing directors may act only to:

21.3.1 increase the number of directors to the required minimum; or

21.3.2 summon a general meeting, provided that if there is no director able or willing to act, then any member may convene a general meeting for that purpose.

21.4 Neither a director nor an alternate director shall be obliged to hold any qualification shares."

Borrowing Powers of Directors

"24.1 The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party.

24.2 For the purpose of the provisions of article 24.1, the borrowing powers of the directors shall be unlimited."

Remuneration of Directors

"21.5 Subject to the provisions of the Act, the remuneration of the directors for their services as such shall be determined from time to time by a general meeting.

21.6 A director may be employed in any other capacity in the company or as a director or employee of a company controlled by or a subsidiary of the company, on such terms and conditions as to remuneration and otherwise as may be determined from time to time by a disinterested quorum of directors.

21.7 The directors shall:

21.7.1 be paid all travelling, subsistence and other expenses properly and necessarily incurred by them in the execution of their duties in or about the business of the company;

21.7.2 if required to perform extra services or to reside abroad or otherwise be specifically occupied about the company's business, be entitled to receive such remuneration,

as may be authorised or ratified by a disinterested quorum of directors."

Interests of Directors

"25.3 In the absence of some personal financial interest other than that referred to in the sub-paragraphs of this article 25.3, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

25.3.5 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit;

25.3.6 any proposal concerning the adoption, modification or operation by the company of an employee incentive scheme under which he may benefit."

Term of Office of Directors and Retirement by Rotation

"29 The directors shall retire from office on the following basis:

29.1 at each annual general meeting, directors comprising one-third of the aggregate number of directors (excluding the managing director, any other executive director and any director referred to in article 29.4) or, if their number is not three or a multiple thereof, then the number nearest to but not less than one third of the aggregate number of directors (excluding any managing director, any other executive director and any director referred to in 29.4) shall retire from office;

29.2 the directors who retire in terms of article 29.1 shall exclude any managing director, any other executive director and any director referred to in article 29.4 and shall be those who have been longest in office since their last election, provided that if more than one of them were elected directors on the same day, those to retire shall be determined by lot unless those directors agree otherwise between themselves;

29.3 if, after the retirement of directors in terms of article 29.2, there would remain in office any director (other than any managing director, any other executive director or any director referred to in 29.4) who would have held office for three years since his last election, he shall also retire, in addition to the directors retiring in terms of 29.1, at such annual general meeting;

29.4 any director appointed as such by the directors after the conclusion of the company's preceding annual general meeting shall, in addition to the directors retiring in terms of article 29.1, retire from office at the conclusion of the annual general meeting held immediately after his appointment;

29.5 a retiring director shall be eligible for re-election, and, if re elected, shall be deemed, for all purposes other than articles 29.1 to 29.4, not to have vacated his office;

29.6 the annual general meeting at which a director retires may elect another person to fill the vacated office, and, if it is not so filled, the retiring director shall, if he has offered himself for re election, be deemed to have been re-elected unless the annual general meeting expressly resolves not to fill such vacated office or not to re-elect such retiring director;

29.7 no person other than a retiring director shall be eligible for election as a director at any annual general meeting unless the directors recommend otherwise, or unless a member who will be entitled to attend and vote at such annual general meeting shall, by not later than the seventh day preceding that annual general meeting, have lodged at the office written notice proposing such person as a director, together with the consent of that person to be elected as a director;

29.8 a retiring director shall continue to act as director throughout the general meeting at which he retires and his retirement shall become effective only at the end of such meeting."

Directors' Interests

"25.1 Subject to compliance with the provisions of the Act, a director shall not be liable (in the absence of any agreement to the contrary) to account to the company for any profit or other benefit arising out of any contract entered into by the company in which he is directly or indirectly interested.

25.2 Subject to 25.3, a director shall not vote in respect of any contract or arrangement or any other proposal whatever in which he has any personal financial interest (other than by virtue of his interest in shares or debentures or other securities issued by the company or by virtue of his office as a director of the company). A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

25.3 In the absence of some personal financial interest other than that referred to in the sub-paragraphs of this article 25.3, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

25.3.1 the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request, or for the benefit of, the company or any of its subsidiaries;

25.3.2 the giving of any security or indemnity to a third party in respect of a debt or obligation of the company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

25.3.3 any proposal concerning an offer of shares or debentures or other securities of or by the company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in any underwriting or sub-underwriting thereof;

25.3.4 any proposal concerning any other company in which he is interested directly or indirectly and whether as a director or other officer or shareholder or otherwise howsoever, provided that he is not directly or indirectly a holder of or beneficially interested in 1% or more (measured at the level of such other company) of any class of equity share capital of such other company or of the voting rights available to members of such other company, it being recorded that any such interest shall be deemed for the purpose of this article to be a material interest in all circumstances;

25.3.5 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit;

25.3.6 any proposal concerning the adoption, modification or operation by the company of an employee incentive scheme under which he may benefit.

25.4 Where any proposals are under consideration concerning the:

25.4.1 appointment (including the fixing or variation of the terms of appointment) of two or more directors to offices of employment with the company or any company in which the company is interested;

25.4.2 terms and conditions of employment (including, without limitation, the remuneration) of two or more directors;

25.4.3 the payment of two or more directors of any travelling, subsistence and/or other expenses in terms of article 21.7.1 and/or remuneration in terms of article 21.7.2; or

25.4.4 the allocation of shares in the company to two or more directors in terms of an employee incentive scheme adopted by the company,

such proposals may be divided and considered in relation to each director separately. In such cases, each of the directors (if not debarred from voting under the proviso to article 25.3.4) shall be entitled to vote (and be counted in a quorum) in respect of each resolution except the resolution concerning himself.

25.5 If any question arises at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such question shall be final and conclusive except in the case where the nature or extent of the interest of the director concerned has not been fully disclosed.

25.6 A general meeting may suspend or relax the provisions of articles 25.2, 25.3, 25.4 and 25.5 to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions or the provisions of the Act to the personal financial interests of a director."

Dividends and other payments

"31.1 A general meeting or the directors may declare dividends that are payable to any one or more classes of members from time to time registered as such at a date which shall be after the date of declaration or the date of confirmation of the dividend, whichever is the later, and which is a date after the date of publication of the announcement of the declaration of the dividend, provided that no greater dividend shall be declared by a general meeting than is recommended by the directors.

31.2 With the sanction of a general meeting, a company payment may be made either wholly or in part by the distribution of such specific assets in such manner as the directors may recommend or determine.

31.3 The company may transmit any company payment by:

31.3.1 ordinary post to the address of the holder thereof (or, where two or more persons are registered as the joint holders of any share, of any such joint holder) recorded in the register or such other address as the holder thereof may previously have given to the company in writing; or

31.3.2 electronic bank transfer to such bank account as the holder thereof may previously have given to the company in writing,

and the company shall not be responsible for any loss in transmission.

31.4 Any company payment:

31.4.1 which is unclaimed, may be retained by the company on trust for the member concerned;

31.4.2 shall not bear interest against the company,

provided that any company payment which is a dividend payable on or in respect of a share which is retained and unclaimed for three years after the payment date of the dividend in question, shall be forfeited and revert to the company and may be dealt with by the directors or such assigns as they deem fit.

31.5 The company shall, for the purpose of facilitating its winding up or deregistration, or the reduction of its share capital, any share premium account or capital redemption reserve fund, be entitled by special resolution to delegate to any bank, registered as such in accordance with the laws of the Republic, the liability to make any company payment, which has not been forfeited in terms of article 30.4."

Capitalisation

"33 The directors, subject to the provisions of the Act, or a general meeting, on the recommendation of the directors, may resolve to capitalise the whole or any part of:

33.1 any amount available for distribution as a dividend and not required for the payment or provision of dividends on preference shares;

33.2 any amount standing to the credit of any of the company's reserve accounts (including its share premium account or capital redemption reserve fund),

by applying such amount in paying up in full unissued shares of the company, to be issued to the members in the same proportions as if those shares had constituted a dividend declared by the company."

Winding-up

"35 If the company is wound up whether voluntarily or compulsorily:

35.1 the assets remaining after payment of the liabilities of the company and the costs of winding up shall be distributed amongst the members in proportion to the numbers of shares respectively held by them, subject to the rights of any members to whom shares have been issued on special conditions and subject to the company's right to apply set-off against the liability, if any, of members for unpaid capital or premium;

35.2 the liquidator, with the authority of a special resolution, may divide amongst the members in specie or kind the whole or any part of the assets and whether or not those assets consist of property of one kind or different kinds."

Indemnity

"36 Every director, alternate director, manager, secretary and other officer of the company shall be indemnified out of the company's funds against all liability incurred by him in defending any proceedings (whether civil or criminal) arising out of any actual or alleged negligence, default, breach of duty or breach of trust on his part in relation to the company in which judgment is given in his favour or in which he is acquitted or in connection with any matter in which relief is granted to him by the court in terms of the Act."

Extracts from Articles of Association of the wholly owned private subsidiaries of Clover Industries Limited

Appointment and Qualification of Directors

"21.1 Subject to the provisions of the Act, unless otherwise determined by a general meeting, the number of directors shall be not less than four or more than twenty.

21.2 A general meeting or the directors shall have the power, from time to time, to appoint anyone as a director, either to fill a vacancy in the directors or as an additional director, provided that:

21.2.1 the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with these articles;

21.2.2 the appointment of any director appointed by the directors in terms of this article 21.2 shall cease at the conclusion of the next annual general meeting, unless it is confirmed at that annual general meeting.

21.3 The continuing directors may act, notwithstanding any vacancy in their number. If, and for so long as, the number of continuing directors is reduced below the minimum number of directors required to act as such for the time being, the continuing directors may act only to:

21.3.1 increase the number of directors to the required minimum; or

21.3.2 summon a general meeting, provided that if there is no director able or willing to act, then any member may convene a general meeting for that purpose.

21.4 Neither a director nor an alternate director shall be obliged to hold any qualification shares."

Borrowing Powers of Directors

"24.1 The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party.

24.2 For the purpose of the provisions of article 24.1, the borrowing powers of the directors shall be unlimited."

Remuneration of Directors

"21.5 Subject to the provisions of the Act, the remuneration of the directors for their services as such shall be determined from time to time by a general meeting.

21.6 A director may be employed in any other capacity in the company or as a director or employee of a company controlled by or a subsidiary of the company, on such terms and conditions as to remuneration and otherwise as may be determined from time to time by a disinterested quorum of directors.

21.7 The directors shall:

21.7.1 be paid all travelling, subsistence and other expenses properly and necessarily incurred by them in the execution of their duties in or about the business of the company;

21.7.2 if required to perform extra services or to reside abroad or otherwise be specifically occupied about the company's business, be entitled to receive such remuneration,

as may be authorised or ratified by a disinterested quorum of directors."

Interests of Directors

"25.3 In the absence of some personal financial interest other than that referred to in the sub-paragraphs of this article 25.3, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

25.3.5 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit;

25.3.6 any proposal concerning the adoption, modification or operation by the company of an employee incentive scheme under which he may benefit."

Term of Office of Directors and Retirement by Rotation

"29 The directors shall retire from office on the following basis:

29.1 at each annual general meeting, directors comprising one-third of the aggregate number of directors (excluding the managing director, any other executive director and any director referred to in article 29.4) or, if their number is not three or a multiple thereof, then the number nearest to but not less than one third of the aggregate number of directors (excluding any managing director, any other executive director and any director referred to in 29.4) shall retire from office;

29.2 the directors who retire in terms of article 29.1 shall exclude any managing director, any other executive director and any director referred to in article 29.4 and shall be those who have been longest in office since their last election, provided that if more than one of them were elected directors on the same day, those to retire shall be determined by lot unless those directors agree otherwise between themselves;

29.3 if, after the retirement of directors in terms of article 29.2, there would remain in office any director (other than any managing director, any other executive director or any director referred to in 29.4) who would have held office for three years since his last election, he shall also retire, in addition to the directors retiring in terms of 29.1, at such annual general meeting;

29.4 any director appointed as such by the directors after the conclusion of the company's preceding annual general meeting shall, in addition to the directors retiring in terms of article 29.1, retire from office at the conclusion of the annual general meeting held immediately after his appointment;

29.5 a retiring director shall be eligible for re-election, and, if re elected, shall be deemed, for all purposes other than articles 29.1 to 29.4, not to have vacated his office;

29.6 the annual general meeting at which a director retires may elect another person to fill the vacated office, and, if it is not so filled, the retiring director shall, if he has offered himself for re election, be deemed to have been re-elected unless the annual general meeting expressly resolves not to fill such vacated office or not to re-elect such retiring director;

29.7 no person other than a retiring director shall be eligible for election as a director at any annual general meeting unless the directors recommend otherwise, or unless a member who will be entitled to attend and vote at such annual general meeting shall, by not later than the seventh day preceding that annual general meeting, have lodged at the office written notice proposing such person as a director, together with the consent of that person to be elected as a director;

29.8 a retiring director shall continue to act as director throughout the general meeting at which he retires and his retirement shall become effective only at the end of such meeting."

Directors' Interests

"25.1 Subject to compliance with the provisions of the Act, a director shall not be liable (in the absence of any agreement to the contrary) to account to the company for any profit or other benefit arising out of any contract entered into by the company in which he is directly or indirectly interested.

25.2 Subject to 25.3, a director shall not vote in respect of any contract or arrangement or any other proposal whatever in which he has any personal financial interest (other than by virtue of his interest in shares or debentures or other securities issued by the company or by virtue of his office as a director of the company). A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

25.3 In the absence of some personal financial interest other than that referred to in the sub-paragraphs of this article 25.3, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

25.3.1 the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request, or for the benefit of, the company or any of its subsidiaries;

25.3.2 the giving of any security or indemnity to a third party in respect of a debt or obligation of the company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

25.3.3 any proposal concerning an offer of shares or debentures or other securities of or by the company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in any underwriting or sub-underwriting thereof;

25.3.4 any proposal concerning any other company in which he is interested directly or indirectly and whether as a director or other officer or shareholder or otherwise howsoever, provided that he is not directly or indirectly a holder of or beneficially interested in 1% or more (measured at the level of such other company) of any class of equity share capital of such other company or of the voting rights available to members of such other company, it being recorded that any such interest shall be deemed for the purpose of this article to be a material interest in all circumstances;

25.3.5 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit;

25.3.6 any proposal concerning the adoption, modification or operation by the company of an employee incentive scheme under which he may benefit.

25.4 Where any proposals are under consideration concerning the:

25.4.1 appointment (including the fixing or variation of the terms of appointment) of two or more directors to offices of employment with the company or any company in which the company is interested;

25.4.2 terms and conditions of employment (including, without limitation, the remuneration) of two or more directors;

25.4.3 the payment of two or more directors of any travelling, subsistence and/or other expenses in terms of article 21.7.1 and/or remuneration in terms of article 21.7.2; or

25.4.4 the allocation of shares in the company to two or more directors in terms of an employee incentive scheme adopted by the company,

such proposals may be divided and considered in relation to each director separately. In such cases, each of the directors (if not debarred from voting under the proviso to article 25.3.4) shall be entitled to vote (and be counted in a quorum) in respect of each resolution except the resolution concerning himself.

25.5 If any question arises at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such question shall be final and conclusive except in the case where the nature or extent of the interest of the director concerned has not been fully disclosed.

25.6 A general meeting may suspend or relax the provisions of articles 25.2, 25.3, 25.4 and 25.5 to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions or the provisions of the Act to the personal financial interests of a director."

Dividends and other payments

"31.1 A general meeting or the directors may declare dividends that are payable to any one or more classes of members from time to time registered as such at a date which shall be after the date of declaration or the date of confirmation of the dividend, whichever is the later, and which is a date after the date of publication of the announcement of the declaration of the dividend, provided that no greater dividend shall be declared by a general meeting than is recommended by the directors.

31.2 With the sanction of a general meeting, a company payment may be made either wholly or in part by the distribution of such specific assets in such manner as the directors may recommend or determine.

31.3 The company may transmit any company payment by:

31.3.1 ordinary post to the address of the holder thereof (or, where two or more persons are registered as the joint holders of any share, of any such joint holder) recorded in the register or such other address as the holder thereof may previously have given to the company in writing; or

31.3.2 electronic bank transfer to such bank account as the holder thereof may previously have given to the company in writing,

and the company shall not be responsible for any loss in transmission.

31.4 Any company payment:

31.4.1 which is unclaimed, may be retained by the company on trust for the member concerned;

31.4.2 shall not bear interest against the company,

provided that any company payment which is a dividend payable on or in respect of a share which is retained and unclaimed for three years after the payment date of the dividend in question, shall be forfeited and revert to the company and may be dealt with by the directors or such assigns as they deem fit.

31.5 The company shall, for the purpose of facilitating its winding up or deregistration, or the reduction of its share capital, any share premium account or capital redemption reserve fund, be entitled by special resolution to delegate to any bank, registered as such in accordance with the laws of the Republic, the liability to make any company payment, which has not been forfeited in terms of article 30.4."

Capitalisation

"33 The directors, subject to the provisions of the Act, or a general meeting, on the recommendation of the directors, may resolve to capitalise the whole or any part of:

33.1 any amount available for distribution as a dividend and not required for the payment or provision of dividends on preference shares;

33.2 any amount standing to the credit of any of the company's reserve accounts (including its share premium account or capital redemption reserve fund), by applying such amount in paying up in full unissued shares of the company, to be issued to the members in the same proportions as if those shares had constituted a dividend declared by the company."

Winding-up

"35 If the company is wound up whether voluntarily or compulsorily:

35.1 the assets remaining after payment of the liabilities of the company and the costs of winding up shall be distributed amongst the members in proportion to the numbers of shares respectively held by them, subject to the rights of any members to whom shares have been issued on special conditions and subject to the company's right to apply set-off against the liability, if any, of members for unpaid capital or premium;

35.2 the liquidator, with the authority of a special resolution, may divide amongst the members in specie or kind the whole or any part of the assets and whether or not those assets consist of property of one kind or different kinds."

Indemnity

"36 Every director, alternate director, manager, secretary and other officer of the company shall be indemnified out of the company's funds against all liability incurred by him in defending any proceedings (whether civil or criminal) arising out of any actual or alleged negligence, default, breach of duty or breach of trust on his part in relation to the company in which judgment is given in his favour or in which he is acquitted or in connection with any matter in which relief is granted to him by the court in terms of the Act."

RIGHTS, PRIVILEGES AND CONDITIONS ATTACHING TO THE PREFERENCE SHARES

"The following rights, privileges and conditions shall attach to the preference shares:

43.1 **Interpretation and definitions**

For the purpose of this article 43, the following words and expressions shall bear the meanings assigned to them below (and cognate words and expressions shall bear corresponding meanings):

43.1.1 "**accumulated preference dividend**" – shall mean a dividend designated as such pursuant to the operation of article 43.3.4;

43.1.2 "**assets**" – includes all present and future properties, revenues and rights of every description;

43.1.3 "**auditors**" – the auditors of the company from time to time and for the time being;

43.1.4 "**average prime rate**" – in respect of any period contemplated in article 43.3.2.2 for which a preference dividend is calculated means the daily average of the prime rate which prevailed over the period commencing on and including the date following the immediately preceding preference dividend date until and including the preference dividend calculation date in respect of the relevant preference dividend provided that, in respect of the first preference dividend date which takes place after the commencement date, the average prime rate shall mean the daily average of the prime rate which prevailed over the period commencing on and including the commencement date up to and including the preference dividend calculation date in respect of the first preference dividend;

43.1.5 "**business day**" – a day other than a Saturday, Sunday or a day which is an official public holiday in South Africa;

43.1.6 "**commencement date**" – 1 June 2010. It is recorded that all of the preference shares have been issued prior to the commencement date;

43.1.7 "**deemed capital value**" – the deemed value of each preference share for the purposes of calculating the preference dividend, being R2.90, notwithstanding that the issue price of each preference share may vary because of a difference in the premium at which the preference shares were issued from time to time;

43.1.8 "**final date**" – the date which falls on the first business day succeeding the third anniversary of the commencement date;

43.1.9 "**Income Tax Act**" – the Income Tax Act 58 of 1962;

43.1.10 "**preference dividend**" – a cumulative preference dividend payable in respect of each preference share in accordance with article 43.3;

43.1.11 "**preference dividend calculation date**" – means the date immediately preceding the date of the declaration of a preference dividend by the company, if such preference dividend is declared, provided that if any such calculation date is not a business day then such calculation date shall be the immediately preceding day which is a business day;

43.1.12 "**preference dividend date**" – means in respect of each preference share:

43.1.12.1 the first preference dividend date shall be, 30 June 2010; and

43.1.12.2 every other preference dividend date, shall be the last day of March, June, September and December of each year while the preference shares are in issue;

43.1.13 "**preference dividend rate**" – in respect of each preference share, and subject to article 43.3.5, 90% of the average prime rate;

43.1.14 "**preference share**" – a cumulative redeemable preference share with a deemed capital value of R2.90, which preference share shall have the rights, privileges and conditions set out in this article 43;

43.1.15 "**prime rate**" – the rate of interest (nominal annual compounded monthly) which ABSA Bank Limited from time to time quotes as being its prime rate. A certificate from any manager of that bank (whose appointment or authority need not be proved) as to the prime rate at any time and as to the manner in which it is calculated and compounded at such time shall be binding on the company;

43.1.16 "**redemption amount**" – in respect of each preference share an amount equal to:

43.1.16.1 the deemed capital value of that preference share; plus

43.1.16.2 the aggregate amount of all unpaid accumulated preference dividends in respect of that preference share; plus

43.1.16.3 without duplication, and if preference shares are redeemed other than on a preference share dividend date, an amount equal to the preference dividend which would be calculated on a preference share in terms of article 43.3.2 in respect of the relevant uncompleted dividend period;

43.1.17 "**uncompleted dividend period**" – the period from a preference dividend date until and including the redemption date if the redemption date falls on any day other than the last day of March, June, September and December of each year while the preference shares are in issue.

43.2 **Allotment and issue**

Each preference share shall be deemed to be allotted and issued at the deemed capital value and shall bear the rights, privileges and conditions attached thereto in terms of this article 43.

43.3 **Preference dividends**

43.3.1 Each preference share will confer on the holder of that preference share the right to receive a preference dividend, in cash, which shall be determined in the manner set out in article 43.3.2 in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior to or *pari passu* with the preference shares, provided that such right shall be subject to the company declaring such dividend in the manner set out in these articles and in accordance with the Companies Act.

43.3.2 The preference dividend shall be calculated:

43.3.2.1 in accordance with the following formula:

$$A = \frac{B \text{ x } C \text{ x } D}{365}$$

WHERE:

A = the preference dividend per preference share;

B = the preference dividend rate, as defined in article 43.1.13, in respect of the relevant period for which the dividend is calculated as specified in article 43.3.2.2 below;

C = the number of days of the relevant period for which the dividend is calculated as specified in article 43.3.2.2 below; and

D = the deemed capital value of the preference share as defined in article 43.1.7;

43.3.2.2 from the date following a preference dividend date (as defined in article 43.1.12) until and including the preference dividend date immediately following; provided that the first preference dividend shall be determined from 1 April 2010 up to and including 30 June 2010 on the basis that the "preference dividend rate" shall be (a) 75% of the average prime rate from 1 April 2010 up to and including 31 May 2010, and (b) as defined in article 43.1.13 from the commencement date up to and including 3 June 2013.

43.3.3 The preference dividends shall, if declared:

43.3.3.1 accrue on the preference dividend date (being the last day of the relevant period contemplated in article 43.3.2.2 in respect of which such dividend is calculated) in arrear; and

43.3.3.2 be payable within five business days of such preference dividend date.

43.3.4 Should the company not pay in full (and whether declared or not), any preference dividend required to be declared or paid in accordance with the aforegoing provisions of this article 43.3 then, without prejudice to any other right which a preference shareholder may have in terms of this article 43, the shortfall between the dividend actually paid to a preference shareholder and the amount that ought to have been paid in terms of this article 43.3 shall be an accumulated preference dividend. The company shall declare and pay all accumulated preference dividends in respect of a preference share by no later than the redemption date thereof; provided that the aforesaid declaration payment shall immediately precede the redemption of the preference share in question.

43.3.5 If there is an amendment or amendments to the Income Tax Act that results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the company, provided such amendment is uniformly applicable to all corporate taxpayers and not only because of the particular circumstances of the company or any holder of the preference shares, the percentage of the prime rate used to calculate the adjusted prime rate and accordingly the preference dividend rate will be increased by the company. Such increase will be limited to the extent that the company incurs less cost in paying preference dividends, which cost savings it would not have obtained but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the company incurring lesser costs in paying preference dividends, then, notwithstanding that such amendment may result in a decrease in the after-tax returns of any preference shareholder on its holding of preference shares, no change shall be made to the percentage of the prime rate used to calculate the adjusted prime rate and accordingly the preference dividend rate. The company shall be entitled to require the auditors to verify whether it is obliged to increase such percentage of the prime rate in accordance with this article 43.3.5. The auditors, in deciding whether such increase is required in terms of this article 43.3.5, shall act as experts and not as arbitrators and their decision shall, in the absence of manifest error, be final and binding on the company and all preference shareholders. The costs of such auditors in making such determination shall be borne and paid by the company.

43.4 **Redemption, limitations and penalties**

43.4.1 The company shall be obliged to redeem the preference shares for the redemption amount per preference share on the final date.

43.4.2 If:

43.4.2.1 the company breaches the provisions of article 43.5.2; and/or

43.4.2.2 the company has failed to declare or pay any preference dividend which it ought to have declared or paid in terms of article 43.3 and such failure has not been remedied within a period of 7 days from the date of failure; and/or

43.4.2.3 a resolution of the company is proposed which directly affects the rights attached to the preference shares including, but not limited to, a resolution for the liquidation of the company; and/or

43.4.2.4 the company is in breach of any provision of this article 43 (other than the provisions contemplated in articles 43.4.2.1, 43.4.2.2 and 43.4.2.3) and the company has failed, within 7 days of receipt of written notice from any preference shareholder to remedy such breach,

a redemption event ("**redemption event**") shall be deemed to have occurred.

43.4.3 On the occurrence of a redemption event:

43.4.3.1 a preference shareholder shall, on written notice to that effect to the company, be entitled to demand that the preference shares he holds be redeemed for the redemption amount;

43.4.3.2 the preference dividend rate shall, with effect from the date on which the redemption event is deemed to have occurred and subject to adjustment in terms of article 43.3.5, be increased to be the average prime rate plus 10%. The aforesaid increase in the preference dividend rate shall endure for a period of 12 months from the date on which the redemption event is deemed to have occurred notwithstanding the time taken by the company to remedy such redemption event.

43.4.4 Without derogating from the aforegoing provisions of this article 43, for so long as a redemption event has occurred and has not been remedied by the company, the company shall not be entitled to:

43.4.4.1 declare or pay any dividends and/or make any distributions of whatsoever nature to the company's ordinary shareholders;

43.4.4.2 sell, alienate or dispose of all or any of its assets without applying the proceeds of such sale, alienation or disposal in the redemption of preference shares for the redemption amount (on a proportionate basis amongst all of the preference shareholders);

43.4.4.3 shall not be entitled to incur any indebtedness which did not exist as at the date on which the redemption event is deemed to have occurred to the extent that such indebtedness enjoys any security or would rank ahead of the preference shares in respect of repayment in that all or any part thereof would be repayable prior to the redemption of the preference shares.

43.5 **Restrictions**

43.5.1 For so long as the preference shares are in issue the company undertakes that it shall not declare or pay any special dividends or make any special distributions to holders of ordinary shares. Accordingly, and subject to article 43.5.2, the company shall only be entitled to declare and pay normal annual interim and final dividends to the holders of its ordinary shares.

43.5.2 For so long as there are any preference shares in issue, the amount of any normal annual interim or final dividend which the company shall be entitled to declare and pay to the holders of its ordinary shares shall not exceed A where A is calculated in accordance with the following formula:

$A = B \times (C - D)$

WHERE:

A = the maximum amount of any normal annual interim or final dividend;

B = 0.25;

C = the net profit after tax of the company (excluding capital profits) over the period to which the normal annual interim or final dividend (as the case may be) relates;

D = all preference dividends which have, or ought, to have been declared and paid during the period to which the normal annual interim or final dividend (as the case may be) relates insofar as such dividends have not already been included in the calculation of C above.

43.6 **Preference in respect of capital on a liquidation**

Each preference share shall confer on the holder thereof the right, on the liquidation of the company (whether provisional or final), in priority to any payment in respect of any other class of shares in the company's capital, to receive payment of an amount equal to the redemption amount in respect of such preference share.

43.7 **Voting and meetings**

43.7.1 The company shall be obliged to give the preference shareholders notice, in terms of the Companies Act, of any meeting of preference shareholders. At every meeting of preference shareholders:

43.7.1.1 each holder of a preference share shall receive one vote for every preference share held by that holder;

43.7.1.2 the provisions of these articles relating to general meetings of ordinary shareholders shall apply, *mutatis mutandis*, except that a quorum at any such class meeting shall be a person or persons holding at least one quarter of the issued preference shares entitled to vote, personally present, or if any such preference shareholder is a body corporate, represented at that meeting, provided that if at any adjournment of such meeting a quorum is not so present, the provisions of the articles relating to the adjourned general meetings shall apply *mutatis mutandis*.

43.7.2 The holders of preference shares shall be entitled to receive notice of, and attend, general meetings of the company but shall not be entitled to vote thereat unless one or more of the following circumstances prevail at the date of the meeting:

43.7.2.1 the company has failed to declare or pay any preference dividend which it ought to have declared or paid in terms of article 43.3 and such failure has not been remedied within a period of 7 days from the date of the failure; and/or

43.7.2.2 a resolution of the company is proposed which directly affects the rights attached to the preference shares or the interests of the holders of the preference shares, including, but not limited to, a resolution for the liquidation of the company or for the reduction of its capital; and/or

43.7.2.3 the company is in breach of any other provision of this article 43 and has failed, within 7 days of receipt of written notice from any preference shareholder, to remedy such breach.

43.7.3 At every general meeting of the company at which holders of the preference shares as well as other classes of shares are present and entitled to vote, a preference shareholder shall be entitled to one vote. Notwithstanding the aforegoing, if the ordinary shares of the company are listed on the securities exchange operated by JSE Limited, the right of a preference shareholder to exercise one vote for every preference share held shall be limited as contemplated in section 195(4)(b) of the Act on the basis that, to the extent that the preference shareholders would otherwise as a result of each preference share being entitled to one vote and consequently to exercise more than 24,99% of all of the votes to be cast at a general meeting, the votes of the preference shares shall be reduced proportionately such that the maximum votes that may be cast by preference shareholders shall be equal to 24,99% of all votes to be cast at such general meeting.

43.8 **General**

43.8.1 Save as set out in this article 43, the preference shares shall not confer on any holder thereof the right to any participation in the profits or assets of the company.

43.8.2 Notwithstanding any provisions to the contrary contained herein, for so long as the preference shares remain in issue:

43.8.2.1 the literal terms of the preference shares may not be varied without the prior approval of a resolution passed *mutatis mutandis* as a special resolution by the preference shareholders at a separate meeting of preference shareholders;

43.8.2.2 no shares in the capital of the company ranking, as regards rights to dividends or, on a winding-up as regards return of capital, in priority to the preference shares, shall be created or issued, without the prior sanction of a resolution passed at a separate meeting of the holders of the preference shares in the same manner *mutatis mutandis* as a special resolution. Nothing in this article 43.8.2.2 shall oblige the company to obtain such sanction from the preference shareholders should the company wish to create and/or issue further preference shares (whether of the same class as the preference shares or not) ranking *pari passu* with the preference shares. In this regard, a preference share of a different class shall not be deemed to rank ahead of the preference shares merely due to the rights attaching to those preference shares differing from the rights attaching to the preference shares."

MATERIAL CONTRACTS

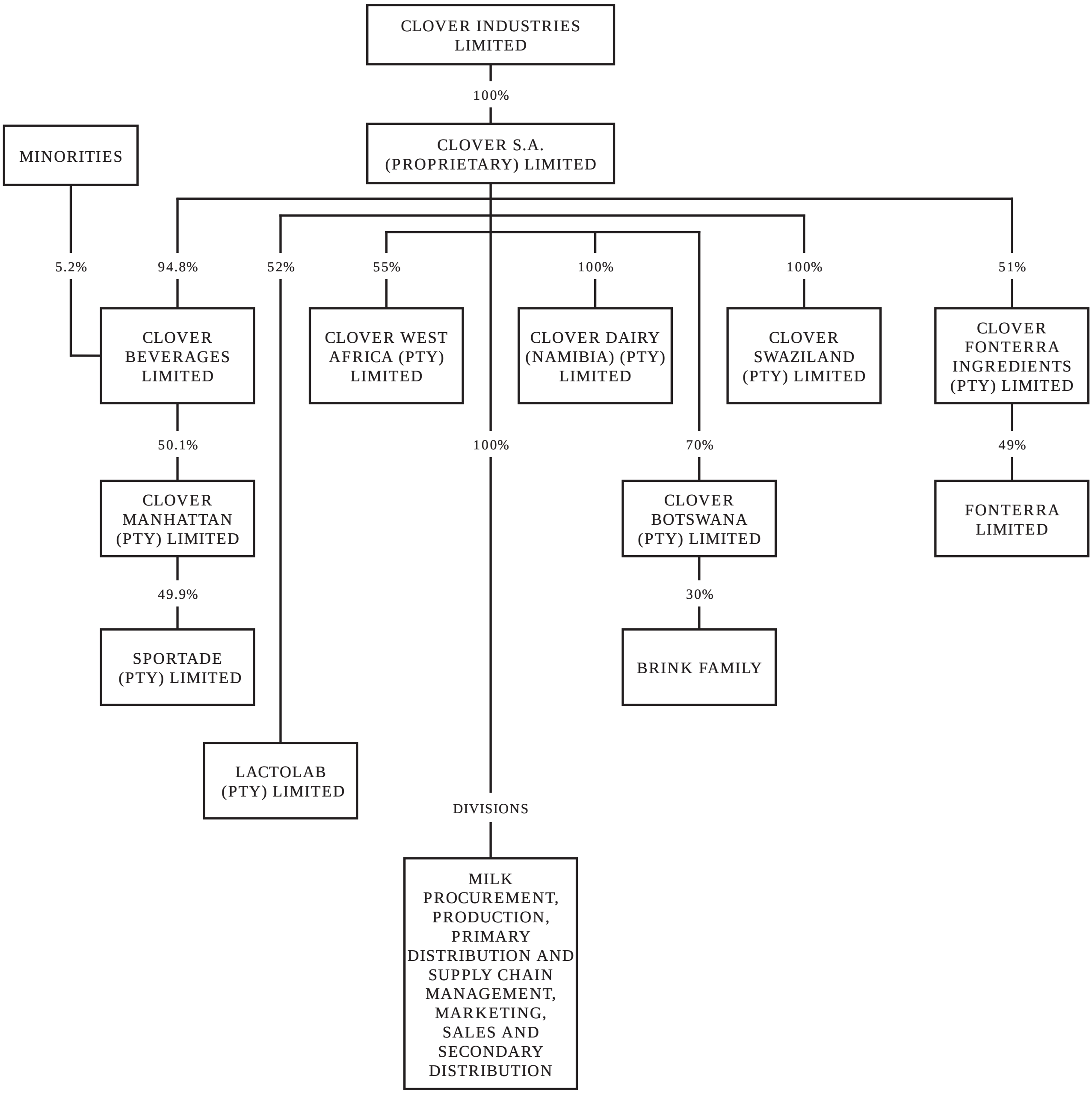
The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the issuer or its subsidiaries (i) during the two years preceding the date of this prelisting statement and are, or may be, material, or (ii) contain obligations or entitlements that are material to the issuer or its subsidiaries:

Counter party	Agreement Service	Start Date	Minimum Period	Notice Period
Danone Southern Africa	Supply Primary Distribution Transport to Danone	01–Jan–10	3 years	12 months
Danone Southern Africa	Supply of Milk and other Dairy Raw materials to Danone	01–Jan–10	5 years	After 3 years
Danone Southern Africa	Supply of Secondary Distribution and Warehousing services to Danone	01–Jan–10	3 years	12 months
Unilever	Supply of Warehousing and Transport Services to Unilever	01–Jul–10	5 years	12 months
Foodcorp (Proprietary) Limited	Supply of Sales and Distribution Services of Mageu products to Foodcorp	01–Jan–01	10 years thereafter indefinitely	12 months
ESKORT LIMITED	Supply of Sales and Distribution Services of Eskort products to ESKORT	01–Jul–10	5 years	12 months
Orley	Supply of Sales and Distribution Services to Orley	01–Jul–96	Indefinitely	6 months

Service provide from	Agreement Service	Start Date	Minimum Period	Notice Period
EQSTRA Corporation (Proprietary) Limited	Outsourcing services agreement of Clover's Truck Delivery Fleet	01–Jul–03	10 years	2 years
Shell South Africa Marketing (Proprietary) Limited	Supply and purchase of petroleum products	04–Dec–04	5 years	3 months
Sportsade (Proprietary) Limited	Manufacturing and packing of Ice Tea	01–Jul–09	3 years	6 months
Nampak Corrugated, a division of Nampak Products Limited	Supply of corrugated carton	01–Apr–09	2 years	12 months

In addition to the aforegoing the issuer is party to a significant number of delivery and supply agreements pursuant to which Clover sources milk. While no single delivery or supply agreement may be considered to be material, such agreements as a collective form a very significant function in the issuer's operations and business as more fully described in the "Strong and unique relationships with milk suppliers" section on page 18.

SIMPLIFIED GROUP STRUCTURE



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Great Taste, No Fat!

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