



2011

*integrated annual report /
geïntegreerde jaarverslag*

CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2011 / GEKONSOLIDEERDE FINANSIËLE STATE 30 JUNIE 2011



Clover

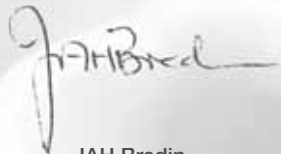
Way Better™

Clover Group's Corporate Citizenship: A Comprehensive Report

The Intergrated Annual Report reflects and tracks the Group's responsibilities as a corporate citizen and the relevance and impact that the social and sustainable policies of the Group have on the broader community. The Audit and Risk Committee has recommended the Integrated Annual Report for approval by the Board of Directors.

The Board is satisfied that the Integrated Annual Report addresses all material issues, and fairly presents the integrated performance of the Clover Group. The Board authorised the Integrated Annual Report for release.

Signed by the Directors who have been duly authorised thereto by the Board.



JAH Bredin
Chairman



JH Vorster
Chief Executive



CONTENTS

1. OVERVIEW

Vision, Mission, Strategy and Building Blocks for the Future	5
Our history	6
Group structure	8
Salient features	9
Our shares and shareholder information	10
Directorate and Management	12

2. BUSINESS REVIEWS

6-year financial review	17
Chairman's report	20
Chief Executive's report	24
Chief Financial Officer's report	28

3. SUSTAINABILITY REVIEW

32

4. CORPORATE GOVERNANCE REPORT

44

5. REMUNERATION REPORT

48

5.1 Remuneration policy	52
-------------------------------	----

6. GENERAL

Certificate by Secretary	54
Administration	54

7. FINANCIAL SECTION/FINANSIËLE AFDELING

Directors' report/Direkteursverslag	58
Audit and Risk Committee Report/Verslag van die Oudit- en Risikokomitee	63
Auditor's report/Ouditeursverslag	67
Consolidated Statement of Comprehensive Income/ Gekonsolideerde Staat van Omvattende Inkomste	68
Consolidated Statement of Financial Position/Gekonsolideerde Staat van Finansiële Posisie	70
Consolidated Statement of Changes in Equity/ Gekonsolideerde Staat van Veranderinge in Ekwiteit	72
Statement of Changes in Equity/Staat van Veranderinge in Ekwiteit	73
Consolidated Statement of Cash Flows/Gekonsolideerde Staat van Kontantvloei	74
Notes to the Consolidated Financial Statements/ Aantekening tot die Gekonsolideerde Finansiële State	76

AFRIKAANSE ALGEMENE

INHOUDSOPGAWE	159
---------------------	-----

A list of all definitions and abbreviations used throughout the Annual Report is set out in Note 3 on pages 94 to 97.

'n Lys van al die definisies en afkortings wat in die jaarverslag gebruik word, word in Aantekening 3 op bladsye 94 tot 97 uiteengesit.

*Clover's Krush range of delicious 100% fruit juices
blends contains no additives or sweeteners...*





Vision

To be a leading and competitive company in South Africa and selected African countries, reaching every consumer on a daily basis with its most admired branded and trusted products, delivering improved and sustainable shareholder value by being a responsible corporate citizen and preferred employer.

Mission

Clover is a branded foods and beverages group with a strong emphasis on value-added products. Clover's South African dairy business is the perfect enabler to reach the Group's widely dispersed customers and consumers. Extraordinary care is taken to develop brands which will occupy the number one or two position in its chosen segments. It believes in the superior procurement, production, marketing, sales and distribution of these branded consumer goods to its loyal consumers.

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 set a platform for future market expansion. Different companies within the Group have different strategies, all receiving company-specific support to maximise their potential. Key to all its activities is the expansion of capacities to share in the strong growth in consumption in the segments which it dominates.

Building blocks for the future

Building blocks to reach our dreams in 2012 are:

- Growth through the Clover brand and other independent sub-brands
- A deep understanding of consumer needs
- An extensive distribution infrastructure
- A strong relationship with customers
- A strong relationship with milk producers and other trading partners
- Continuous efficiency improvements
- Capacity expansion
- Mergers and acquisitions.

our history

*Calendar years not financial years.

1898

Farmers meet at Mooi River to discuss the establishment of a butter factory. At follow-up meetings the name Natal Creamery Ltd and co-operative principles are approved.

1899

Joseph Baynes starts the first butter factory in Natal on his farm Nel's Rust. Due to the absence of proper legal channels to register a co-operative, Natal Creamery Ltd is registered under the Natal Companies Act, and H Blaker is appointed first chairman.

1901

The first reference is made to Model Dairy as a partnership between Natal Creamery Ltd and Joseph Baynes Ltd for the marketing of fresh milk in Durban. This partnership breaks up in October 1901.

1902

Milk distribution by Natal Creamery Ltd commences in Pietermaritzburg.

1903

Milk is dispatched to Johannesburg on a daily basis and Natal Creamery Ltd decides to investigate the Johannesburg milk industry.

1906

Natal Creamery Ltd takes over the Johannesburg Milk Supply Company Ltd.

1908

Heilbron Government Creamery is established.

1923

Natal Creamery Ltd is registered under the Co-operative Societies Act of 1922.

1932

By 1932 Natal Creamery Ltd is operating in 32 centres countrywide.

1934

The operation of a 100% co-operative style system is approved and the name Natal Creamery Ltd is changed to National Co-operative Dairies Ltd.

1994

Clover S.A. (Pty) Ltd is established.



1995

Clover S.A. (Pty) Ltd and Compagnie Gervais Danone (Danone) join forces as joint venture partners.

1997

Clover Holdings Ltd is established to act as a holding company for Clover S.A. (Pty) Ltd.

1998

Danone and Clover S.A. (Pty) Ltd form the Danone Clover (Pty) Ltd joint venture.

2003

The conversion of National Co-operative Dairies Ltd from a co-operative to a public company took place during November 2003. A name change to Clover Industries Ltd was also approved during a series of special general meetings. The dynamics incorporated in Clover Industries Ltd in respect of ordinary shares exercising control and preferential shares being freely tradable, opens a new era for the Group. Clover S.A. (Pty) Ltd and Danone form the Clover Danone Beverages Ltd joint venture.

2004

Clover Holdings Ltd is unbundled. Clover Industries Ltd is the new holding company of Clover S.A. (Pty) Ltd, one of the largest branded consumer goods companies in South Africa, South Africa's largest dairy company and one of the leading manufacturers and marketers of food products in South Africa.

2005

Hosken Consolidated Investments Ltd acquires a 25,1% shareholding in Clover Industries Ltd as a BBBEE partner.

2006

Clover S.A. (Pty) Ltd and Fonterra Ltd of New Zealand form the Clover Fonterra Ingredients (Pty) Ltd joint venture.

2007

Hosken Consolidated Investments Ltd, the BBBEE partner, exercises its option to increase its ordinary shareholding to 34,9% and Clover S.A. (Pty) Ltd buys 39,8% of the shares in Clover Danone Beverages Ltd from Danone. The company's name is changed to Clover Beverages Ltd.

2008

Danone Clover (Pty) Ltd acquires a 70% interest in Mayo Dairy (Pty) Ltd.

2009

Deconsolidation/Recapitalisation of Danone Clover (Pty) Ltd.

2010

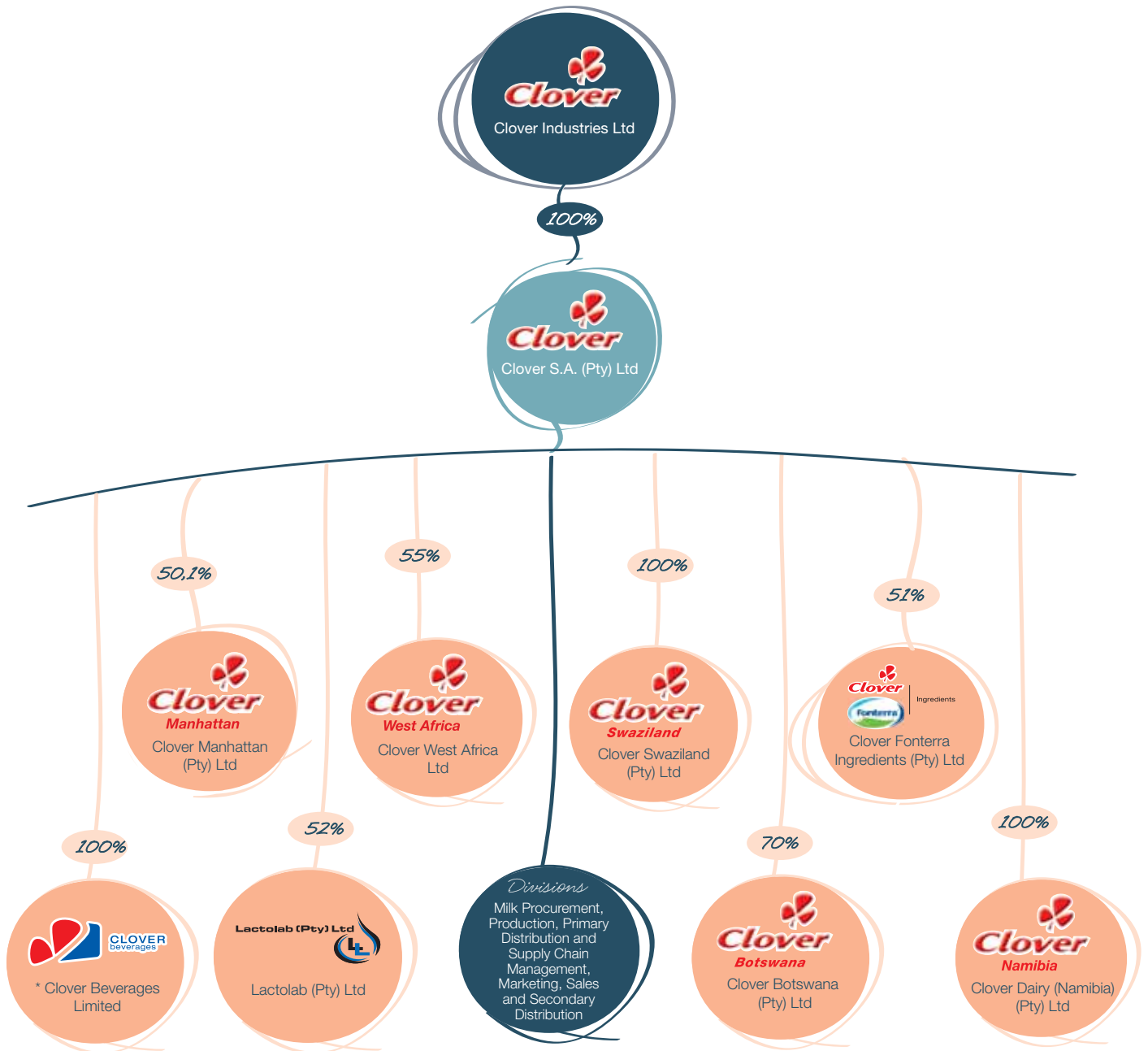
Sale of Danone Clover (Pty) Ltd and capital restructuring. Removal of the condition that only milk producers may hold ordinary shares and de-linking the ordinary share from milk supply. Repurchase of 34,9% ordinary shares from Hosken Consolidated Investments Ltd. Conversion of preference shares to debt-only instruments. Clover Industries Limited was listed on the main board of the JSE Limited, on 14 December 2010.

2011

Buy-out of the non-controlling interest in Clover Beverages Limited and the subsequent transfer of the non-alcoholic beverages business to Clover SA.



group structure

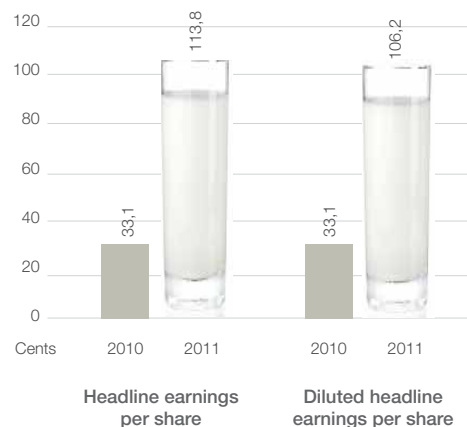
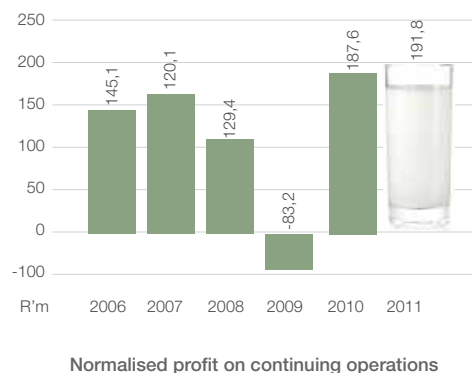
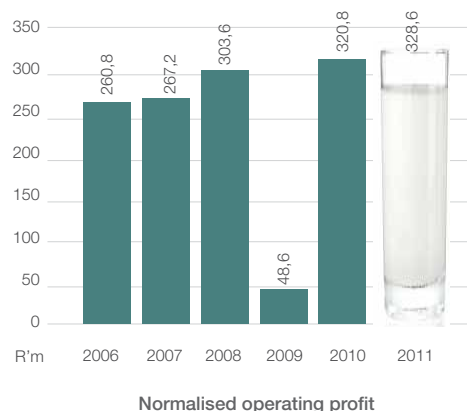
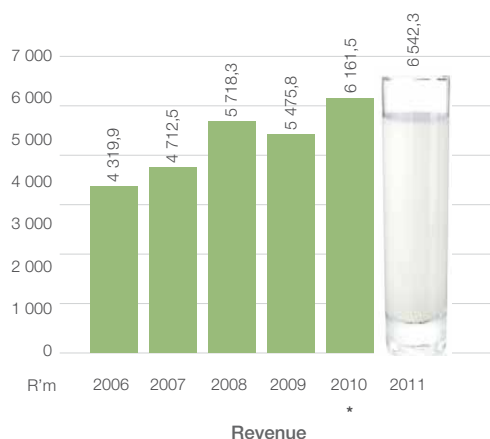


*With effect from 1 June 2011 the business activities of Clover Beverages Limited were transferred to Clover S.A. (Pty) Limited.

Clover full cream condensed milk is made from quality dairy milk and contains no preservatives except sugar. It brings baking and coffee to life.



Group activities	2011	2010	Change
	R'm	R'm	%
Revenue	6 542,3	*6 161,5	6,2
Normalised operating profit	328,6	320,8	2,4
Normalised profit on continuing operations	191,8	187,6	2,2
Net assets	1 751,8	1 076,5	62,7
Normalised earnings per share (cents)	124,7	121,3	2,8
Headline earnings per share (cents)	113,8	33,1	243,8
Diluted headline earnings per share (cents)	106,2	33,1	220,8
Ratios	%	%	%
Gearing percentage	(12,4)	21,4	158,0
Return on equity holders' funds	12,9	***26,6	(51,5)
Return on net assets	15,0	***25,7	(41,6)



* During the first six months of the prior year raw milk sales to Danone Clover, an associated company at the time, were set off against cost of sales. To facilitate comparability to the current year that period's sales are now shown as revenue and the cost of sales and revenue figures were regrouped accordingly. It has no effect on profits.

** The earnings per share for the years 2006 to 2010 has been adjusted to take into consideration the 2 for 1 share split. The earnings per share for the years 2006 to 2009 has also been adjusted to illustrate what the earnings per share would have been if ordinary equity holders had been entitled to all equity (4 November 2010) earnings.

*** Includes R337,7 million (R227,1 million after tax) profit on sale of Danone Clover.

our shares and shareholder information

shareholder analysis

Company: Clover Industries Ltd - Ordinary shares
 Register date: 24 June 2011
 Issued Share Capital: 179 111 867
 JSE Code: CLR
 ISIN Code: ZAE 000152377

Shareholder spread	No of shareholders	%	No of shares	%
1 - 1,000 shares	523	31,35	269 110	0,15
1,001 - 5,000 shares	531	31,83	1 368 285	0,76
5,001 - 10,000 shares	108	6,47	856 692	0,48
10,001 - 50,000 shares	185	11,09	4 674 783	2,61
50,001 - 100,000 shares	71	4,26	5 148 228	2,87
100,001 shares and over	250	15,00	166 794 769	93,13
Totals	1 668	100,00	179 111 867	100,00

Distribution of shareholders	No of shareholders	%	No of shares	%
Banks	9	0,54	1 292 680	0,72
Close Corporations	21	1,26	522 880	0,29
Endowment Funds	13	0,78	268 731	0,15
Individuals	1 127	67,56	30 395 699	16,97
Insurance Companies	12	0,72	3 480 483	1,94
Investment Companies	6	0,36	63 713	0,04
Milk Producers Trust	2	0,12	20 996 284	11,72
Mutual Funds	75	4,50	42 075 533	23,49
Nominees & Trusts	123	7,37	8 337 211	4,65
Other Corporations	13	0,78	111 460	0,06
Private Companies	24	1,44	317 323	0,18
Milk Producers	143	8,57	48 032 409	26,82
Public Company	1	0,06	118 066	0,07
Retirement Funds	99	5,94	23 099 395	12,90
Totals	1 668	100,00	179 111 867	100,00

Public / non-public shareholders	No of shareholders	%	No of shares	%
Non-public Shareholders	21	1,32	46 851 739	26,16
Directors of the company	11	0,72	22 970 247	12,83
Strategic Holdings (more than 10%)	2	0,12	20 996 284	11,72
Associates & Management	8	0,48	2 885 208	1,61
Public Shareholders	1 647	98,68	132 260 128	73,84
Totals	1 668	100,00	179 111 867	100,00

Beneficial shareholders holding 3% or more	No of shares	%
Clover Milk Producers Trust	20 996 284	11,72
Coronation Fund Managers	9 346 193	5,22
Metal & Engineering Industries	7 854 891	4,39
Vorster, JH	7 505 496	4,19
Abax Investments	5 941 686	3,32
Roode, HB	5 388 276	3,01
Totals	57 032 826	31,85

our shares and shareholder information

shareholder analysis

Company: Clover Industries Ltd - Preference Shares
 Register date: 24 June 2011
 Issued Share Capital: 89 442 022
 JSE Code: CLRP
 ISIN Code: ZAE 000152385

Shareholder spread	No of shareholders	%	No of shares	%
1 - 1,000 shares	90	15,63	49 169	0,05
1,001 - 5,000 shares	101	17,53	279 564	0,31
5,001 - 10,000 shares	79	13,71	607 835	0,68
10,001 - 50,000 shares	174	30,21	4 347 929	4,86
50,001 - 100,000 shares	63	10,94	4 687 011	5,24
100,001 shares and over	69	11,98	79 470 514	88,86
Totals	576	100,00	89 442 022	100,00

Distribution of shareholders	No of shareholders	%	No of shares	%
Associates & Management	1	0,17	250 000	0,28
Close Corporations	20	3,48	1 016 373	1,14
Empowerment	1	0,17	25 000 000	27,95
Individuals	416	72,22	22 155 347	24,77
Investment Companies	1	0,17	1 118 128	1,25
Mutual Funds	11	1,91	7 469 436	8,35
Nominees & Trusts	59	10,25	5 152 404	5,76
Other Corporations	1	0,17	39 878	0,04
Private Companies	24	4,17	23 750 810	26,56
Milk Producers	42	7,30	3 489 646	3,90
Totals	576	100,00	89 442 022	100,00

Public / non-public shareholders	No of shareholders	%	No of shares	%
Non-public Shareholders	9	1,56	47 757 954	53,39
Directors of the company	6	1,05	10 225 367	11,43
Strategic Holdings (more than 10%)	1	0,17	12 282 587	13,73
Associates & Management	1	0,17	250 000	0,28
Empowerment	1	0,17	25 000 000	27,95
Public Shareholders	567	98,44	41 684 068	46,61
Totals	576	100,00	89 442 022	100,00

Beneficial shareholders holding 4% or more	No of shares	%
HCI	25 000 000	27,95
Sanpref (Pty) Ltd	12 282 587	13,73
Move-On-Up 104 (Pty) Ltd	8 057 878	9,01
Roode, HB	4 341 514	4,86
Vorster, JH	3 696 232	4,13
Coronation Fund Managers	3 677 700	4,11
Totals	57 055 911	63,79

directorate and management

Executive Directors

(Please refer to next page for full CVs)

JOHANN HENDRIK VORSTER (47)

Chief Executive

Appointed: 2004

BCompt (Hons), CA (SA), MBA

HERMANUS BERNARDUS ROODE (59)

Deputy Chief Executive and Managing Director Africa

Appointed: 2003

BJuris, LLB

LOUIS JACQUES BOTHA (49)

Chief Financial Officer & Milk Procurement

Appointed: 2007

BCom(Hons), CA(SA), ACIS

CHRISTIAAN PHILIPPUS LERM (DR) (54)

Brands

Appointed: 2007

DCom

Independent Non-executive Directors

THOMAS ALEXANDER WIXLEY (71)

Vice-chairman & Lead Independent Director

Appointed: 2007

BCom, CA (SA)

Chairman of Audit and Risk Committee

Chairman of Sustainability Committee

Member of Nomination Committee

Member of Remuneration Committee

Tom Wixley obtained a BCom from the University of Cape Town in 1959. He is a Chartered Accountant (SA). He was with Ernst & Young and its predecessor firms, 31 years as a partner and chairman for the last 10 years. 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 was appointed as the Company's lead Independent Director by the Board.

NKATEKO PETER MAGEZA (56)

Independent Non-executive Director

Appointed: 2010

FCCA (UK)

Member of Audit and Risk Committee

Peter Mageza is a fellow of the Association of Chartered Certified Accountants. He is the former Chief Operations Officer and Executive Director of Absa Bank Limited. 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.

STEFANES FRANCOIS BOOYSEN (DR) (48)

Independent Non-executive Director

Appointed: 2010

BCompt (Acc)(Hons), MCompt (Unisa)

DCom (Acc), CA (SA)

Chairman of Remuneration Committee Member of Audit and Risk Committee

Dr Stef 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. After completing his articles with Ernst & Young, he was a senior lecturer in Accounting at the University of South Africa. Stef 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.

Front from left to right : Dr CP Lerm, JH Vorster, HB Roode, LJ Botha



JOHANNES NICOLAAS STEPHANUS DU PLESSIS (ADV) (61)

Independent Non-executive Director

Appointed: 2010

BCom, LLB

Member of Audit and Risk Committee
Member of Remuneration Committee
Member of Sustainability Committee

Adv Johan du Plessis obtained a BCom 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.

Non-Executive Directors

JOHN ALLAN HUTCHINSON BREDIN (64)

Non-executive Director – Chairman

Appointed: 2003

Agric Dip

Chairman of Nomination Committee
Member of Remuneration Committee

John Bredin is the Chairman of the Board. He is a farmer in the KwaZulu-Natal Midlands with 44 years' dairy farming experience, 41 of those running his own business. He has been acting

as Director of the Company and associated companies for the past 21 and has been Chairman of the Company for the last six years.

WERNER IGNATIUS BÜCHNER (45)

Non-executive Director – Vice-chairman

Appointed: 2006

B Eng

Member of Nomination Committee
Member of Sustainability Committee

Werner Büchner is Vice-chairman of the Board. He is a milk producer 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.

HERCULES PETRUS FREDRIK

DU PREEZ (46)

Non-executive Director

Appointed: 2003

BSc Agric (Hons)

Harry du Preez is a milk producer with 20 years' experience in the North West Province area. He obtained a Bachelor of Science in 1986 from the University of Pretoria.

MARTIN GEOFF ELLIOTT (58)

Non-executive Director

Appointed: 2003

BSc

Geoff Elliott is a milk producer in the Mooi River area of KwaZulu-Natal. He obtained a Bachelor of Science from the University of Natal (Pietermaritzburg) in 1974 and has been farming since 1975.

JACOBUS CHRISTOFFEL

HENDRIKS (DR) (62)

Non-executive Director

Appointed: 2003

BVSc

Member of Nomination Committee
Member of Sustainability Committee

Dr Kobus Hendriks is a farmer in the Heilbron area. He obtained a Bachelor of Science in 1971 and practised as a veterinarian for 13 years before becoming a full-time farmer.

NIGEL ATHOL SMITH (55)

Non-executive Director

Appointed: 2011

Agric Dip

Nigel Smith is a milk producer in the Creighton area of KwaZulu-Natal. He obtained a diploma in Agriculture from Cedara Agricultural College in 1977 and has been farming since 1980. He is currently the Chairman of the Nkonza Irrigation Board.

Front from left to right : Adv JNS du Plessis, Dr SF Booysen, NP Mageza, TA Wixley
Back from left to right: WI Büchner, MG Elliot, HPF du Preez, Dr JC Hendriks, NA Smith, JAH Bredin



directorate and management

JOHANN HENDRIK VORSTER (47)

Chief Executive

Appointed to EXCO: 2000

BCompt (Hons), CA (SA), MBA

HERMANUS BERNARDUS ROODE (59)

Deputy Chief Executive and Managing Director Africa

Appointed to EXCO: 1998

BJuris, LLB

LOUIS JACQUES BOTHA (49)

Chief Financial Officer & Milk Procurement

Appointed to EXCO: 2007

BCom(Hons), CA(SA), ACIS

After three and a half years with the South African Revenue Services as Assistant Director of Operational Research, Johann Vorster joined 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 Johann 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, Johann 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.

Manie Roode obtained a Bachelor of Jurisprudence and Bachelor of Laws at the Rand Afrikaans University and was a practicing attorney from 1978 to 1998, specialising in commercial law. Manie was appointed as Legal Director and Secretary in 1998 and therefore has extensive experience in legal and corporate governance matters.

After qualifying as a Chartered Accountant with Arthur Young & Co in 1988, Jacques Botha 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. Jacques 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.

clover executive committee

CHRISTIAAN PHILIPPUS LERM (DR) (54)

Executive: Brands

Appointed to EXCO: 2007

DCom

HENDRIKUS LUBBE (42)

Executive: Supply Chain and Information Services

Appointed to EXCO: 2006

MCom (Transport Economics), MBA

JAMES HENRY FERREIRA BOTES (DR) (49)

Commercial

Appointed to EXCO: 2009

DPhil

Dr Chris Lerm obtained a Bachelor of Commerce in 1977 and in 1978 completed his Bachelor of Commerce (Honours) in marketing at the University of the Orange Free State. He completed his Master of Commerce in 1981 at the Rand Afrikaans University. In 1987 Chris obtained a Doctor of Commerce (Marketing) at the University of South Africa. He joined National Co-operative Dairies in 1991 as Corporate Affairs Manager. Other promotions included Marketing Manager: Concentrated Products, Group Export Manager, Group Manager Marketing and then Chief Operating Officer of Clover Danone Beverages Limited.

Drikus Lubbe received his Masters in Transport Economics from UJ, and his MBA from the University of Stellenbosch. As a bursary student he joined Clover in 1994 (Logistics Officer). Drikus has held various line and functional posts within Clover. As an EXCO member, his current responsibilities include Production, Procurement, Primary Distribution, Supply Chain Planning and IT.

Dr Jimmy Botes obtained his PhD in Agricultural Economics from the University of the Free State. He joined NCD's Agricultural Extension Division in 1994. He began his career as MD Clover Botswana in 1994 and later became GM Clover Gauteng. As a member of EXCO he is responsible for Secondary Warehouses & Distribution, Sales and Trade Marketing.



From left to right: H Lubbe, Dr JHF Botes, Dr CP Lerm, JH Vorster, LJ Botha, HB Roode

02. business reviews



6-year financial review

	2011	2010	2009	2008	2007	2006
Summarised results for the year	Rm	Rm	Rm	Rm	Rm	Rm
Revenue	6 542,3	@ 6 161,5	+ 5 475,8	5 718,3	4 712,5	4 319,9
Revenue Danone Clover	-	-	-	682,7	521,6	437,9
Revenue Excluding Danone Clover	6 542,3	6 161,5	5 475,8	5 035,6	4 190,9	3 882,0
Operating profit	319,0	*** 559,0	** 664,3	297,2	* 357,0	242,2
Net financing cost						
Current and non-current liabilities	(16,1)	(41,2)	(103,5)	(90,7)	(53,7)	(58,6)
Debt portion of preference share capital	(21,4)	(22,3)	(32,2)	(30,4)	(22,0)	(16,4)
Profit/(loss) before tax from continuing operations	281,5	495,5	528,6	176,1	281,3	167,2
Taxes	(97,5)	(191,7)	(29,2)	(50,5)	(72,7)	(36,2)
Profit after tax from discontinued operations	-	32,1	39,6	-	-	-
Non-controlling interest	(4,4)	(5,1)	(11,7)	(5,7)	(41,5)	(35,8)
Profit/(loss) attributable to equity holders of the parent	179,6	*** 330,8	** 527,3	119,9	* 167,1	95,2
Reported results adjusted for exceptional items	Rm	Rm	Rm	Rm	Rm	Rm
Operating profit	319,0	559,0	664,3	297,2	357,0	242,2
Adjusted for exceptional items:						
Loss/(profit) on sale and scrapping of property, plant and equipment	(7,3)	0,9	(3,8)	(5,1)	5,5	11,8
Profit on the sale of Boksburg factory	-	(50,8)	-	-	-	-
Profit on sale of Ultra Mel Custard business	-	-	-	-	(111,1)	(6,7)
Profit on sale of Clover Danone Beverages shares	-	-	-	-	-	(1,4)
Profit on cancellation of a distribution agreement	-	-	-	-	-	(3,0)
Profit on deconsolidation of Danone Clover	-	-	(637,5)	-	-	-
Profit on sale of Danone Clover	-	(337,7)	-	-	-	-
Retrenchment costs	6,6	84,9	17,2	10,4	14,2	11,7
Option fee paid to HCI on capital restructuring	-	11,4	-	-	-	-
Legal and professional services costs associated with the listing	8,5	-	-	-	-	-
Legal and professional services costs associated with the capital restructuring	-	5,3	-	-	-	-
SAR bonuses paid to Executives on capital restructuring	-	37,1	-	-	-	-
Other restructuring cost	1,8	10,7	8,4	1,1	1,6	6,2
Operating profit adjusted for exceptional items	328,6	320,8	48,6	303,6	267,2	260,8

@ During the first six months of the prior year raw milk sales to Danone Clover, an associated company at the time, were set off against cost of sales. To facilitate comparability to the current year that period's sales are now shown as revenue and the cost of sales and revenue figures were regrouped accordingly. It has no effect on profits.

+ Following the sale of the Group's interest in Danone Clover, the Group's share of Danone Clover's income was classified as income from discontinued operations. The 2009 comparative figures were restated accordingly.

*Includes R111 million profit (R103 million after tax) on sale of the Ultra Mel Custard business.

**Includes R637,5 million (R599,5 million after tax) profit on deconsolidation of Danone Clover.

***Includes R337,7 million (R227,1 million after tax) profit on sale of Danone Clover.

6-year financial review

	2011	2010	2009	2008	2007	2006
Reported results adjusted for exceptional items	Rm	Rm	Rm	Rm	Rm	Rm
Net financing cost	(37,4)	(63,5)	(135,7)	(121,1)	(75,8)	(75,0)
Tax expense						
Total tax expense	(97,5)	(191,7)	(29,2)	(50,5)	(72,7)	(36,2)
STC paid on capital restructuring		52,2	-	-	-	-
Taxation adjustment on exceptional items	(1,9)	69,8	33,1	(2,6)	1,4	(4,5)
Profit/(loss) from continuing operations adjusted for exceptional items	191,8	187,6	(83,2)	129,4	120,1	145,1
Dividends equity - ordinary shares	58,7	-	1,0	0,6	0,3	-
Dividends equity - preference shares	-	370,0	29,0	17,8	9,2	-
Preference dividends recognised as interest	21,4	22,3	32,2	30,4	22,0	16,4
Earnings and dividends per share	Cents	Cents	Cents	Cents	Cents	Cents
Equity dividends per ordinary share	43,0	-	1,1	0,7	0,4	-
Equity dividends per preference share	-	-	33,5	20,5	10,7	-
Special dividend on the buy-back of equity rights of preference shares per preference share	-	413,7	-	-	-	-
Preference dividend recognised as interest per preference share	23,9	24,9	37,3	35,2	25,5	22,8
Earnings per ordinary share	116,7	**214,0	22,3	5,2	8,3	5,1
Diluted earnings per ordinary share	108,9	**214,0	22,3	5,2	7,1	4,5
Earnings/(loss) per share from continuing operations adjusted for exceptional items, calculated by dividing the profit/(loss) from continuing operations adjusted for exceptional items by the weighted average number of ordinary shares net of treasury shares	124,7	*121,3	*(52,8)	*83,6	*89,5	*116,4
Summarised statement of financial position	Rm	Rm	Rm	Rm	Rm	Rm
Non-current assets	1 361,4	1 202,5	1 823,7	1 361,3	1 206,0	889,8
Deferred taxation asset	3,2	18,7	110,4	104,8	71,1	63,3
Current assets	2 180,9	1 710,9	1 651,4	1 908,1	1 249,4	1 272,1
Total assets	3 545,5	2 932,1	3 585,5	3 374,2	2 526,5	2 225,2
Shareholders' funds	1 742,4	1 048,4	1 440,1	938,6	829,0	629,7
Non-controlling Interest	9,4	28,1	40,9	48,3	28,5	59,0
Non-current portion of interest-bearing borrowings	432,8	592,5	761,4	657,0	566,9	574,4
Non-current portion of provisions	62,5	50,4	60,5	62,9	64,0	59,0
Non-current portion of other payables	13,4	6,3	-	-	-	-
Deferred taxation liability	32,0	6,4	6,3	28,6	15,4	10,8
Current portion of interest-bearing borrowings	173,8	66,9	234,8	517,6	135,4	49,7
Current liabilities	1 079,2	1 133,1	1 041,5	1 121,2	887,3	842,6
Total equity and liabilities	3 545,5	2 932,1	3 585,5	3 374,2	2 526,5	2 225,2

* The earnings/(loss) per share from continuing operations adjusted for exceptional items for years 2006 to 2010 are presented for illustrative purposes only to indicate what the earnings per share would have been if ordinary shareholders had been entitled to all equity earnings and if the 2 for 1 share split (4 November 2010) is taken into consideration.

** Earnings per share for the 2010 financial year has been recalculated to account for the 2 for 1 share split.

A list of all definitions used in the above calculation is set out in Note 3 on page 94 and 95.

6-year financial review

	2011	2010	2009	2008	2007	2006
	Rm	Rm	Rm	Rm	Rm	Rm
Net assets	1 751,8	1 076,5	1 481,0	986,9	857,5	688,7
Replacement value of property, plant and machinery @	5 445,7	5 112,8	4 927,0	4 521,6	4 383,2	3 729,3
Number of shares in issue	'000	'000	'000	'000	'000	'000
Number of ordinary shares in issue at year-end	179 111,9	#123 850,0	88 485,3	88 485,3	76 907,8	76 907,8
Weighted average number of ordinary shares net of treasury shares	153 882,4	#154 595,4	78 711,5	77 411,0	67 134,0	62 308,1
Number of preference shares in issue at year-end	89 442,0	89 442,0	86 492,6	86 492,6	86 492,6	82 603,9
Weighted average number of preference shares net of treasury shares	89 442,0	87 516,2	85 442,0	85 517,0	83 888,6	72 042,6
Weighted average number of ordinary shares for calculation of diluted earnings	164 890,5	#154 595,4	78 711,5	77 411,0	78 711,5	70 991,2
Cash flow	Rm	Rm	Rm	Rm	Rm	Rm
Cash flow from/(used in) operating activities	256,9	347,1	79,7	(113,5)	186,3	14,7
Cash flow (used in)/ from investment activities	(253,3)	1 005,1	(186,4)	(213,1)	(311,9)	(118,3)
Net cash inflow/(outflow) before financing activities	3,6	1 352,2	(106,7)	(326,6)	(125,5)	(103,7)
Cash generated from/(utilised in) operating activities per share (cents)	167,0	#224,5	101,3	(146,6)	277,7	23,5
Ratios and returns	%	%	%	%	%	%
Operating profit to revenue	4,9	*** 9,1	** 12,1	5,2	* 7,6	5,6
Operating profit adjusted for exceptional items to revenue	5,0	5,2	1,0	5,3	5,7	6,0
Return on net assets	15,0	*** 25,7	** 27,7	15,3	* 23,6	18,2
Return on net assets excluding exceptional items	15,4	14,8	2,0	15,6	17,7	19,6
Return on equity holders' funds	12,9	*** 26,6	** 44,3	13,6	* 22,9	17,1
Return on equity holders' funds excluding exceptional items	13,7	15,1	(7,0)	14,6	16,5	26,0
Gearing percentage	(12,4)	21,4	48,8	67,9	43,1	38,4
Effective tax rate	34,7	38,7	5,5	28,7	25,9	21,6
	Times	Times	Times	Times	Times	Times
Net asset turn	8,3	6,5	6,5	10,9	10,5	20,8
Current ratio	1,7	1,4	1,3	1,2	1,2	1,4
Employee statistics	Number	Number	Number	Number	Number	Number
Average number of permanent employees	6 353	6 362	6 579	6 662	6 776	6 537
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue per employee	1 029,8	*** 942,4	** 832,3	858,3	* 695,5	660,8
Operating profit per employee	50,2	*** 87,9	** 101,0	44,6	* 52,7	37,0
Operating profit adjusted for exceptional items per employee	51,7	50,4	7,4	45,6	39,4	39,9
Net assets per employee	222,6	201,0	187,6	138,4	114,1	93,6

@ Replacement value of property, plant and machinery is determined by an external valuator.

The number of ordinary shares have been adjusted for the 2 for 1 share split (4 November 2010).

* Includes R111 million profit (R103 million after tax) on sale of the Ultra Mel Custard business.

** Includes R637,5 million (R599,5 million after tax) profit on deconsolidation of Danone Clover.

*** Includes R337,7 million (R227,1 million after tax) profit on sale of associate Danone Clover.

A list of all definitions used in the above calculation is set out in Note 3 on page 94 and 95.



"A pastry is only as good as its ingredients. I use Clover Mooi River Butter in my favourite lattice-topped cheesecake."





Introduction

2011 saw yet another set of major milestones being reached as Clover continued its transition from a supply-driven to a demand driven company. Building on its impressive 113-year history, Clover is set to continue entrenching itself as the South African dairy industry leader.

Many steps have been taken during the past year to ensure that the momentum enabled by the recapitalisation of the Company through the sale of Clover's stake in Danone Clover a year ago was maintained. This culminated in the successful listing of Clover on the main Board of the Johannesburg Stock Exchange in December 2010.

Listing

As announced in my last report, Clover listed both ordinary and preference shares on the JSE Limited during the course of the year under review.

This process saw R575 million of fresh capital being raised from local and international institutional investors. I would like to take this opportunity to welcome our new shareholders and to thank them for their confidence.

The recapitalisation process leading up to the listing saw milk supply agreements with producers being delinked from the ordinary shares which they held. This created a mutually beneficial situation for both Clover and its milk producers as they benefited from the unlocking of value created by the listing without any effect on the milk supply agreements.

Operating environment

The past year has been marked by continued uncertainty around economic recovery both locally and abroad. Multiple sovereign debt issues, including mixed success on the part of the USA to provide international markets with some relief in terms of their own debt position, continued to weigh heavily on exchange rates and commodity prices generally.

In our industry, various pressures on input costs have resulted in rampant global food inflation. The events witnessed in the Arab world since the beginning of the year were no doubt compounded by the effect of increasingly expensive basic foodstuffs. With the world population projected to total some 9 billion people by 2040 and requiring a 70% increase in food production to meet nutritional needs, food security is going to require some serious attention.

In South Africa, the economic scenario is also difficult. The lead-and-lag factor will see food prices rise and impact on general inflation in the foreseeable future with basic foodstuffs the hardest hit. Production, input costs such as maize and fertilizer are subject to inflationary pressures which have a ripple effect for Clover throughout its supply chain.

The authorities would do well to focus on land reform with the emphasis on returning millions of hectares of fallow, but potentially highly productive and available land to optimal production. Political uncertainty with regard to the land question has the potential to seriously undermine food security and devastate a healthy agricultural sector.

The biological nature of milk production and seasonal cyclicity inherent to the industry, though addressed by Clover's Unique Milk Procurement System, can prove problematic. The outbreak of foot and mouth disease in northern KwaZulu-Natal was confined to an area outside of the milk procurement region of the province, but still led to a disruption in the export of some dairy products. Of serious concern is the apparent lack of capacity and experience within the Department of Veterinary Services to deal with outbreaks of this nature.

Another area where government could provide assistance to local milk producers is by improving the policing of imports. The majority of dairy producing countries have internal subsidies and this makes African countries, which are not subsidised, vulnerable. Large parts of Africa have no local dairy industries left due to dumping and South Africa needs to guard against this.

Finally, the announcement of Walmart's arrival in South Africa generated a lot of interest and although the entire food industry will need to carefully assess the exact impact that the Group will have on the operating environment, we believe a lot of positive changes are about to happen.

Project Reset and Project Cielo Blu

Project Reset incorporated a number of proactive measures to reduce selling prices and stimulate volume growth. These initiatives are bearing fruit and have resulted in strong market share gains, margin improvements and enhanced supply chain efficiencies.

Project Cielo Blu is part of these initiatives and the most of the R575 million proceeds from the capital raising is being deployed towards the repositioning and expansion of facilities which will lead to improved efficiencies, increased production capacity and overall cost reductions.

The Board also approved capital expenditure programmes to the value of R277 million in addition to Project Cielo Blu that will include the relocation of Clover's cheese manufacturing facilities to the coast, increased collection capacity in certain regions and various value-added packaging initiatives. The total amount of capex programmes currently underway now stands at R627 million.

Financial review

Clover produced a satisfactory performance during the year under review amidst unfavourable trading conditions during the second half of the year. The results need to be viewed against a number of non-recurring transactions and events occurring during the previous year which had a material impact on the results. These included amongst others, abnormal income and expenses resulting from the sale of Clover's stake in Danone Clover and the sale of a factory and warehouse in Boksburg.

Revenue increased by 6,2%, mainly due to volume growth in branded products of 8,3%. Clover has developed strong relationships with many of its principals. This was again demonstrated in May 2011 when Danone Southern Africa agreed to outsource all its merchandising services to Clover. This step takes our collaboration to a new level, ensuring opportunities for both companies.

Headline earnings from continuing operations improved by 822,1% to R175,2 million (2010: R19 million) underpinned by lower restructuring and finance costs as well as a better operating performance overall. Accordingly, headline earnings per share improved by 243,8% from 33,1c to 113,8c.

After the steps taken during the previous financial year to limit the Group's exposure to the over supply of milk, cash generation was positive again.

Group liquidity and solvency showed pleasing improvement following the listing on the JSE.

A final dividend of 15 cents per ordinary shares has been declared bringing the total dividend for the year to 25 cents per ordinary share.

A more detailed financial review is contained in the Chief Financial Officer's report.

Governance and the Board

The Board is committed to the highest corporate governance standards.

A number of directorship changes were made during the course of the year including rebalancing of the Board members to support Clover with its future plans and new listed status. As a result, F Meyer, M Mackenzie and J Lotz, who were Non-executive Producer Directors, stepped down whilst three new Independent Director appointments were made. The new Independent Non-executive Directors are Dr SF Booysen, NP Mageza and Adv JNS du Plessis.

I would like to pay tribute to the Producer Directors and thank them for their many years of guidance and dedication which served Clover and all its stakeholders well. To the new Independent Directors, a very warm welcome to Clover. I look forward to working with them.

HPF du Preez asked to stand down from his position as Deputy Chairman due to other commitments and WI Büchner and T Wixley were elected as joint deputies with the latter also serving as Lead Independent Director.

V Turner resigned from the Board and N Smith was appointed in his place. I would like to thank Viv for his contribution to the affairs of Clover over the past 11 years and wish him well in his new farming venture.

The Board now comprises four Executive Directors, six Non-executive Directors and four Independent Non-executive Directors.

Regulatory

In April 2011, Clover advised shareholders that the Competition Commission had withdrawn its long running referrals of several milk processors, including Clover.

Social and environmental

For the past 7 years, our major CSI initiative has been Clover Mama Afrika which today cares for more than 12 800 children 3 500 elderly through 163 self-help projects; 154 of which are income generating. Clover Mama Afrika continued to grow from strength to strength over the past year under the leadership of Prof Elaine Vlok and this was recognized with the project winning the prestigious Mail & Guardian Investing in the Future 2010 Award in the corporate category.

Clover has been part of South Africans' lives for the past 113 years and aims to continue playing an important role in the development of the country's art and culture. In July 2011, the Company announced a five-year sponsorship of the Aardklop National Arts Festival to the value of R4.5 million a year over a five-year period with a yearly inflationary increase. As a result, the festival will be renamed the "Clover Way Better Aardklop National Arts Festival".

One of the contributing factors to Clover's success is its people. They are the driving force enabling us to be consistently more competitive in our chosen markets. We are convinced that our people will also be the single biggest contributor to Clover's future growth, profitability and excellence and the Company has a number of successful initiatives aimed specifically at ensuring that our employees are productive and rewarded through their work.

Clover has developed a comprehensive environmental strategy and more details on the various initiatives can be found in our Sustainability Review section of this report.

Transformation

Our industry is a large employer and we are committed to job creation and sustainability. The various capex projects underway are certain to generate numerous employment opportunities whilst we continue to develop essential industry skills and expertise.

Clover views broad-based black economic empowerment (BBBEE) as an opportunity to increase economic activity, sustain livelihoods for as many people as possible and continue to grow a sustainable consumer market.

Prospects

The global economy is set to remain uncertain in the year ahead and we are bracing ourselves for another difficult economic year in South Africa. In spite of this, we are confident that the impetus provided by the capital raised through the listing and the various projects currently running as well as those that have been fully implemented will ensure that Clover maintains a healthy position both from a market share perspective and financially.

In the longer term, the entry of other international retailers into South Africa, as well as the opportunities to push into Africa through partnerships with our customers, remain very exciting and will continue to receive the Company's attention in the year ahead.

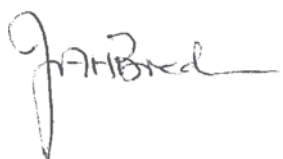
Appreciation

Firstly, I would like to thank the producer body for its superb support during the transition of Clover from a co-operative to a listed company. They have embraced the Company's vision and provided the necessary impetus to the Executive team.

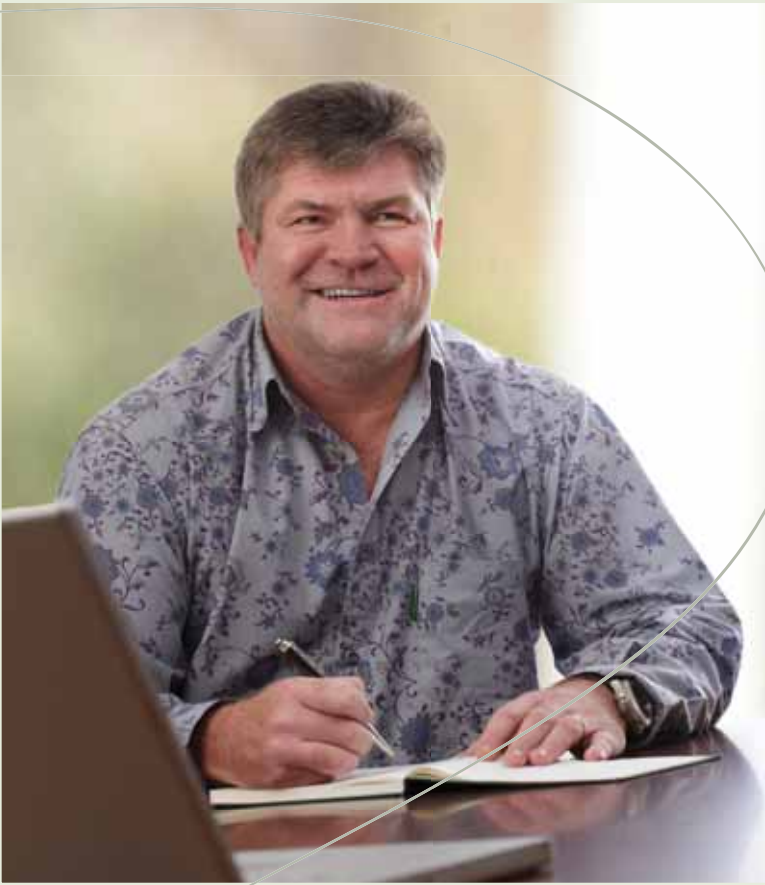
Under the inspiring leadership of Johann Vorster, and very ably supported by his deputy Manie Roode, the Management team has worked tirelessly to steer the Company through some very difficult economic times. The lead up to the listing was handled extremely professionally and competently and I would like to offer a very special appreciation for their efforts.

The listing attracted new shareholders, including a number of blue-chip institutional investors, to Clover and I would like to welcome and thank them for their support. In addition, I would like to thank the various advisors who made the listing possible including Rand Merchant Bank, Werksmans, College Hill and Ernst & Young for their professional expertise.

Finally, thanks go to my fellow Directors for their invaluable commitment as well as our many customers, suppliers, partners and other stakeholders for their most valued contributions.



JAH Bredin
Chairman



"Clover Krush Apple Juice turns the sauce supreme for my favourite crispy roast duck from great to sublime."



Overview and market conditions

Clover is pleased to announce that in its maiden year of being listed on the JSE, it achieved solid and satisfactory results. It has managed to grow profitability as well as market share despite difficult trading conditions, where input costs started to rise sharply. Clover was also able to protect and continue Project Reset, with the main aim of increasing market shares by using cost savings to reduce selling prices, which will have many benefits to Clover in the medium to long term.

The listing of the Group on the JSE on 14 December 2010 is probably the biggest highlight in Clover's history. It culminated in what has been a very long road to recapitalise the Group. In a very successful listing, Clover raised R575 million of new capital which will be used to fund, amongst others, Project Cielo Blu which is necessary to address previous inefficiencies in the supply chain. Market conditions were difficult, with the benefits of last year's World Cup spending not repeated, and many companies in the food sector felt the pressure. What makes Clover's results even more pleasing, is the fact that the necessary momentum build-up during the past few years could be maintained.

Clover has expressed its opinion in the past that the supply chain in South Africa is too expensive. The effort level of buying chilled products specifically, is too high. The entry of new international retailers may change this. Clover will address this issue from two fronts, internal efficiencies and working with its trading partners to take costs out of the system.

The Clover Unique Milk Procurement System has again proved its strength and as a result, Clover's milk demand and supply for milk have been in balance. The Beverages division also benefited from the higher volumes in dairy as the dairy division continued to expand its footprint.

Capital expenditure was within budget and the benefits are expected to materialise in years to come.

CHIEF EXECUTIVE'S REPORT

Brand strength

We have inherited and are the custodians of the amazing Clover brand.

An independent study during the year by TGI named Clover as the 13th most iconic brand in South Africa. Only 22 brands were awarded iconic status out of 8000 tested. Clover was second in the cold drinks category after Coca-Cola and in the non-alcoholic drinks category Clover Fresh Milk came second after Coca-Cola and Clover Long Life Milk came fourth.

During the last couple of weeks another survey by Yellowwood found Clover to be the 3rd most engaging brand in South Africa in the company of other great brands like Pick n Pay, Shoprite, KFC and Coca-Cola. Yellowwood said the following after being asked about Clover's success: "Clover's brand engagement is foremost driven by commitment, conviction and connection. Clover's strength is further supported by a high degree of brand social advocacy, understanding and integrity – In short... strong brand values, strong emotional connection with consumers and proven social advocacy. Like the other top brands, this means that the brand has a strong emotional brand connection that is able to rise above the commodity status of the category which it operates in."

What was interesting to see is that most of the nine pillars that Yellowwood used to determine brand engagement, can be found in Clover's cultural drivers and it is indeed very pleasing to see that what we strive for at Clover is also experienced by our consumers.

Internal operations

For many years Clover had to endure high historical inefficiencies in the supply chain as it had no access to capital to address these. After the sale of its stake in Danone Clover during the 2010 financial year, as well as the funds raised during the 14 December 2010 listing on the JSE, Clover can now address these inefficiencies. It is a major project with the Board having approved R627 million of capital to be spent over the next three to four years.

Although most of the capital will be spent during the next 18 to 24 months, some capital projects were completed during the year under review, of which the benefits will only be seen in following years.

Project Cielo Blu will address the following:

1. Capacity constraints in Production
2. Capacity constraints in Distribution
3. Inefficiencies in Milk Procurement
4. Repositioning of production facilities
5. Inefficiencies in Distribution
6. Investment in new technologies.

Clover is well equipped to implement these capital projects successfully as it has demonstrated its implementation ability in the past.

Recapitalisation and listing on the JSE

No other event in Clover's 113-year history was as important as Clover's listing on the JSE on 14 December 2010. Not only was it a vote of confidence by the investors (before and after listing) in Clover's ability to deliver, but it also raised very necessary capital to take Clover to a next level, and to ensure another 113 years of growth. The abolishment of the dual share structure and the delinking of the shares from milk quota made this important event possible.

Financial results

Headline earnings improved considerably from R51,1 million to R175,2 million and largely as a result of the much reduced restructuring costs during the year under review. Normalised operating profit was slightly higher than the previous year at R328,6 million compared to R320,8 million in FY2010 amidst tough trading conditions during the latter part of the year and a disappointing Easter sales period, which fell outside the school holidays this year. Sharp inflation towards the end of the year could not be sufficiently recovered from the market, as certain areas in the country experienced oversupplies of milk during autumn and early winter. This caused the normalised operating margin to deteriorate slightly from 5,2% in FY2010 to 5,0% in FY2011.

Cash flow was healthy and with the low gearing the Group is sufficiently poised for expansion.

A more detailed financial analysis can be found in the Chief Financial Officer's report.

Outlook

The single biggest impact on Clover's performance in the year ahead is going to be input costs and the Company's ability to recover these costs in the selling prices. The country is seeing renewed inflationary pressures, and the high wage settlements are indicative of price pressures on all fronts. Clover has not yet addressed the inefficiencies in its supply chain, which means the higher inflation will have an effect on a higher cost base than for its competitors. It is therefore imperative that Project Cielo Blu is implemented and finalised as a matter of priority.

Clover's fundamentals have not changed. Clover stands for quality and delivery. Our products are cherished, enjoyed and admired by our consumers. With the planned savings in supply chain costs, the products can become more affordable and available to even more potential consumers. The trading conditions will therefore be unpredictable as many factors have the potential to impact on future results.

Clover also believes that there are consolidation opportunities in the food sector which can be explored.

Clover has made a case for change and a compelling investment case to its shareholders which revolves around the following pillars:

1. Leveraging off its strong sales and distribution network
2. Leveraging off its strong household brand
3. Continuous product extension
4. Aggressive product extension
5. Addressing supply chain cost inefficiencies
6. Capitalising on its extensive route-to-market ability
7. Seeking consolidation opportunities in the FMCG market
8. Sensible Africa expansion.

Any forward-looking statement in this section has not been reviewed and reported on by Clover's external auditors and does not constitute an earnings forecast.

Dividends

The Company follows a policy of declaring 25% of Group profits attributable to equity holders of the parent company, excluding capital profits, as dividends. This policy is fixed until such time as the preference shares are redeemed in 2013. An interim dividend of 10c per ordinary share was declared and paid during March 2011 and a final dividend of 15c per ordinary share was declared by the Board.

Subsidiaries and joint ventures

CFI has built on its solid performance and has further grown its presence in Africa. It exceeded its budget by approximately 20%.

Clover Botswana commissioned a UHT factory and strong plans are being executed to grow its presence in Botswana.

Africa expansion

Clover has adopted a cautious approach to ventures into Africa north of the SADEC countries. Clover West Africa was formed and long-life Tropika was launched during November 2010. The products are well received and processes have been put in place to acquire 100% equity in Clover West Africa Limited and to expand the basket of products. An effective distribution partner was appointed.

Appreciation

The past year has been a momentous year. The listing of Clover on the JSE marked the beginning of a very exciting new journey in Clover's future.

To the thousands of Clover people who have contributed to the success of Clover in the past in order to have made the listing possible, my sincere appreciation. Every generation ensured that they left a better Clover behind.

I would like to specifically make mention of the following people, whose valuable support has been tremendous:

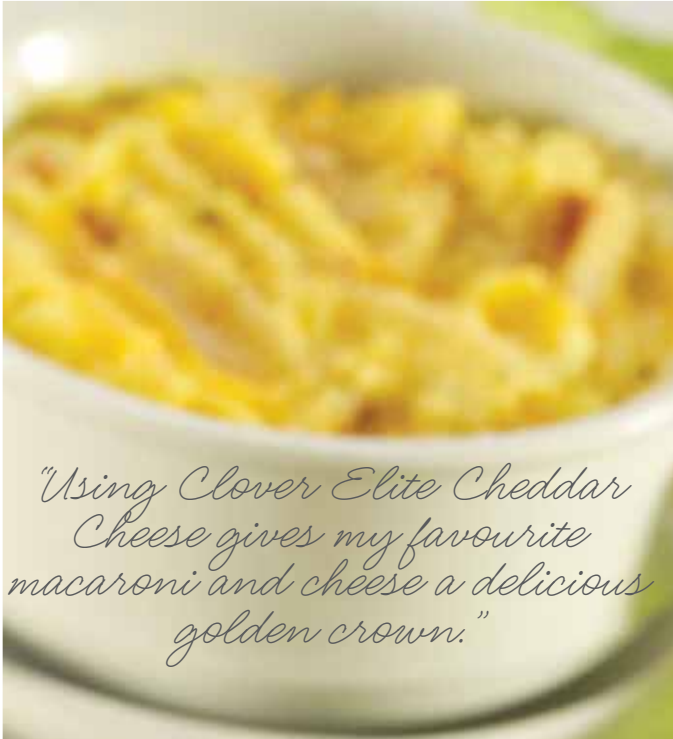
1. Clover's loyal producers, who supported the listing process overwhelmingly
2. The Board, who enthusiastically participated and contributed to the listing process
3. The Chairman, John Bredin, who led from the front and showed true statesmanship during all the various processes
4. The Independent Directors, who made sure that all the interests of the various stakeholder groups were balanced
5. The Executive Team, who worked hard and long hours to position Clover to become "listable"
6. And lastly, all the Cloverites who so bravely rose to the challenge and made the dream a reality.



JH Vorster
Chief Executive

In addition to sparkling and still mineral waters, Aquartz also comes in 6 refreshing flavoured water variants, and 3 Lite alternatives.





"Using Clover Elite Cheddar Cheese gives my favourite macaroni and cheese a delicious golden crown."



Financial highlights

	2011	2010	
Revenue	R6 542,3m	R6 161,5m	6,2%
Headline EBITDA	R415,0m	R291,4m	42,4%
Headline EBIT	R314,8m	R182,9m	72,1%
Normalised EBITDA	R428,8m	R429,3m	(0,1%)
Normalised EBIT	R328,6m	R320,8m	2,4%
Net finance cost	R37,4m	R63,5m	(41,1%)
Effective tax rate	34,7%	38,7%	(10,3%)
Headline earnings	R175,2	R51,1m	242,9%
Headline earnings per share	113,8c	33,1c	243,8%
Diluted headline earnings per share	106,2c	33,1c	220,8%
Headline earnings from continuing operations	R175,2m	R19,0m	822,1%
Headline earnings from continuing operations per share	113,8c	12,3c	825,2%
Normalised earnings	R187,4m	R214,6m	(12,7%)
Normalised earnings per share	121,8c	138,8c	(12,2%)
Normalised earnings from continuing operations	R191,8m	R187,6m	2,2%
Normalised earnings from continuing operations per share	124,7c	121,3c	2,8%
Capital expenditure:			
-Project Cielo Blu	R79,8m	Rnil	100%
-Recurring capital expenditure	R136,5m	R103,6m	31,8%
Return on equity	12,9%	26,6%	(51,5%)
Normalised return on equity	13,7%	15,1%	(9,3%)
Cash generated by operations	R256,9m	R347,1m	(26,0%)
Dividends per share	42,95c	-	100%

Overview

During the year under review, Clover experienced strong sales and volume growth in its branded products category. Overall volumes grew by 5,4% (concentrated dairy products expressed in milk equivalent) after a further strategic reduction in bulk commodity product volumes of 13,4%.

Branded product volumes increased by 8,3% as a result of the successful implementation of Project Reset which used cost savings to reduce price premiums.

Clover's own beverage sales volumes as well as the volumes of principal products distributed came under pressure during the last quarter, as consumer spending contracted.

UHT and flavoured milk service levels to the market were poor during the second half of the year, due to machinery inefficiencies on flavoured milk and the unprecedented growth in sales volumes on UHT milk in the wake of Project Reset that outgrew production capacity. These constraints have been addressed.

Selling prices were increased in the last quarter of the review period to recover inflationary cost increases in wages, energy, fuel and ingredients. These increases were difficult to implement fully at the time as certain areas experienced an oversupply of milk during autumn that led to lagging competitor prices. Operating margins as a result came under pressure during the second part of the year. Clover's raw milk supply and demand was again largely in balance.

Comprehensive income

Headline earnings from continuing operations improved by 822,1% to R175,2 million from R19 million in the prior year. Considerably lower restructuring costs during the year, reduced finance costs and an improved operating performance underpinned the growth in headline earnings. Headline earnings per share from continuing operations accordingly increased by 825,2% to 113,8c (2010:12,3c). Headline earnings improved to R175,2 million from R51,1 million or 242,9% and headline earnings per share from 33,1c to 113,8c or 243,8%.

The prior reporting year included a number of non-recurring transactions and events that materially impacted the financial results. For any meaningful evaluation of the Group's operating performance, which saw operating profit reduced from R559,0 million in FY 2010 to R319,0 million in the year under review, these transactions need to be considered:

- During FY2010 the group sold its 45% interest in Danone Clover which contributed substantially to the 2010 results, realising a profit of R337,7 million (R227,1 million after taxation). In addition, during the prior year period, 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.
- Restructuring costs of R149,5 million in FY2010 was however also significantly higher than the R16,9 million in the review period.

Taking into account the above abnormal income and expenses, normalised operating profit for the year under review increased by 2,4% to R328,6 million (2010: R320,8 million). This was achieved on revenue of R6 542,3 million (2010: R6 161,5 million), an increase of 6,2% over the comparative period. The gross margin reduced from 27,1% to 26,6% while normalised operating margin for the full year came to 5,0% compared to the 5,2% of the previous year. The current year included the full year effects of Project Reset that reduced selling prices compared to the previous year where Project Reset was only partly in effect for the last quarter. In addition the increased capital spending on Project Cielo Blu and resultant depreciation charges with a delayed realisation of following benefits together with the constrained trading conditions during the last quarter and rising inflation caused the slip in operating margin.

Revenue from the sale of products increased by 5,7% to R5 510,4 million mainly as a result of volume growth. Revenue from the rendering of services increased by 10,1% to R642,1 million as a result of increased volumes of principal products distributed and renegotiated higher rates.

Raw material costs increased by 6,6%. The costs of production, primary distribution, milk procurement and packaging all increased less than the combined volume and inflation growth.

Other operating income reduced by R46,1 million as the previous year included the sale of the Boksburg plant to Danone Clover with a realised profit of R50,8 million.

Selling and distribution expenses increased by 3,6% which is well below the effects of volume growth and inflation and reflects the ability of the Group to leverage off its infrastructure to reduce unit costs.

The annual provision for share based payments of R11,2 million relating to the executive Share Appreciation Rights Scheme accounted for 7,0% of the 16,3% increase in administrative expenses. During the previous year only R0,7 million was provided as the scheme only came into effect on 31 May 2010.

Restructuring expenses firstly reduced considerably as the previous year contained significant costs related to Project Novus Forma and other cost

CHIEF FINANCIAL OFFICER'S REPORT

saving restructuring initiatives but was also inflated by R8,5 million of the costs associated with the listing on the JSE that could not be written off against the share premium.

Clover's listing on the Johannesburg Stock Exchange raised fresh share capital to the amount of R564,3 million net of costs. These funds are mostly earmarked for capital projects and will be spent over a period spanning a number of years. The remaining long term debt, due to the terms attached thereto, cannot be further reduced by the excess cash. Finance charges for the year nevertheless reduced by R26,1 million on the lower utilisation of banking facilities and long term debt throughout the period.

In the prior reporting year, the Group's effective taxation rate was reduced predominantly as a result of the profit on the sale of Danone Clover that was subject to mainly Capital Gains Tax at an effective rate of 14%, compared to the normal taxation rate of 28%. On the other hand, the Group's effective taxation rate during the previous year was increased by a Secondary Tax on Companies (STC) charge of R52,2 million, relating to the buyback of ordinary shares from HCI and the special dividend paid to preference shareholders as part of the capital restructuring concluded on 31 May 2010.

After eliminating the non-recurring items highlighted above, normalised profit for the year from continuing operations increased by 2,2% from R187,6 million in FY2010 to R191,8 million.

Financial position

Significant movements from 30 June 2010 to 30 June 2011 on individual line items of the statement of financial position are explained below.

Non-current assets

The increase in property, plant and equipment mostly stems from the capital expenditure associated with Project Cielo Blu which will expand distribution capacity and increase efficiencies.

Intangible assets increased by R60 million mainly as a result of a R49,3 million increase in goodwill following the Group's acquisition of the non-controlling interests in Clover Beverages from shareholders in terms of a section 311 scheme of arrangement during May 2011 and the purchase of the Danao trademark from Danone for R10 million.

The net deferred tax asset of the previous year of R12,4 million changed to a net deferred tax liability of R28,8 million in the current year almost entirely due to the utilisation of R133,4 million of past tax losses in Clover SA during the current year.

Current assets

Inventory levels were similar to the previous year while trade and other receivables increased by 7,3% from 30 June 2010. This increase is in line with revenue growth and is further inflated by the final quarter's price increases. Trade receivable days outstanding further improved on the previous year's already credible number.

Cash increased by R394,9 million from R429,3 million in FY 2010 to R824,2 million, following the capital raised through the listing on the Johannesburg Stock Exchange.

- Note: In interpreting the financial statements it should be noted that the trade receivable days outstanding cannot be derived from the financial statements as the full receivables of certain distribution principals are included in trade receivables while the revenue of such principals are not included in the statement of comprehensive income. Only fees earned for providing the services involved are included in revenue.

Equity

R575 million of capital was raised during December 2010 and January 2011 with the listing on the Johannesburg Stock Exchange. Share capital and share premium increased by this amount before deduction of costs.

An R11,9 million increase in the share based payment reserve relating to the Group's Share Appreciation Rights Plan for Executive Management, representing the annual cost expensed over the vesting period of the rights

in question, together with the year's total comprehensive income, net of tax, constituted the movement in reserves.

The non-controlling interests in Clover Beverages were acquired during May 2011 leading to a reduction in non-controlling interests of R21,1 million.

Non-current liabilities

The majority of the Group's trade receivables have been securitised in the past as collateral on long term funding. R155 million of this funding matures during December 2011 and has accordingly been disclosed as a current liability. A decision on whether to renew this funding is still pending given the Group's current strong cash position.

Current liabilities

Trade and other payables decreased by R46,5 million and this reduction was mainly caused by certain non-recurring accruals at 30 June 2010 relating to the sale of the Group's interest in Danone Clover, the capital restructuring during May 2010 and lower amounts owing to principals for sales invoiced on their behalf.

Group debt levels were significantly reduced from December 2009 following the sale of the Group's interest in Danone Clover. The fresh capital raised through the Group's listing on the Johannesburg Stock Exchange further reduced its reliance on banking facilities. Even with the reclassification of R155 million from non-current interest bearing debt to the current portion of interest bearing debt (as highlighted in Non-current liabilities above), the balance only increased by R106,9 million.

Gearing

Gearing at 30 June 2011 was 34,6%. Net of cash the Group was negatively geared at 12,4%. At 30 June 2010, gearing was 61,3% and 21,4% net of cash respectively. Group gearing is currently conservative and well within the Group's ability to service interest and repayments.

Cash flow

Group liquidity improved considerably with net current assets increasing to R927,9 million from R510,8 million. Excluding inventory, net current assets increased to R467,7 million from R44,8 million in FY 2010.

Cash generated from operations, before working capital changes, is R379,5 million compared to R176,7 million reported in the prior year. During the previous reporting year, Clover's milk supply and utilisation needs were brought into balance by amending the milk delivery agreement rules. This, as well as further prudent inventory management released R170,4 million in cash from working capital. During the year under review, working capital absorbed cash to the amount of R122,6 million mainly as a result of increased trade receivables in line with revenue growth.

Investing activities consumed R253,3 million in cash. Capital expenditure on Project Cielo Blu amounted to R79,8 million and capital expenditure of a recurring nature came to R136,5 million of which R10 million was for the purchase of the Danao trademark. R70,4 million was utilised to acquire the non-controlling interest and associated goodwill in Clover Beverages.

Financing activities contributed R391,3 million in cash, R562,5 of which was raised during the listing of Clover on the Johannesburg Stock Exchange, net of costs. Finance costs and debt reduction absorbed cash of R114,9 million.

The Group ended with a net increase in its cash position for the year of R394,9 million.

Segmental information

Previously, the Group reported segmental results in three broad segments being dairy, beverages and other represented by the various Group entities. During the year under review and in response to the transfer of the beverages business to Clover SA on 1 June 2011, segmental reporting is now presented on the second tier underlying product categories being Dairy Fluids, Concentrated Dairy products, Ingredients and Beverages. The segmental information is only disclosed to Margin on Materials ("MOM") level as the Group's assets and operations are largely integrated between

segments making the allocation of overhead costs to the different segments impractical. Overheads are managed at group level.

Dairy Fluids' sale of products revenue increased with 7% on volume growth of 7,9%. Project Reset strategically reduced selling prices while inflationary price increases during the last quarter caused year on year prices to be slightly lower. MOM % improved from 41,0% to 41,5% on favourable price reductions in material and packaging costs.

The Concentrated Dairy Products segment consists of cheese, butter, condensed milk and retail powders. Volumes reduced by 4,6% and external revenue by 3,3% due to a number of factors being a further strategic reduction in bulk cheeses and very competitive opposition pricing on pre-packed natural cheeses and Mozzarella cheese together with strong growth in butter and condensed milk sales. The MOM % accordingly reduced from 27,1% to 24,3%.

The Ingredients segment benefitted from the much improved international dairy commodity prices that largely determine prices in this segment. Strategic further volume reductions in bulk milk powders by Clover SA which offset volume growth by CFI, lower whey powder production following from the lower cheese production and strong growth in creamer sales caused overall volumes to decrease by 3,6%. Revenue however increased by 9,1% but the MOM % dropped by 0,7% in the wake of the higher commodity import prices by CFI.

Beverage sales volumes increased by 11,6% while Project Reset restricted revenue growth to 9%. The lower selling prices together with inflation on ingredients however reduced the MOM % from 53,3% to 51%.

LJ Botha
Chief Financial Officer



Clover Feta is made to a prescribed traditional recipe and contains no added preservatives other than salt.



3. sustainability review

Clover is one of a few South African businesses that have been in existence for well over 100 years. It recognises that in order to survive and prosper, critical self-assessment and constant change are required.

In recent years, the Group has formalised its approach to sustainable development by establishing a Sustainability Committee (“Committee”) chaired by an experienced Independent Director, Mr TA Wixley. The other members were DK Smith, WI Büchner and Dr JC Hendriks. After the resignation of DK Smith on 22 October 2010, Adv JNS du Plessis was appointed to the Committee. Subsequently, the Board also appointed HB Roode, an Executive Director, to the Committee.

1. Scope and boundary

The Group’s sustainability strategy is based on the acknowledgement of its responsibility to all stakeholders in order to ensure its long-term viability. In pursuing this strategy, the Group has to continuously identify and consider the impact of its business on all its stakeholders.

The King Report on Governance for South Africa 2009 (“King III”) suggests that “A key challenge for leadership is to make sustainability issues mainstream: the leadership must integrate strategy, sustainability and governance.”

Whilst King III also requires that sustainability reporting should be independently assured, the Committee is of the opinion that it would be premature to obtain external assurance until the Group’s recording systems are mature. It is however the Group’s intention to expand on qualitative and quantitative information as systems are progressively bedded down. The scope of this review currently covers its South African operations and will over time be extended to its subsidiaries in other countries.

The contents of this report have been based on the Global Reporting Initiative (GRI) G3 guidelines for the Food Processing Sector where applicable.

The sustainability issues considered material to the Group and which are set out in this review are as follows:

- Economic viability
- Quality of products (including product responsibility)
- Stakeholders (impact and engagement)
- Safety, Health and the Environment
- Corporate Social and Community Investment, and
- Broad-Based Black Economic Empowerment.

2. Economic viability

The Group recognises that its continued existence and prosperity depends firstly on its economic viability. To this end it has approved a major re-configuration of its production and distribution facilities to be carried out over the next four years. These changes will require a substantial investment and will position the Group well to improve its service to South African customers for several years ahead.

Economic indicators of sustainable development

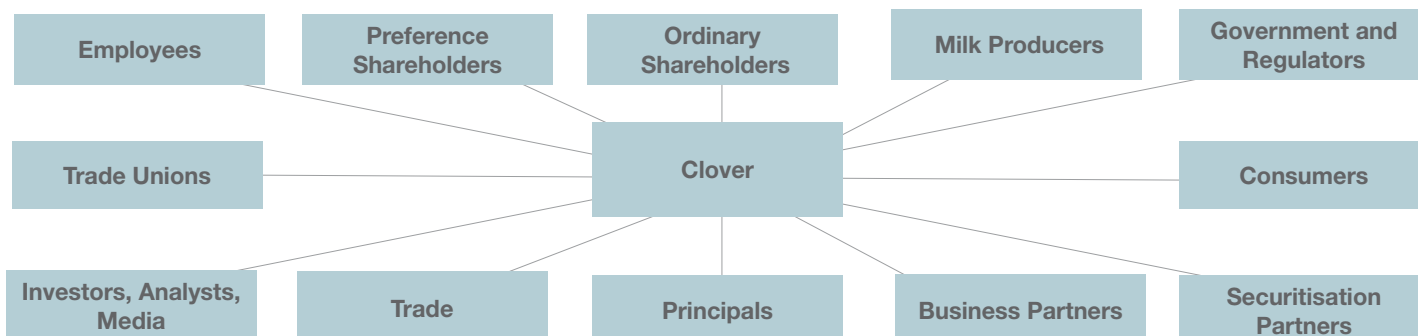
Sustainable development indicator overview	2011	2010	2009	2008
Revenue (R'm)	6 542,3	6 161,5	5 475,8	5 718,3
Operating profit (R'm)	319,0	559,0	664,3	297,2
Earnings per ordinary share (cent)	116,7	214,0	22,3	5,2
Equity dividends paid per ordinary share (cent)	42,95	-	1,1	0,7
Equity dividends paid per preference share (cent)	-	413,7	33,5	20,5
Dividends paid per preference share (cent)	29,7	24,9	37,3	35,2

3. Quality of Clover products

The strength of Clover's brand is based on its 113 year reputation for consistent quality. Following recent industry awards and recognition is indicative of not only the goodwill towards the brand, but also the pricing power it can demand.

- 2011 Yellowwood's S.A. Top 10 Engager Brands: Clover 3rd
- 2011 TGI Icon Brand Survey: Clover voted in the top 15 overall South African icon brands
- 2011 TGI Icon Brand Survey: Clover fresh milk achieved the no. 2 position in the non-alcoholic icon brand category
- 2011 TGI Icon Brand Survey: Clover long life milk achieved the no. 4 position in the non-alcoholic icon brand category
- HDI Generation Next 2011 Youth Brand Survey: Tropika, Super M, Danao and Clover Mmmilk voted in the top 10 coolest brands in the dairy drink category
- Sunday Times Top Brands Awards 2010: Tropika and Clover Krush voted no. 2 and no.3 in the fruit-based drinks category
- Diamond Arrow Award in the annual PMR Africa national Survey: Clover the highest rated in the cheese category
- Golden Arrow Award in the annual PMR Africa national Survey: Clover the highest rated in the milk category
- 2011 Agri Expo: Clover achieved the first position for products in the following categories:
 - spreadable butter: Butro
 - rindless gouda – Clover gouda
 - cheddar – Sacca cheddar
 - feta non-flavoured – Clover feta
 - feta flavoured – Clover feta pepper

Summary of stakeholders



4. Product responsibility

Clover's commitment to quality starts on the farms of its producers. The Group has developed and introduced its own Best Farming Practices (BFP) programme for its milk producers, based on the International Dairy Federation's ("IDF") directive. Since the end of June 2009, 100% of the Group's milk producers have participated in the BFP programme and all new producers sign up as they join Clover. Compliance is assured through regular audits.

We are in the process of broadening the application of the BFP programme, by integrating the most recent drivers in terms of the worldwide move towards sustainable dairy farming. The Group stays in close contact with international work groups and uses the IDF's directive as base and benchmark for this integration. As from 1 January 2012, the BFP programme should be available on the Internet, which will make updating and interactive participation much easier. One of the objectives, for instance, is to make it possible for producers to calculate their dairy operation's carbon footprint online.

The Group has for many years studied various methods to enhance the way in which milk is measured and sampled on farms. The Group has recently developed an electronic system in conjunction with a small South African company. The system should be implemented in full at the end of December 2011 and be operational from 1 January 2012. In short the system will:

- Measure the milk volume with flow meter technology, as it is pumped from the bulk tank on the farm into the Clover tanker. This information will be transferred electronically via cell phone technology to Clover's milk system.
- Electronically take a flow proportional, representative sample of the milk. These samples are sent to Lactolab's fully-equipped laboratory, to assess the composition and quality of the milk.
- Electronically determine the temperature of the milk as it is pumped from the bulk tank into the Clover tanker. This information will also be transferred via cell phone technology.

This is a first for the dairy industry in South Africa and apart from its cost saving and productivity benefits, will ensure that Clover and its producers have peace of mind that Clover is purchasing its raw milk according to world class standards and with minimum human intervention.

5. Clover's stakeholders

Throughout the 2011 financial year the Group has actively engaged with all its key stakeholders. Positive growth was experienced in all these relationships. Management undertakes to identify all stakeholders as well as their legitimate interests in and expectations of the Group on a continuous basis as stakeholders' interests in the Group are dynamic and subject to change. Once the stakeholders are identified, Management decides through consultation with the various stakeholder groups how to further engage with each constituency. This process forms part of the Group's risk management.

sustainability review

KEY STAKEHOLDER	TYPE OF INTERACTION
Employees	A variety of internal communication channels are used to reach employees across the Group regarding ongoing business-related information and strategy, through to training and personal development. This includes group-wide staff magazines, intranet, CEO briefs, notice boards, etc.
Trade unions	Approximately 50% of Clover's employees are unionised and the Group interacts across a range of labour forums, e.g. regular union meetings, collective bargaining forums, etc. to ensure sound employee relations and compliance with internationally recognised labour practices.
Shareholders, investors, analysts	Investor and analyst presentations are held during interim and financial year-end reporting periods. Clover communicates through one-on-one meetings, group presentations and SENS reports over and above circulars and annual general meetings. Relevant information is uploaded to the Group's website: www.clover.co.za
Media	Regular interaction with all forms of the media to communicate delivery on strategy, capital expansion programmes, financial results, and to deal with issues that concern stakeholders at large. Interaction includes one-on-one and group interviews, site visits, media statements and general interaction to promote understanding.
Consumers	Ongoing interaction with Consumers. Direct consumer stakeholder contact through promotions and integration into the Group's CSI strategy, including community based initiatives.
Trade	Ongoing interaction with the Trade (which include supermarket chains and wholesalers) through bi-monthly business discussions regarding promotional activities and performance reviews and annual trading terms discussions.
Principals	Ongoing interactions with Principals through monthly and/or quarterly contract discussions. The principals include Danone SA, Unilever, Foodcorp, Eskort and Orley Foods.
Business partners	Support of local industry suppliers, business and operational update meetings, negotiation of service level agreements.
Milk producers	Ensuring security for Clover's milk producers and market fulfilment through Clover's Unique Milk Procurement System ("CUMPS"). Ongoing communication with producers. Operational discussions at regional Group meetings.
Governments and regulators	Clover complies with the various regulatory requirements in South Africa and other countries of operation. Regular contact with regulators and various government departments is maintained.
Communities, traditional and civic society	Identification and communication with communities relating to Clover's environmental strategy, support of community empowerment through Clover Mama Afrika initiatives.

5.1 Shareholders

5.1.1. Background

Although Clover was converted from a co-operative to a company in 2003, the process of creating a suitable structure has been extremely difficult and challenging as has been the recapitalisation of the Group. Given the Group's co-operative background and the previous role played by the Land Bank in funding the capital requirements of co-operatives in the past, a legacy of undercapitalisation has plagued the Group for a number of years.

5.1.2 Recapitalisation

A number of steps were taken over this period to address the problem, but it was only after the successful conclusion of the transaction with Group Danone that the Group raised sufficient capital to reduce debt and make it possible to simplify the share structure.

The transaction with Group Danone concluded in 2010 involved the selling of Clover's 45% stake in Danone Clover for an amount of R1,080 billion. The sale of the shares to Group Danone was part of a deal that included renegotiating all the agreements for services to Danone Clover by Clover as well as the raw milk supply agreement.

5.1.3 Collapse of the dual share structure

When the dual share structure consisting of ordinary shares and participating preference shares was originally introduced, it allowed the introduction of capital without affecting the control of Clover by the producers. At its in-

ception producers held an equal number of ordinary and preference shares, resulting in a balance between the control rights of the ordinary shares and the economic rights of the preference shares.

Over the years many producers disposed of their preference shares, leading to an unfortunate conflict between the two classes of shareholders. The capital inflow as a result of the transaction with Group Danone allowed the Board to make a successful offer to the preference shareholders for a change in the rights of the preference shares to a pure debt instrument attracting rates linked to the prime overdraft rate.

This allowed ordinary shareholders to participate fully in any dividends declared in accordance with the dividend policy as determined by the Board from time to time.

5.1.4 Delinking of the ordinary shares from the Milk Producers' Delivery Agreement and buy-back from Clover's empowerment partner

In May 2010, the producer shareholders voted in favour of delinking their Delivery Agreement allocation from the ordinary shares.

During the same period, Clover's Black Economic Empowerment partner, HCI, who at the time had acquired 34,9% of Clover's ordinary share capital indicated that they wished to disinvest from Clover. An offer was made to buy back and cancel their ordinary shares for an amount of R10,92 per share. Deloitte & Touche independently determined this price to be fair and reasonable. HCI agreed to the terms and their shares were bought back and cancelled in early June 2010, with the appropriate shareholder approvals.

5.1.5 Listing on the Johannesburg Stock Exchange (JSE)

The delinking of ordinary shares from the delivery agreement enabled Clover to approach shareholders other than milk producers to invest in the capital of the business. Clover listed both its preference and ordinary shares on the JSE on 14 December 2010 and through a private placement of its ordinary shares, secured a capital inflow of R575 million (before costs) from some of the most prominent institutional investors in South Africa.

5.2 Our people

One of the contributing factors to Clover's success over the years is the quality and loyalty of Clover people. It is through the contributions of our people that we can continuously strive to improve our service to customers and become more competitive in our chosen markets. We are convinced that our people will also be the single biggest contributor to Clover's future growth, profitability and excellence.

We therefore strive to establish a pleasant and motivating work climate where employees are treated fairly and are provided with the skills, ability and tools to do their job. We believe in teamwork and actively work towards solid collaboration across business units and departments. Speed of execution, passion and commitment are encouraged at all levels, as we believe that these give the Company a competitive advantage, and make it an employer of choice.

To meet the business's current and future requirements it is important that we unlock the potential of all our people. Individual aspirations are supported by purposeful and focused training and development while attending to realistic and equitable career planning.

The level of trust and openness established between management and the relevant trade unions was underlined during recent annual salary negotiations with trade unions, which resulted in an acceptable salary settlement.

5.2.1 Staff engagement

The Group actively promotes and supports various employee initiatives to foster a positive work climate across departments and divisions. A special effort is made to align individual and team contributions to Company objectives.

Initiatives to embed a common vision and ensure alignment include: Trading updates, the *In Clover* staff publication, management briefing sessions, shop steward meetings, mission directed work teams and departmental meetings.

5.2.2 Wellness Days

In an effort to improve employee well-being and vitality, an inaugural "Wellness Day" was held at the Group's head office on 28 June 2011. The organising team consisted of members of Absa Healthcare Consultants, Discovery Health, Umvuzo Health and personnel from Clover's human resources department.

All personnel, regardless of whether they were a member of a medical aid or not, had access to a diverse range of services.

Subsequent to the Wellness Day:

- Feedback sessions were arranged for "high risk" employees
- A WeighLess group was started
- Many employees are taking action to address areas of concern that were highlighted



The day proved to be highly successful with very positive feedback received from participants.

5.2.3 AIDS awareness campaigns

Clover has been raising awareness around HIV/Aids for over a decade. Voluntary counselling and testing sessions are arranged and staff is informed of preventative measures on a regular basis.

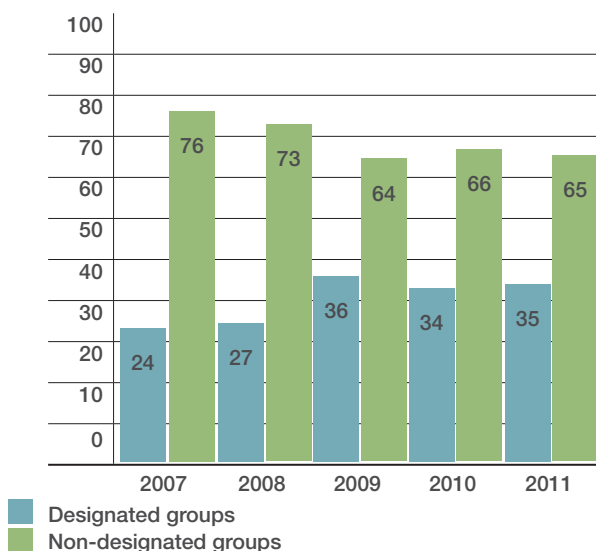
5.2.4 South African National Blood Service (SANBS)

Clover actively supports regular blood donation drives arranged by the SANBS. In November 2010, head office personnel made history by donating 100 units of blood in one day! As part of our commitment to fellow citizens, Clover will continue to support the SANBS initiative.

5.2.5 Employment Equity

Clover submits Employment Equity reports and plans as required by legislation. Communication and consultation with relevant stakeholders take place on a regular basis. Steady progress has been made to increase the number of people from designated groups (as defined by the Department of Trade and Industry) at management level.

Percentage of staff from Designated Groups as defined by the Department of Trade and Industry



5.2.6 Training and development

Focused employee training and development, driven by powerful leadership, is a key business strategy to support Clover's performance and growth objectives and to position the Company as the industry's employer of choice.

Training and development focuses on firstly building competence that will ensure effective execution of operational tasks, and secondly on generating capacity in human resources that will ensure sustainable performance and growth.

Training and development initiatives are supported by a well-structured formal approach to performance management.

Establishing a powerful and sustainable leadership pipeline of talented employees with the required competence and readiness to perform now and in the future is vital to Clover's success.

Clover is committed to:

- the development of succession plans for key/critical positions
- the identification, transfer and development of scarce/critical skills to maintain competence in key areas of the business
- the appointment of young graduate professionals
- the development of focused training and advancement plans

In the past year, 4 001 learning opportunities were provided to 2 058 Clover employees. 75% of the employees trained were Historically Disadvantaged South Africans of which 7.9% were women. The focus is on these categories of employees as Clover must significantly bolster its levels of skilled employees from these designated groups, especially black people and women.

Employee indicators	2011	2010	2009	2008	2007
Average number of employees	6 353	6 362	6 579	6 662	6 466
Employee turnover per year (%)	10,9%	9,3%	10,3%	10,6%	9,6%
Number of man days lost due to strikes	112	334	415	0	210
Total training spend per year (R'000)	3 450	3 942	7 017	7 861	6 644
Training spend per employee per year (R)	565	665	1 066	1 180	980

5.2.7 Clover Fonterra Ingredients Social Responsibility Programme

Clover Fonterra Ingredients ("CFI") launched their Social Responsibility Programme ("SRP") in 2010. CFI have based their SRP on the platforms of Education, Sport and Health.

CFI identified The Sir Edmund Hillary Primary School with its obvious connection with New Zealand, also sat well with our Education and Sport platform.

In regards to Health, we recognised the tremendous work that Mèdecins Sans Frontières ("MSF")/Doctors Without Borders conducts not only in South Africa, but across the African continent.

CFI's 2010 SRP commenced with organising a Charity Golf Day supporting both The Sir Edmund Hillary Primary School and MSF, which was well supported and raised approximately R140 000,00.

CFI's support to The Sir Edmund Hillary Primary School was in the form of funding a Leadership/Self Esteem Camp for 120 Grade 7 Learners accompanied by four teachers.

The camp was a three day/two-night camp with numerous activities which were extremely well managed by the Management Team of Konkra Camp in Magaliesburg. At the conclusion of the camp, we presented certificates and a school prize pack to the top 20 learners. In addition, some of the teachers commented that this was an amazing experience for all of the children, (some of whom have never left the city before) and would be life changing for some of these learners. CFI also supported the TB Clinic run by MSF located in Khayelitsha, through a cheque donation which was presented to MSF management at their Khayelitsha Clinic.

Finally, with the terrible earthquake in Christchurch New Zealand, CFI also made a cash donation to the Christchurch Earthquake Fund.

CFI is committed to our SRP in South Africa and will continue to support the future of South Africa through the Sir Edmund Hillary Primary School and Mèdecins Sans Frontières.

5.3 Trade unions

Approximately 50% of Clover's staff is unionized with membership of the Food and Allied Workers' Union (FAWU) being predominant. Collective bargaining takes place at national level and the Group interacts across a range of labour forums to ensure sound employee relations and compliance with legislation and recognised labour practices.

The Company and union has reached agreement on wages and conditions of employment for the period 1 July 2011 to 30 June 2012.

5.4 Milk producers

The Group maintains a very close relationship with its milk producers, and has sustained the supply of milk to the Group at the required levels. Clover's Unique Milk Procurement System ("CUMPS") works exceptionally well as it offers Clover's producers certainty in terms of volumes to be acquired

and also properly fulfils the Group's demand for raw milk. Through CUMPS, Clover mitigates volume risk with regards to raw milk supply. The fact that Clover's raw milk was over supplied by only 0.49% for the 2010/11 financial year is indicative of the efficiency and management of CUMPS.

The CUMPS system comprises the following:

- "A" delivery agreements: the "A" delivery agreements oblige the producers to supply Clover with approximately 75% of the forecasted milk demand for the 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.
- "B" delivery agreements: the "B" delivery agreements oblige the producers to supply Clover with a certain number of litres over and above the "A" delivery agreement volumes. 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. The agreements are managed continuously by Clover and the price per litre of milk is the same as the "A" delivery agreements. 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 forecasted milk demand. However, because milk is an agricultural product subject to cyclical 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 no 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 of milk in the supply contract is the same as the price paid in the "A" and "B" delivery agreement.

"C" milk relates to milk supply 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 producers for "C" milk.

As a result of CUMPS the Group's focus is on ensuring stable rural communities and a strong base of milk producers. This will significantly contribute to the sustainability of agriculture in general, but specifically also the sustainability of continuous supply of raw milk to the Group and food security within the country.

Description	2011	2010	2009	2008
Number of milk producers who supplied milk to Clover during the year	278	303	321	372
Estimated number of employees employed by above producers	3 892	4 242	4 494	5 208
Estimated number of dependents reliant on income received from above employees	27 244	29 694	31 458	36 456

The downward trend in the Group's milk producer numbers is the result of continuous consolidation in the primary industry and should not be interpreted as a threat to the sustainability of milk supply in the short to medium term. It is however not in the best interest of rural development or job creation in South Africa and it is therefore important for the industry and government to find a way of ensuring a viable agricultural sector.

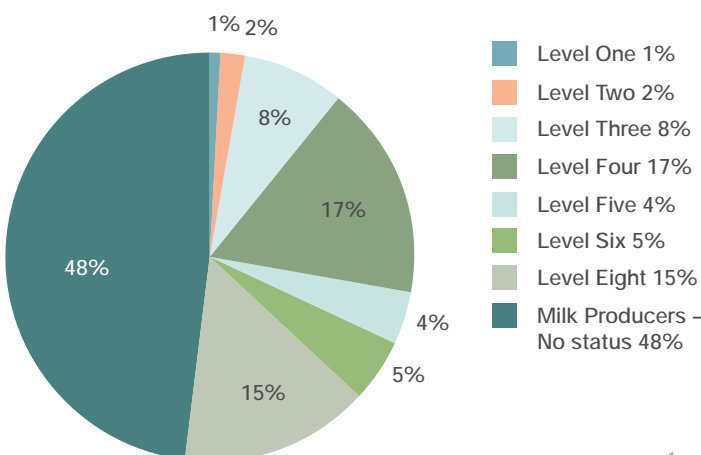
5.5 Business partners

5.5.1 Suppliers

The Group's relationships with the suppliers of packaging and other goods and services are also strong and on a sound footing, based on fair and reasonable commercial terms. Through preferential procurement, the Group concentrates on social and environmental issues in the supply chain. Approximately 52% of the money spent by the Group in its non-milk procurement process is spent with suppliers who enjoy various levels of BBBEE compliance status.

The table and graph below represent the spend with suppliers in terms of their BEE status.

BBBEE level	R Value	Recognition %	Weighted BEE procurement	%
Level 1	22,010,607	135%	29,795,775	0,5%
Level 2	95,429,353	125%	120,640,813	2,4%
Level 3	308,502,606	110%	374,519,454	7,7%
Level 4	680,269,138	100%	697,139,769	16,9%
Level 5	158,888,647	80%	132,751,590	4,0%
Level 6	208,344,702	60%	136,793,040	5,2%
Level 7	18,673,901	50%	9,683,891	0,5%
Level 8	602,612,876	10%	67,504,324	15,0%
Milk Producers - No status	1,909,836,297	0%	-	47,5%
No status	14,769,054	0%	-	0,4%
Total	4,019,337,181		1,568,828,656	100,0%



In summary, Clover meets the definition of a Level 5 contributor towards BBBEE in terms of the preferential procurement of the Company.

5.5.1.1 CSI initiatives in conjunction with business partners

The following social and environmental initiatives have been implemented in conjunction with certain suppliers:

	Social projects	Environmental projects
NAMPAK	<ul style="list-style-type: none"> * "Make every can count for education" campaign * HIV/AIDS + Thembaletu initiative * Partner schools * Bursary scheme * Hospices * Business trust * BEE charter 	<ul style="list-style-type: none"> * Recycling initiatives * Light-weighting of products
Polyoak (Dairy pack)	Polyoak Business School	Polyoak is a member of Petco and voluntarily pays a levy on all PET raw material converted at its plants which assist with the funding of PET recycling within South Africa.
	Polyoak Education Trust	Polyoak has been instrumental in the establishment of Polyco, a producer responsibility organisation which is tasked with the improvement of end-of-use (recycle, reduce, reuse) activities associated with packaging products manufactured using HD-PE, LD-PE and PP plastic polymers. Polyoak is also committed to paying a levy towards Polyco on every ton of raw material converted. Polyco will be instrumental in the improved recycling of milk cartons, yoghurt, butter and ice cream tubs.
	Polyoak supports South Africa Recycling day through Plastics SA and the Enviromark	Polyoak has a board member position on PSPC and is an active contributor (voluntary levy) towards the PSPC. PSPC is an organisation established by PS converters to facilitate improving end-of-use facilities and recycling support where and when necessary.
		Polyoak packaging group is a proud member of Enviromark. Enviromark is the banner under which various recycling initiatives, coastal clean-ups and other waste management initiatives are managed within Plastics SA.
		Polyoak packaging is the holding company of Hangerman, a company that was established to recycle and reuse hangers that are manufactured by Polyoak Visconti. This company ensures the reduction of waste material ending up in landfills and provides employment to a number of disabled individuals.
		Polyoak is active in on-site recycling projects that have ensured that over 75% of all waste material generated on Polyoak sites is recycled, thus reducing the carbon footprint of the company as well as reducing the amount of waste that goes to landfills annually.
Tetra Pak	<ul style="list-style-type: none"> Soetwater environmental centre Schools environmental programmes Swedish Workplace HIV and Aids Programme 	<ul style="list-style-type: none"> Recycling of carton waste, including factory waste Carbon footprint measurement Developing sustainable products Product life cycle assessments
IMCD South Africa	<ul style="list-style-type: none"> Hearts of Hope Children's Home Provide the home with a monthly contribution and have an annual function for the children. Norah's Cleaning Empowerment of a black lady by assisting her with the start-up of a warehouse cleaning company. The company has outsourced its warehouse and vehicle cleaning to this individual's company. 	N/A
Silicone & Technical	<ul style="list-style-type: none"> St Lukes Hospice Promoting a new recycling drive which started recently. The beneficiary of this program is St Luke's Hospice that cares for terminally ill patients. Enterprise Development via funding black owned businesses and considering the viability of assisting with the formation and initial funding of a co-operative for subsistence fisher women. Social Development by funding a schooling program for under-privileged high school children. 	N/A
Savannah Fine Chemicals	<ul style="list-style-type: none"> Donate to charities at the end of each year. Some charities that we donated to: Feed the Babies Sparrow Ministries Hunger & Thirst Nazareth House Acting Angels 	N/A

	Social projects	Environmental projects
	Reach for Hope Foundation Good Hope Foundation South African Veterinary Foundation and Thokomala House	
Hudson & Knight	Child Welfare Keep-Me-Safe Home: financial and other support	Gaff Bags – Reduce number of gaff bags being used by 10% by washing and re-using Eff Plant – Reduce non-conformance charges by R20 000 p/m by controlling pH and conductivity
TSB Sugar	Maths and Science projects for Grade 10,11 & 12 Completed an administration building for Injabulo Primary School -16 July 2011 Bursaries to students Enterprise development for rural communities Selati Super Cup soccer Tournament Support to home-based care givers and orphanages	N/A

5.5 Principals

Clover distributes products for five principals namely: Unilever, Eskort, Foodcorp, Danone S.A. and Orley Foods. 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.

In the financial year ended 30 June 2011, Clover handled approximately 311,263 tons of principal products for its principals totalling in aggregate approximately R5.7 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 basais.

During 2011 Clover has successfully renegotiated five year contracts with, Unilever, Foodcorp, Eskort and Orley Foods. The aim has always been for Clover to partner with principals that enhance and compliment the product and service offering of Clover to the customers.

These contracts are not only profitable for Clover, but offer extensive benefits to both principals and customers, offering a world class distribution and sales service with the added economies of scale benefit.

The table below sets out the products handled and services provided to its Principals:

	Products handled	Services rendered
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
Eskort	Total product basket, being processed pork products	Sales and merchandising services Distribution services Credit control and debtors admin
Foodcorp	Mageu, being fermented maize drink	Manufacturing, packaging and distribution Credit control and debtors admin Sales and merchandising services
Orley Foods	Orley Whip Cream	Sales and merchandising services Distribution services Credit control and debtors admin

5.6 Customers

The Group's strong and honest relationships with its principals, customers, retail and wholesale businesses, agents and distributors, continued during the year under review. This ensures that the Group's products reach consumers throughout South Africa in good condition and at fair prices in a very competitive market. Clover's emphasis on quality products is strongly embedded in the quality raw milk which the Group procures from its producers. The Group is proud to be associated with milk producers who consistently deliver milk of a very high standard both in composition and quality.

As the Group views its relationship with the consumer as central, it has during the year under review concentrated on reducing prices in order to make its products more readily affordable to consumers. This was accomplished through revising our business model and increasing efficiencies.

The Clover Consumer Centre (CCC) strives to consistently service our cus-

tomers' expectations and needs by demonstrating the required respect for their feelings and opinions. All complaints and inquiries are handled professionally by trained Consultants to ensure that the image of Clover, Clover's brand names and services are protected while ensuring compliance with the Consumer Protection Act. Clover has adequate product liability insurance in place.

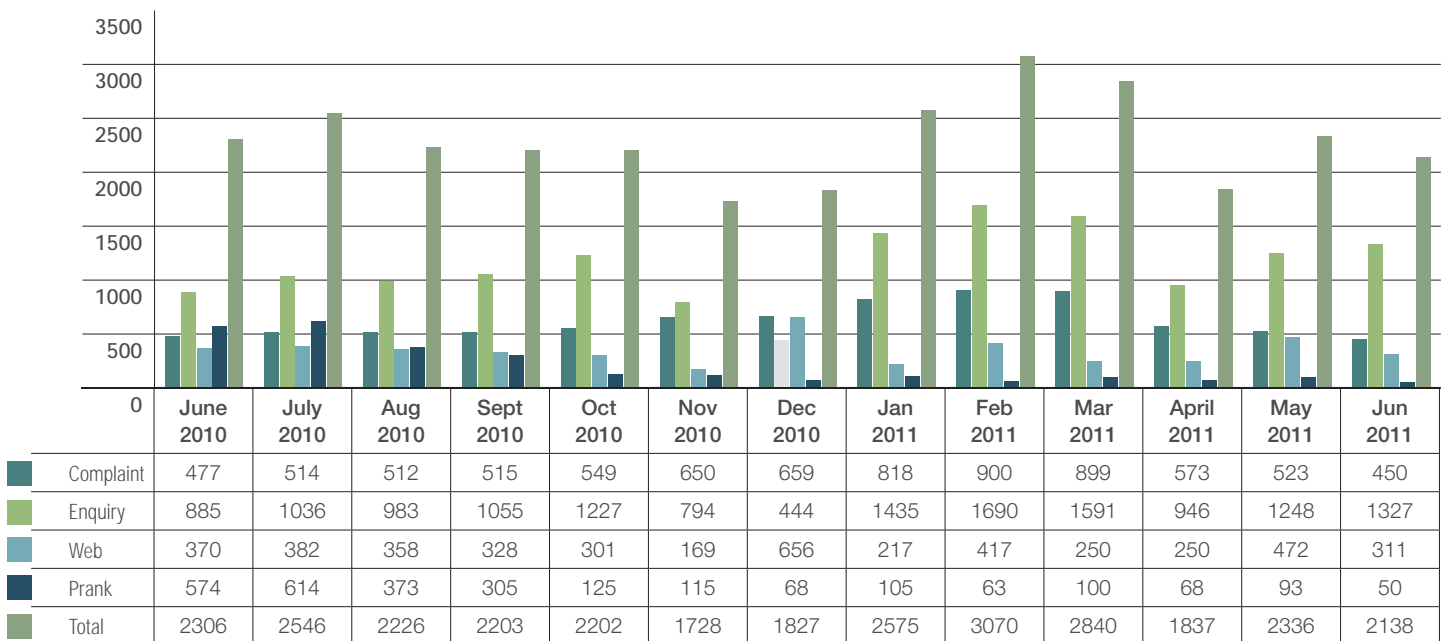
Consumers can reach the Clover Consumer Centre by using the share call number 0860 11 7533, SMS number 31121, by e-mail (consumer.mail@clover.co.za) or via Clover's Website. Contact details appear on all product packaging.

The information regarding the complaints and inquiries are logged with a reference number for each caller to ensure that the required follow-up actions are taken.

The consumer is given the required feedback and is compensated with a voucher. This voucher can only be used to buy Clover and/or Danone SA products at any merchant.

Important to note that, as per the Consumer Protection Act, a procedure is in place and will be applied in situations where a serious risk or threat exists for Clover in general, Clover's brand names or products, Clover's personnel or on possible environmental impact. From all the priority calls received in the period mentioned above, 1% escalated to the Crisis Committee and/or the Executive Committee (priority 1 calls), 20% to Management (priority 2 calls) and 79% were handled by the Consumer Consultants (priority 3 calls).

The graph below depicts the Total Consumer Calls received by the Clover Consumer Centre for the past financial year (July 2010 to June 2011):



5.7 Media

Clover views the media as an effective channel to communicate with external stakeholders and strives to maintain open, honest and effective communication. We regularly comment on the factors and developments that impact on the Group's business activities, as we believe that the public should have a balanced view of our industry.

Communication is generally pro-active in the form of one-on-one meetings, group presentations, media statements and updates as well as site visits. Relevant information is continuously updated on the Group's website, www.clover.co.za

5.8 State and regulators

5.8.1 Competition Commission

On 20 April 2011, Clover advised shareholders that the Competition Commission has withdrawn its long running referrals of several milk processors, including Clover that started in December 2006. The withdrawal follows the Supreme Court of Appeal's ruling in September 2010 in which it upheld Woodlands Dairy (Pty) Ltd and Milkwood Dairy (Pty) Ltd's objections to the Commission's initiation and investigation procedures.

Clover remains committed to fully co-operating with the Competition Commission and takes reasonable steps to ensure that management and employees do not engage in conduct that would constitute a prohibited practice.

5.8.2 Consumer Protection Act (CPA)

The Group has taken proactive steps to ensure that it is fully prepared for the application of the Consumer Protection Act which came into effect during the year. We engaged the services of an experienced lawyer who presented a high level induction programme to key individuals in the Group on the potential effect of the application of the new Consumer Protection Act. Flowing from this, the following proactive steps were taken by Clover to create awareness of the Consumer Protection Act and also to ensure compliance:

- Weekly workshops were held with senior members of the Company's sales and marketing departments respectively to identify potential risks
- A workshop was held for senior members of the Company's production and primary distribution department to identify potential risks

- A presentation on the application of the CPA was presented at the annual Sales Conference (attended by approximately 300 employees)
- A full review of all packaging material was done to ensure compliance with the CPA
- A leading SA law firm, Adams & Adams was appointed to review the use of a number of statements on packaging material or advertising material.

6. Safety and health

The Group acknowledges its responsibility for the occupational health and safety of its employees and other persons affected by its activities and that it should conduct its business so as to conserve and, as far as practical, to eliminate negative impacts on the natural environment.

Amongst numerous other indicators, Clover actively monitors the following aspects through its use of the dedicated Entropy Risk Management System and various checks and balances.

Working towards zero-waste operations	Reducing the Group's energy consumption
<ul style="list-style-type: none"> • Total waste generated by operations that was sent to landfill sites around the country 	<ul style="list-style-type: none"> • Electricity consumed
<ul style="list-style-type: none"> • Total waste generated by operations that was recycled 	<ul style="list-style-type: none"> • Fuel consumed for steam generation (coal, gas HFO)
<ul style="list-style-type: none"> • Total of all waste generated by operations that could be reused (either reworked or repacked) or used by a third party 	<ul style="list-style-type: none"> • Motor vehicle fuel consumption
<ul style="list-style-type: none"> • Total waste product generated by all operations that was disposed of as animal feed 	
<ul style="list-style-type: none"> • Effluent discharged by all operations, indicating volume and quality 	

Reducing the amount of water used to produce the products	Constantly improving the Group's occupational health and safety performance
<ul style="list-style-type: none"> Water consumed per kg/litre of product produced 	<ul style="list-style-type: none"> Safety index to measure the Group's safety management performance
	<ul style="list-style-type: none"> Incidents and injury reports throughout the Group's operations

7. Corporate social and community investment

Clover Mama Afrika continues to be an exemplary corporate social development initiative. Its infrastructure and tangible results has attracted several financial blue chip partners enabling the project to assist with various self-help projects. Another highlight for the project was winning the prestigious Mail & Guardian Investing in the Future 2010 Award in the corporate category.

Since its inception in 2004, Clover Mama Afrika has grown to assist 35 remarkable Mamas across the country. These Mamas collectively care for well over 12 800 children and more than 3 500 elderly. A total of 163 self-help projects of which 154 are income generating projects is managed by the team of Clover Mama Afrika. These self-help projects include cooking and baking, bread baking, sewing, quilting, food gardens, crocheting and flower arranging. Clover Mama Afrika has also started with its first enterprise development project through Clover Mama Emily Duda with a bakery situated at Garden World Nursery in Randburg, Gauteng. This project will provide a service to the nursery's clientele as well as surrounding informal communities that include Zandspruit.

For the last four years, Clover Mama Afrika unites all the Clover Mamas to attend an intensive week of hands-on training. Aptly called Smarties Week, the Mamas are given added value workshops that complement their current self-help projects and provide them with additional employable skills. It is also a wonderful opportunity for them to unite and share ideas and stories.

The week ended on a high note and the participants enjoyed the annual Clover Mama Afrika awards ceremony, where each Mama received a trophy in recognition for her hard work and commitment to the project. All activities take place at one venue. The Clover Mama Afrika Smarties Week is fondly known as a fountain of knowledge by the Clover Mamas. Skills taught were hand quilting, knitting and crocheting.

Clover Mama Afrika has positioned itself as a successful award winning example of an honest, sustainable and effective CSI project which is making a tangible difference in the lives of many South Africans.

Description	2011	2010	2009	2008
Clover Group's financial investment in Clover Mama Afrika	R2,349,996	R2,200,000	R2,200,000	R1,600,000
Donations (financial) received from third parties	R1,485,066	R1,100,000	R2,100,000	R920,000
Number of Mamas involved in projects	35	33	25	18
Number of active Clover Mama Afrika centres	35	33	25	18
Number of persons directly affected by or involved with the Clover Mama Afrika project	Affected 12 800 children, 3 500 elderly. Involved from Clover/agency 18	Affected 11 800 children, 3 000 elderly. Involved from Clover/agency 15	Affected 10 500 children and 2 500 elderly. Involved from Clover/agency 13	Affected 8 000 children. Involved from Clover/agency 13



With 12% fruit juice, and containing no artificial colourants, sweeteners or preservatives, Capri-Sun is ideal to complement kids' school lunches.

8. Environmental strategy

Clover's green initiative started in the year under review with the aim of establishing a formal environmental sustainability ("green") strategy.

The objectives of the strategy include:

- The identification of focal points for a formal green strategy
- To encourage greater environmental awareness among Clover staff
- Identify opportunities for Clover to operate in a more environmentally responsible manner
- Identify potential partners to build an environmental strategy that incorporates the entire supply chain.

These objectives are benchmarked against their links to social initiatives such as Clover Mama Afrika, its impact on long-term economic performance and ability to facilitate partnerships. Other important criteria are the ability to involve and inspire staff and the public, as well as longevity.

Focal points identified for action are:

Focal point	Target audience and objective	Mediums available	Impact/motivation
Education on environmental issues	Target audience: Youth, consumers, general public Objective: Promoting education on environmental matters	School programmes, Clover website, Staff newspaper (<i>In Clover</i>), Clover packaging, partner involvement (e.g. Tetrapak)	<ol style="list-style-type: none"> 1. Broad reach 2. Doesn't add any cost to the consumer 3. Programmes can complement Clover Mama Afrika 4. Education on the environment is a vital starting point to fight climate change
Social empowerment	Target audience: Disadvantaged communities in South Africa Objective: Uplifting disadvantaged communities through environmental programmes	Waste recovery programmes through NGOs such as Wildlands, Clover Mama Afrika and other environmental programmes	<ol style="list-style-type: none"> 1. Alleviate poverty while addressing environmental issues 2. Disadvantaged communities will be the worst affected by climate change 3. Synergy of sustainability initiatives is facilitated
Waste management and recycling	Target audience: Management of Clover's waste streams both internally at branch level and externally at consumer level Objective: To reduce Clover's waste stream and recover materials for recycling. (Waste should be seen as a resource)	Branch waste management programmes, end-user recycling programmes, Clover clean-up campaigns	<ol style="list-style-type: none"> 1. Enhances branch level efficiency 2. Directly lowers Clover's Carbon footprint 3. Assists in building an environmental awareness among Clover staff 4. No cost implications for consumers
Carbon reduction	Target audience: Staff and broader public Objective: Measure carbon emissions and implement reduction measures	Project Cielo Blu and other Capex initiatives, Arbour day, Earth Day and similar initiatives environmentally-friendly head-office refurbishment.	<ol style="list-style-type: none"> 1. Improves efficiency while driving down Clover's carbon footprint 2. Drives environmental awareness in Clover 3. Ideal opportunity to involve partners 4. Long-term economic gains

To enhance environmental awareness among staff, a Clover Green section was introduced as a regular feature in the bi-monthly staff newspaper (*In Clover*), containing news on Clover's green initiatives, staff involvement and clean-up challenges across the Group and providing green tips.

A green web page with regular updates was also uploaded to Clover's website: (<http://www.clover.co.za/content/2955/clover-green/>)

8.1. Clover's Green Office Week

Another campaign aimed at improving environmental awareness was Clover's Green Office Week which took place from 18 to 21 April 2011 in support of International Green Office Week. Offices were encouraged to use their own initiatives to "go green" with cash prizes for the winning three offices. More than 6 300 staff members were reached and educated on environmental issues during this campaign, with a total cost to Clover of R20 000.

11 offices entered with various initiatives that included:

- Recycling
- Power conservation
- Carbon footprint reduction through car pooling
- Waste reduction

Staff initiatives involved clean-up campaigns and involved both Clover's partners and linked with the Group's social projects. 21 branches, involving approximately 882 staff members participated in clean-up campaigns where environments around branches, streams and within communities were cleared of refuse. The projects involved Clover partners such as City of Johannesburg, Pikitup, Caxton newspapers and radio stations.

Approximately 40 tonnes of refuse were collected and appropriately disposed of.

The initiatives also linked with Clover Mama Afrika and other social programmes, with a number of the Clover Mama Afrika communities support-

ing the clean-up campaign. In some instances, cleaned-up areas were converted into vegetable gardens managed and tended to by the community, with the support of Clover and a number of businesses in the community, who sponsored fencing, labour, seeds, etc. (See case study).

- During the Clover Clean up 2010, the City Deep team collaborated with Mama Zakhe from Roodepoort. In one day more than 300 Clover volunteers and community members collected more than 1 000 bags of waste which were taken to the City Deep branch where the waste was collected for recycling.
- Another collaboration between Mama Africa and Clover volunteers during the Clover Clean Up 2010 occurred in the Western Cape on a cold Friday morning when 17 Clover volunteers collaborated with Mama Pumla to collect 102 bags of garbage to help uplift the local community.
- During July 2010, Clover along with partners e-TV and Kids of Nature

donated a solar television to deserving Clover Mama Afrika Mama Selestien in Aschbury. This television is equipped with DSTV and is used to broadcast educational programming to school children in the community of the Mama.

8.2 Education of the broader public

Education of the broader public on Clover's green initiative focused on:

8.2.1 Clover's schools recycling programme

- Branded bins were placed in schools and Clover pays for the monthly management. Schools also received presentations on recycling. A recycling partner conducts all recycling.
- The initiative started in November 2010 at primary and secondary schools in KwaZulu-Natal
- It is expected that more than 30 schools and approximately 27 000 pupils will be reached by the end of 2011
- A total of 1 700 bins will be in place by the end of 2011
- An estimated 25-30 tonnes of waste will be recycled per annum
- Total capex for the project up to the end of 2011 will be R377 960

	Partners involved	Schools/pupils reached	Bins placed	Tonnes of waste recycled
2010	Yes recycling KZN, Tetra Pak	5 schools 2 398 pupils	104	1.2
2011	Yes recycling KZN, Tetra Pak	30 schools 27 000 pupils	1 080	25-30

8.2.2 Capri-Sun Save Our Planet campaign

- Capri-Sun sponsored five lesson plans to primary schools on the environment. These programmes were designed by a qualified educator and are in line with the national curriculum
- Further impetus were given to the programme through a competition where classes at participating schools had to build sculptures from recycled material in order to win a share of prizes which included a fun day at a water or theme park for the winning class and R100 000 in school equipment for the three winning schools
- The campaign ran from May 2011 to August 2011
- A total of 334 primary schools were reached, with approximately 144 000 pupils and 3 600 teachers educated on waste management and recycling
- The total value of the campaign will amount to R706 000
- This campaign raised awareness amongst youth on environmental issues.

9. Carbon reduction

Initiatives undertaken at Clover Park, the Group's head office during refurbishments include:

- Replacement of T8 fluorescent lamps with new generation T5 fluorescent lamps that create more usable light and are 12,5% more electricity efficient on a per lamp basis
- The fluorescent luminaires were replaced with luminaires with electronic control gear resulting in energy savings
- The 12 volt 50 watt downlights were replaced with 18 watt fluorescent down lights with electronic control gear

- Occupation sensors were installed throughout the office and toilet areas to automatically switch off lights when these areas are unoccupied, resulting in further savings
- The entrance to the building is through a double door, which controls the inside building temperature efficiently
- All air conditioning units have been put on timers
- 90% of the console air conditioning units were replaced with split or hideaway units. Hideaway units are approximately 30% more efficient (in cooling mode) and 15% more efficient (in heating mode) than console units.

Apart from these initiatives, Clover is continuously exploring other ways in which to reduce its carbon footprint. As part of its waste initiative, Clover's IT department usually stores redundant equipment until there is a reasonable amount for collection. During the review period, a total of 124 assets were scrapped, of which 16 servers will not be replaced or have been replaced with more energy efficient ones.

This is the equivalent of removing almost 250 000 kg CO₂ from the environment annually. A total of 1 680 kg of equipment was sent for secure destruction and recycling.

Reduced transport of raw milk and final products is high on the agenda and the decision to move UHT and cheese production facilities to the coastal regions closer to source, is a major step in this direction. This will most certainly make a meaningful contribution towards less CO₂ emissions in Clover's supply chain.

10. Broad-Based Black Economic Empowerment

As a result of the share transactions referred to in point 5.1.4, HCI secured a healthy return on its initial investment in the Group. The Group believes that this return will increase economic activity, and create sustainable livelihoods for the beneficiaries of HCI's investments and also contribute to a growing and sustainable consumer market.

Clover views broad-based black economic empowerment (BBBEE) as an opportunity to increase economic activity, thereby creating:

- sustainable livelihoods for as many of the country's inhabitants as possible
- a growing and sustainable consumer market.

Clover remains committed to the BBBEE process as outlined by the Department of Trade and Industry. During the recent external audit (conducted by SANAS-approved Empowerlogic), Clover received a Level 7 rating.

11. Future

Clover is cognisant of the fact that integrated reporting is a phased approach, which only started in 2009 for the Group. It also recognises the importance of avoiding a tick-box mentality, but to incorporate integrated reporting as part of Clover's core. To this end, the Committee can report that the Group has already started to see benefits from its integrated reporting process.

The Group remains committed to continuous improvement in all matters that affect the sustainability of the Group and its activities.



TA Wixley
Chairman: Sustainability Committee



4. corporate governance report

Introduction

The Group is committed to the principles of transparency, fairness, integrity and accountability in its dealings with all its stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King III Report on Corporate Governance for South Africa 2009 ("King III"), which came into effect on 1 March 2010. This report describes how the Board applies King III within the Group as required by the JSE Listing Requirements, and explains its reasons for not applying certain principles set forth in King III.

In addition to King III, the Group is committed to complying with all legislation, regulations and best practices relevant to our business, in every country and jurisdiction where we conduct business.

Statement of compliance

For the 2011 financial year, apart from the exceptions outlined below, the Board confirms that the Group has applied the principles set forth in King III,

- The Chairman of the Board, JAH Bredin, is a Non-executive Director who is not independent insofar as he is a milk producer and supplier of raw milk to the Group. In the opinion of the Board, it is in the interests of the Group to maintain a close relationship with its raw milk suppliers and his appointment serves the long-term interests of the Group. As recommended by King III, TA Wixley has been appointed as Lead Independent Director to fulfil the functions of the Chairman whenever a conflict arises and in the other circumstances envisaged in King III.
- Although the majority of Directors are Non-executives, the Independent Directors do not comprise a majority of Non-executive Directors. The Non-executive Directors who are not independent are milk producers who supply raw 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, maintaining a close relationship and an effective channel of communication with its raw milk suppliers.
- The Company Secretary is an Executive Director and the Deputy Chief Executive. To comply with King III, the Company Secretary will be replaced before 31 December 2012 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 will be served by having its Sustainability Review independently assured.

Ethics

The Board has adopted a Code of Ethics. The Directors are fully committed to these principles, which ensure that the business is managed with due regard to the conditions in the branded consumer goods industry in South Africa, as well as the social, political and physical environment within which the Group operates.

Financial statements

The Directors of the Group are responsible for the financial statements and other information set out in the Integrated Annual Report, and for ensuring that it fairly represents the state of affairs and results of the operations of the Group. The external auditors of the Group are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings

thereon. The external auditor's report is set out on page 67. The annual financial statements set out on pages 57 to 157 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies and supported by reasonable and prudent judgement and estimates.

The Directors believe that the operations of the Group will continue as a going concern for the ensuing year.

Internal control

The Group maintains internal controls and systems designed to provide reasonable assurance as to the reliability of the financial statements and to adequately protect, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with segregation of duties and responsibilities.

The Group has outsourced its internal audit function to KPMG Services (Proprietary) Limited ("KPMG Services"), a professional service provider, which is responsible for implementing the annual internal audit plan approved by the Audit and Risk Committee. This internal audit function operates under the direction of the Audit and Risk Committee, which approves the scope of the work to be performed.

The internal control 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. Significant findings are reported to both the Executive Committee and the Audit and Risk Committee. Corrective action is taken to address internal control deficiencies identified in the execution of work.

A risk-based internal audit plan was developed during the 2010 financial year. The results of the risk-based audits were reported to the Audit and Risk Committee. No material breakdowns in internal controls were noted within the key areas reviewed. Follow-up audits were also conducted to ensure that corrective actions were implemented and the results were reported to the Audit and Risk Committee.

In addition to the internal audit conducted by KPMG Services, Ernst & Young performed a limited assurance review of Management's assessment with respect to internal financial controls. No material findings were reported to the Audit and Risk Committee.

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.

Nothing has come to the attention of the Directors or the auditors that indicates any material breakdown in the effectiveness of the internal controls and systems during the year under review.

Risk control

Effective risk management is imperative to Clover. The realisation of our strategy depends on us being able to take calculated risks in a manner that does not jeopardise the direct interests of stakeholders. The nature of our risk profile demands that Clover adopts a prudent approach to corporate risk and our decisions regarding risk tolerance as well as risk mitigation will reflect this.

Consequently the Board assumes full responsibility for governance of risk through formal risk management processes. The Board is assisted in the execution of this duty by the Audit and Risk Committee, which is a subcommittee of the Board and appropriately constituted.

In order to ensure a consistent approach to the management of risk within the Group, management implements a risk management policy and framework, which is annually reviewed and approved by the Audit and Risk Committee. This policy and framework incorporates the COSO Enterprise Risk Management – Integrated Framework, generally accepted risk management practices as well as King III. All service organisations, supporting functions, processes, projects and Clover-controlled entities will be subject to this policy and framework.

Management has further developed a risk management plan that takes cognisance of the current level of risk management maturity and is aimed at maturing both the risk management process as well as the quality of the output thereof. This plan is annually approved by the Audit and Risk Committee. The Audit and Risk Committee regularly reviews the progress against the risk management plan.

Management has been charged with the design, implementation and monitoring of the risk management arrangements within the Group. Consequently a methodology was developed and implemented across the Group to ensure that risk assessments are conducted on a quarterly basis within each business unit. A formal Management Risk Committee has been established and meets on a quarterly basis to discuss key risks facing the Group as well as the status of mitigating action plans. Key risks facing the Group and mitigating actions taken are reported to the Audit & Risk Committee on a quarterly basis.

Key risks currently facing the Group are industry related and include:

Risk	Risk mitigation
Dependence on channels to market: Risk that certain well-established channels may change or consolidate. An inability to respond with agility may result in inefficiencies or lost opportunities.	<ul style="list-style-type: none"> Key marketing plans and strategies have been designed and implemented to ensure that potential opportunities are considered.
Facility locations: Certain production facilities are located far away from the raw milk source, which results in a higher cost of production.	<ul style="list-style-type: none"> Project Cielo Blu has been implemented and when completed should have a significant impact on improving efficiencies.
Increased competition at large retailer customers: Our customers may invoke aggressive marketing strategies, placing pressure on their suppliers' prices.	<ul style="list-style-type: none"> Key marketing plans and strategies have been designed and implemented to ensure that potential opportunities are considered.
Regulatory environment: Risk that the interpretation and impact of new legislation and regulations may not be, in every respect, wholly comprehended or implemented.	<ul style="list-style-type: none"> Continual monitoring to ensure that the company stays abreast of changes and/or new legislation and regulations and the impact to the business.
Water supply: Inconsistent availability and quality will adversely affect the company's profitability.	<ul style="list-style-type: none"> Continual monitoring of press reports regarding the quality and availability of water supply. Refinement of processes and monitoring to improve efficiencies.

corporate governance report

Certain risks are regarded as competitively sensitive information, and accordingly have not been disclosed.

The Management Risk Committee has not reported any material losses related to the period under review. Furthermore, no losses have been incurred with respect to unpredictable events occurring during the period under review.

As recommended by King III, management has conducted a self-assessment over the maturity level of the risk management function, to highlight the areas where the focus should be to develop a mature risk management function. Based on the current risk maturity profile, management will engage in a formal independent review for the forthcoming financial year. The services of professional services advisors are being used to assist in developing the risk management function.

The Board, assisted by the Audit & Risk Committee, is satisfied with the effectiveness of the risk management process.

IT governance

Clover is in a process of developing an IT governance framework. A formal IT usage policy and disaster recovery plan is currently in place, which is guided by the IT and business systems strategy. The IT infrastructure and applications which support the financial system functions are audited on an annual basis by the external auditors. An IT internal control framework forms part of the general internal control framework. The Audit & Risk Committee and IT Executive are supported by Business Systems Managers, an IT Infrastructure Manager and an IT Applications Manager who are responsible for evaluating the security of computer systems and applications, and for devising the contingency plans for processing financial information in the event of a systems breakdown.

During the year under review, KPMG conducted an IT governance review. Management is in the process of implementing the reported recommendations, which is expected to improve the Group's current IT governance maturity profile.

Directorate

The Board of Directors ("Board") currently consists of 4 (four) Executive Directors and 10 (ten) Non-executive Directors, 4 (four) of whom are independent.

The Chairman of the Board, JAH Bredin, is a Non-executive Director who is a milk producer and supplier of raw milk to the Group. King III states that the Board should elect a Chairman who is an Independent Non-executive Director, failing which the Board should appoint a Lead Independent Non-executive Director. The Board has appointed TA Wixley as Lead Independent Director to fulfil the functions of the Chairman whenever a conflict arises and in the other circumstances envisaged in King III. Details of the Directors appear on pages 12 to 13.

Members of the Board are appointed by the Group's shareholders, provided that the Board also has the authority to appoint additional Directors or to fill any vacancy which may arise from time to time. Directors are appointed on the basis of skill, experience and their level of contribution to, and impact on, the activities of the Group following recommendations received from the Nomination Committee. Therefore, the process relating to the appointment of Directors is formal and transparent, and a matter for the Board as a whole. New appointees to the Board are appropriately familiarised with the Group's business through an induction programme.

The Board is ultimately responsible for the management of the Group's business and determining the Group's strategy and policies. The Board is also responsible for approving the Group's financial objectives and targets. The Group'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 are implemented in accordance with the mandates given to it by the Board. There exists a balance of power and authority at board level, such that no individual Director has unfettered powers of decision making.

All Directors of the Group have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that procedures and regulations are complied with and that the Directors are conversant with their duties and responsibilities. The certificate of the Company Secretary appear on page 54. Directors may also seek independent professional advice on the affairs of the Group in appropriate circumstances if they believe that such action would be in the best interests of the Group.

The Board meets 4 (four) times per financial year, excluding any ad hoc meetings held to consider special business. Details of Board composition and attendance can be found in the table at the end of this report.

Board committees

A number of committees have been established to assist the Board in fulfilling its responsibilities. The nature and scope of authority of each committee is detailed in its charter and/or terms of reference as approved by the Board. Copies of the committee charters may be obtained from the Company Secretary. The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Group.

1. Executive Committee

The Executive Committee ("Committee") comprises all the Executive Directors, namely JH Vorster, HB Roode, LJ Botha and Dr CP Lerm. In addition, Dr JHF Botes and H Lubbe, the Executive Management members responsible for Commercial and Supply Chain respectively, are also members of the Committee. The Committee meets regularly to review current operations, identify risks and the management thereof, develop strategies and policies for consideration by the Board and to implement the directives and decisions of the Board.

2. Audit and Risk Committee

TA Wixley, an Independent Non-executive Director (also Lead Independent Director), chairs the Audit and Risk Committee, which is comprised entirely of Independent Non-executive Directors. The other members of the Committee are Dr SF Booysen, NP Mageza and Adv JNS du Plessis.

The report of the Audit and Risk Committee sets out its responsibilities and describes how they have been fulfilled. A full report appears on pages 63 to 66. Details of Audit and Risk Committee composition and attendance can be found in the table at the end of this report. During the year the Financial Oversight and Risk Committee and the Audit and Risk Committee were consolidated to form the Group Audit and Risk Committee.

3. Remuneration Committee

The Remuneration Committee is chaired by Dr SF Booysen an Independent Non-executive Director and its other members are JAH Bredin, TA Wixley and Adv JNS du Plessis, all of whom are Non-executive Directors. The Chief Executive and other Executives attend meetings of the Committee by invitation but do not participate in discussions regarding their own remuneration and benefits.

The report of the Remuneration Committee sets out its responsibilities and describes how they have been fulfilled. A full report appears on pages 48 to 53. Details of the Remuneration Committee composition and attendance can be found in the table at the end of this report.

4. Sustainability Committee

During the 2010 financial year the Board established a Sustainability Committee comprised of 4 (four) Non-Executive members, TA Wixley, WI Buchner, DK Smith and Dr JC Hendriks. The Committee is chaired by TA Wixley, an Independent Non-executive Director (also Lead Independent Director). Subsequent to the resignation of DK Smith, Adv JNS du Plessis was appointed to the Committee. After the establishment of the Committee, the Board also appointed HB Roode an Executive Director to the Committee.

Other management members attend the 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 influences the Group's "triple bottom line" reporting.

The Committee normally meets twice during a financial year, excluding any ad hoc meetings held to consider special business. During the 2011 financial year, however, it was only able to meet once. Details of the Sustainability Committee composition and attendance can be found in the table at the end of this report.

5. Nomination Committee

The Nomination Committee is comprised of JAH Bredin, TA Wixley, JC Hendriks and WI B uchner, who are all Non-executive Directors, and is chaired by JAH Bredin, who is a Non-executive Director.

The Committee is responsible for regularly reviewing the Group's board structure and the size and composition of the various boards within the Group and making 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 the identification and nomination of new Directors for appointment by the Board and/or shareholders. 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 the various Board committees.

In respect of the annual performance reviews of the Board and its committees, the Committee assists the Chairman of the Board. It also assists the Chairman in ensuring the proper and effective functioning of the Board, and ensures that succession plans are established and maintained throughout the Group.

The Committee meets as and when required during every financial year, excluding any ad hoc meetings held to consider special business. The Committee met once during the 2011 financial year. Details of the Nomination Committee composition and attendance can be found in the table below.

CLOVER INDUSTRIES LIMITED: BOARD ATTENDANCE 1 JULY 2010 TO 30 JUNE 2011

Director	Board		Audit & Risk Committee		Audit Committee		Fin Oversight & Risk Committee (FORC)		Remuneration Committee (Remco)		Nomination Committee (Nomco)		Sustainability Committee (Suscom)	
	A	B	A	B			A	B	A	B	A	B	A	B
Booyesen, SF	3	3	3	3					1	1				
Botha, LJ	6	5												
Bredin, JAH	6	6					1	1	2	2	1	1		
B�uchner, WI	6	5											1	1
Du Plessis, JNS (Adv)*	3	3							1	1				
Du Preez, HPF	6	6					1	1	1	1				
Elliott, MG	6	6												
Hendriks, JC (Dr)	6	5									1	1	1	1
Lerm, CP (Dr)	6	3												
Lotz, JW	3	3												
Mackenzie, M	3	2												
Mageza, NP	3	2	2	2										
Meyer, FG	3	3												
Roode, HB	6	6												
Smith, DK	3	2			1	1	1	1	1	1	1	0	1	1
Smith, NA	1	1	1	1										
Turner, VP	5	5												
Vorster, JH	6	5												
Wixley, TA	6	6	3	3	1	1	1	1	2	2	1	1	1	1

1. Column A indicates the number of meetings held during the period the Director was a member of the Board/Committee.

2. Column B indicates the number of meetings attended during the period the Director was a member of the Board/Committee.

Notes: * JNS du Plessis was appointed to the Audit and Risk Committee with effect from 18 May 2011



HB Roode
Company Secretary

5. remuneration report

The Clover Group has a dedicated Board Committee that, inter alia, determines the governance of remuneration matters, Group remuneration philosophy and policy, remuneration of Executive Directors and other Executives, as well as the compensation of Non-executive Directors, which is ultimately approved by the shareholders. This remuneration report primarily covers the remuneration of the Executive Directors, Non-executive Directors, and other senior Executives.

Details on the attendance of meetings held by the Remuneration Committee is set out in the Corporate Governance Report on page 47. The complete Group Remuneration Policy is set out on pages 52 to 53.

Remuneration approach for Executives

The Clover Group acknowledges that it has to offer nationally and internationally competitive remuneration in order to attract, retain and incentivise high-calibre staff.

The Remuneration Committee uses external market surveys and benchmarks to determine Executive remuneration and benefits, as well as Non-executive Directors' base fees and attendance fees. The Group's remuneration philosophy is to structure remuneration packages in such a way that short- and long-term incentives are linked to the achievement of business objectives and the delivery of an acceptable return on shareholders' funds, while at the same time ensuring the sustainability of the Group.

The executive remuneration structures of the Group comprise both guaranteed and variable components:

- a. A Total Guaranteed Package ("TGP") includes a monthly base salary and benefits such as motor vehicle allowance, retirement funding and medical aid assistance and
- b. Short- and Long-term Incentives ("STIs" and "LTIs"):
 - STIs refer to all cash-based payments that are paid to an individual based on the Group and personal performance over the preceding financial year.
 - LTIs refer to all cash- and equity-based awards that accrue to an individual based on the Group performance over a financial year period.

Total Guaranteed Package ("TGP")

The TGP of Executives (any reference hereinafter to "Executive" shall include a reference to Executive Directors) is benchmarked by using market data of individual salary levels for similar positions on an annual basis. This information, combined with the individual's performance assessment, is the key consideration for the annual salary reviews. Although Clover endeavours to pay its total staff complement at a level between the median and upper quartile compared to other peers in the industry. It has no restrictions on Executives' TGP. The Remuneration Committee has discretion in the level it needs to determine the TGP for Executives. Factors such as retention, contribution and level of skills are all considered in determining the level of TGP for Executives.

The Group offers Executives membership of a defined contribution retirement fund. Other benefits such as a motor vehicle allowance, medical insurance, death and disability insurance, leave and recognition for service are also applicable to Executives.

Short- and long-term incentives

a. Short-term incentives

Executives participate in the "Short-term Incentive Scheme", which is represented as multiples of the monthly base salary (being the monthly basic

salary plus motor vehicle allowance (which is 22% of basic remuneration) and the Company's contribution to the pension fund (which is 10%) and is linked to the achievement of profit growth and personal performance. The short-term incentive for executives is based 50% on individual performance and 50% on Group profit. A maximum of 100% can be earned on the individual performance bonus. The calculation of the Group profit is based on the achievement of attributable profit. The Remuneration Committee annually approves the target and confirms the profit figure on which bonuses are calculated. If the profit target is exceeded, 1% additional bonus is paid for every 1% above the target. The Group Profit Bonus portion was uncapped during the 2011 financial year, but has been capped at 200% for the 2012 financial year. Henceforth and in addition to the capping of the profit target, if the profit target is exceeded, a 2% (and not 1% as for previous financial years) additional bonus is paid for every 1% above the target.

Current bonus levels are:

	Individual performance	Group profit
CEO	6 months	6 months
Executives	5 months	5 months

b. Long-term incentives

The capital restructuring of the Group, which was approved by shareholders on 31 May 2010, changed the nature of the preference shares from profit-sharing instruments to pure debt instruments carrying a right to guaranteed dividends only. This affected the value of the preference shares by eliminating any value upside. Accordingly, an award of preference shares to employees of the Group in terms of Clover's preference share incentive scheme no longer incentivises those employees or aligns their interests with the interests of ordinary shareholders. As a result on 31 May 2010 (which was subsequently amended on 4 November 2010) the shareholders of the Company approved the adoption of the Clover Share Appreciation Rights Plan (2010) ("SAR Scheme").

The salient features of the SAR Scheme, which complies with the JSE listing requirements, are set out below:

- The Group 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 (as defined) 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
- If a share appreciation right is exercised by a participant, the participant will be paid an amount equal to the difference between the issue price of the Share Appreciation Right in question (as determined above) and the fair market value (as defined) of an ordinary share on the day of exchange, provided that the Remuneration Committee may elect to settle the amount due through the issue to them of such number of ordinary 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 or in cash
- If a participant resigns, retires early or is dismissed from the employment of the Company or any of its subsidiaries, then all the share appreciation rights held by the participant will lapse and
- If a participant retires at normal age, dies or becomes permanently disabled, then all the share appreciation rights held by the participant will vest immediately and he/she or his/her executor will be required to exercise those share appreciation rights within 60 days of the occurrence of such event.

The aggregate number of ordinary shares which may be acquired by participants under the SAR Scheme may not exceed 16 million ordinary shares. At balance sheet date no ordinary shares have been issued to participants and therefore the full aggregate of 16 million ordinary shares is still available for issue.

Total share appreciation rights issued to Executive Directors and other Executives as at 30 June 2010.

Executive Director/Other Executives	Number of share appreciation rights	Allocation date	Allocation price
Executive Director			
Johann Hendrik Vorster	4 587 200	31 May 2010	R4,67
Hermanus Bernardus Roode	2 616 762	31 May 2010	R4,67
Christiaan Philippus Lerm (Dr)	2 454 758	31 May 2010	R4,67
Louis Jacques Botha	2 443 140	31 May 2010	R4,67
Other Executives			
Hendrikus Lubbe	2 027 236	31 May 2010	R4,67
James Henry Ferreira Botes (Dr)	1 870 904	31 May 2010	R4,67

As a result of the subdivision of the ordinary shares on a two-for-one basis during the listing process, the number of share appreciation rights was doubled accordingly.

Further, in lieu of bonus payments relating to the Danone transaction which was concluded in the 2010 financial year, a second allocation of share appreciation rights under the SAR Scheme took place. The second allocation follows the same rules as 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 18 August 2010 respectively.

Executive Director/Other Executives	Number of share appreciation rights which were the subject of the second allocation	Second allocation date	Allocation price
Executive Director			
Johann Hendrik Vorster	800 000	18 August 2010	R0,00
Hermanus Bernardus Roode	400 000	18 August 2010	R0,00
Louis Jacques Botha	400 000	18 August 2010	R0,00
Christiaan Philippus Lerm (Dr)	133 336	18 August 2010	R0,00
Executives			
Hendrikus Lubbe	133 332	18 August 2010	R0,00
James Henry Ferreira Botes (Dr)	133 332	18 August 2010	R0,00

Total share appreciation rights issued to Executive Directors and other Executives as at 30 June 2011:

Executive Director/Other Executives	Total number of share appreciation rights held at 30 June 2011 (includes the initial and second allocations)
Executive Director	
Johann Hendrik Vorster	5 387 200
Hermanus Bernardus Roode	3 016 762
Louis Jacques Botha	2 843 140
Christiaan Philippus Lerm (Dr)	2 588 094
Executives	
Hendrikus Lubbe	2 160 568
James Henry Ferreira Botes (Dr)*	1 504 236

**The Board recommended to the shareholders to issue 500 000 ordinary shares at a subscription price of R4,67 to Dr JHF Botes, in exchange for which 500 000 share appreciation rights will be cancelled. The shareholders approved the aforementioned issue of ordinary shares to Dr JHF Botes on 4 November 2010 and the 500 000 share appreciation rights were cancelled accordingly.*

The allocated share appreciation rights have not been hedged. Refer to note 9 to the annual financial statements on pages 109 and 110 for dilutionary effect.

Employment contracts for Executives

Subsequent to the 2011 financial year-end, all Executives entered into new employment contracts whereby the notice period for termination of the contract was amended from 1 (one) month to 6 (six) months.

Loans to Executives

On 31 May 2010 and 4 November 2010 (with regard to Dr JHF Botes), the Executives subscribed and shareholders of the Company approved the allotment and issue to them of 18 700 000 (on 31 May 2010) and 500 000 (on 4 November 2011 with regard to Dr JHF Botes) ordinary shares at a subscription price of R4,67 per share, with a portion of the subscription price being lent to the Executives.

The salient features of the loan and cession agreements entered into between the Executives and the Company are set out below:

- as security for the indebtedness the Executives have ceded to the Company the ceded rights (defined as being all rights, title and interest in and to the proceeds in respect of the ordinary shares (issued to them as referred to above) and from the preference shares acquired through the Clover preference shares scheme to the Company) in respect of the proceeds (defined as being dividends, special distributions, redemption proceeds and any proceeds as a result of a disposal or sale of either the ordinary and/or preference shares referred to above, or any part thereof). The ordinary and preference shares have therefore been ceded in securitatem debiti
- interest shall accrue on the outstanding balance of the loan amount at an interest rate equal to 90% of the prime interest rate charged from time to time by Absa Bank Limited
- if an Executive leaves the employ of the Company for any reason whatsoever, he shall be obliged to repay the loan amount and interest or the balance thereof, within two months after termination of his employment and
- if an Executive dies, the loan amount and interest or the balance thereof, shall be repaid to the Company within six months after his death.

The table below reflects the outstanding balances of the loans on 30 June 2010 and 30 June 2011 respectively.

Executive Director/Other Executives	Loan	
	30 June 2011	30 June 2010
Executive Director		
JH Vorster	R26 509 496	R28 381 859
HB Roode	R19 176 720	R20 382 114
CP Lerm (Dr)	R12 037 292	R12 905 961
LJ Botha	R5 635 941	R9 983 832
Other Executives		
H Lubbe	R1 000 606	R1 875 664
JHF Botes (Dr)	R2 411 574	-
Total	R66 771 629	R73 529 430

Remuneration approach for Non-executive Directors

It is the Group's policy to attract Non-executive Directors who can add significant value to Clover. For this reason, non-executive fees are competitive and at the 50th percentile. Attendance fees are only paid for actual committee meetings attended. Further, subject to shareholders' approval as required in terms of the Companies Act 2008, the Chairman of the Board, JAH Bredin, and the Lead Independent Director, TA Wixley will not receive additional remuneration should they serve on any subcommittee.

The fees payable to Non-executive Directors for the 2012 financial year will be proposed for consideration and approval at the November 2011 annual general meeting.

Total remuneration and benefits payable to Directors and Prescribed Officers

A complete table setting out the total remuneration of Directors and prescribed officers can be found in note 32.1 to the annual financial statements, on pages 151 and 152 of this Integrated Annual Report.

King III recommends the disclosure of the remuneration of three Executives other than Directors. The Group has decided to limit the disclosure to members of the Executive Committee, two of whom are not Directors.



Dr SF Booysen
Independent Non-executive Director

Clover's invigorating Manhattan Ice Tea range is the only brand locally to contain the powerful antioxidant Tearigo (EGCG).



5.1 remuneration policy

1. Objective

The Clover Group Remuneration Policy (“Policy”) aims, by means of fair, reasonable and market related remuneration practices, to ensure that the Clover Group (“Group”) attracts and retains key people (specifically Executive and Senior Management members of the quality required by the Board) in order to continue delivering shareholder return on investment and fulfilling its role as corporate citizen sustainably.

The Policy follows the internationally recognised practice of combining short-term remuneration with long-term incentives in order to compete for skilled resources in the short-term and to align the interest of Executive and Senior Management with long-term value creation for shareholders.

The Policy is based on the following key principles:

- Remuneration must support the Group’s strategies, and be consistent with the organisation’s culture of fairness and equity.
- Remuneration should support the Group’s vision to be the most admired branded consumer goods company in emerging markets by attracting and retaining the right talent.
- Remuneration should have a direct correlation with the growth objectives and financial performance targets and actual achievements of the businesses of the Group.
- Remuneration should be reviewed and benchmarked annually through independent external professional local service providers to ensure that the Group remains competitive in the diverse markets in which

its operates, not applying percentiles rigidly but taking into account industry type, skills scarcity, performance and legislative structures and requirements.

- Remuneration should motivate and allow for differentiation (i.e. reward high performers).
- Individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.

2. Governance

The Remuneration Committee takes an active role in reviewing the remuneration philosophy, policy, strategy and practices for alignment to best practice and the strategic imperatives of the Group.

3. Remuneration mix

3.1 General

Clover’s remuneration structure comprises the following:

- Total Guaranteed Package (“TGP”)
- Short-Term Incentives (“STIs”)
- Long-Term Incentives (“LTIs”)

The remuneration structure for all employees who are not executives is determined and approved by the Executive Committee.

3.2 Differentiation between Paterson Grades

Paterson Grade	Total Guaranteed Package	Short-Term Incentive	Long-Term Incentive
C5 and below	Base pay and benefits; 13th cheque	Performance bonus based on formal performance management	N/A
D1 to D5	Base pay and benefits	Short-term incentive scheme participation; Performance bonus based on formal performance management	N/A
C5 to D5	Base pay and benefits	Short-term incentive scheme; Performance bonus based on formal performance management	N/A
E	Base pay and benefits	Short-term incentive scheme; Performance bonus based on formal performance management	Long-term incentive scheme
F	Base pay and benefits	Short-term incentive scheme	Share Appreciation Rights Scheme

4. Total Guaranteed Package

TGP Considerations	Composition of TGP
<ul style="list-style-type: none"> • Employment profile based on competencies, outputs and behaviours required for the position • The employment profile must fit within the organisational structure and an appropriate employment grade should be assigned • Regular benchmarking exercises are performed internally and externally to ensure equity, fairness and market relatedness • Appropriate market percentiles are applied based on skills, experience and market competitiveness and cognisance paid to performance ratings, time in position, personal development and overall value-added scarce skills 	<ul style="list-style-type: none"> • Guaranteed monthly salary • Compulsory benefits (e.g. retirement) • Discretionary benefits (e.g. medical aid)
	Medical aid considerations
<ul style="list-style-type: none"> • Guaranteed packages are reviewed annually in May and are revised on 1 July of each year • Interim reviews of the Guaranteed Packages are undertaken to retain talent, to take into account market adjustments or upon promotion of employees 	<ul style="list-style-type: none"> • Employees on Paterson Grade C and lower can choose to join Discovery Health Medical Scheme or Umvozu Medical Scheme • For Paterson Grade C4 and higher the Discovery Health Medical Scheme is compulsory

Scarce skills are identified annually and where scarcity is due to demand outstripping supply, a plan is put in place to reduce the risk of the business or organisation. Where scarcity is due to a unique combination of skills and experience required, deliberate efforts are made to build a talent pool around the scarce individual to reduce the risk to the business or organisation. Management has introduced an “S” category of employee to reduce the risk of losing employees with specialised skills. The total remuneration package applied to this category of people is targeted at the top end of the market (90th percentile) range and includes a specialised discretionary retention bonus (8% of annual base pay) which is payable at the end of every financial year provided the necessary performance criteria is met by the individual.

5. Short-Term Incentive

5.1 The Group's Short-Term Incentive Scheme ("STI")

- The STI is designed to drive improvement of the Group's results on an annual basis.
- Fifty percent of the STI is determined by individual performance (which is capped at 100%) and fifty percent by the extent to which the Group's profit target (uncapped) has been reached. Going forward, the portion relating to the Group's profit target which is currently uncapped, will be capped at 200% with effect from the 2012 financial year. Therefore, no employee will receive a STI greater than 1.5 times his/her annual base salary (being the basic salary plus motor vehicle allowance (being 22% of basic remuneration) and the Company's contribution to pension fund (which is 10%).
- The Group's profit target (which refers either to operating profit or attributable profit) is triggered once 90% of the profit target (100% bonus level) is reached, further if the profit is greater than the profit target, 1% additional bonus will be paid for every 1% achieved over the profit target. Going forward if the profit is greater than the profit target, 2% additional bonus will be paid for every 1% achieved over the profit target.
- The STI is self-funded since all bonuses are budgeted for in full before the profit target is approved by the Remuneration Committee.
- When applying the STI there is a differentiation between Paterson Grades F, E and D.

Number of months additional income			
Paterson Band	Individual Performance	Group Profit	Total
D1 – D2	1.5	0.5	2
D3 – D5	1.5	1.5	3
E	2.5	2.5	5
Other Executives	5	5	10
Chief Executive	6	6	12

- The STI for Paterson Grade F is calculated with reference to attributable profit, whereas the STI for Paterson Grades E and D is calculated with reference to operating profit.
- The Remuneration Committee annually approves the profit targets and confirms the final profit figure after the annual audit is completed; whereafter bonuses are paid out during September/October of each year.
- Adjustments may be made for extraordinary factors at the sole and absolute discretion of the Remuneration Committee.
- Employees who have been found guilty of gross misconduct will not be allowed to participate in the STI.
- Due to the agricultural nature of the Group's business the Remuneration Committee shall use its discretion when awarding bonuses in the event that cyclical nature (which is beyond the control of the employees) played an integral part in the Group not achieving the necessary profit targets.
- Steps are put in place to manage and guide employees to achieve the maximum bonus (and relevant profit targets) through performance management sessions (on a one-on-one basis) being held quarterly.

5.2 Performance Bonus

- A performance bonus is paid to all employees who score an annual performance rating of 4 or 5.
- The performance bonus is calculated as a percentage of annual basic pay and is paid together with the 13th cheque (for employees in Paterson Grades C5 and lower) or the STI (for employees in Paterson Grades D1 to EH).

6. Long-term incentive

6.1 Long-Term Incentive Scheme ("LTI")

- The LTI is a deferred bonus scheme which serves as a retention mechanism and rewards senior management members (Paterson Grade E) for adding value to the businesses of the Group.
- The Group's senior management members are eligible for participation in the LTI.
- Provided the attributable profit target is met, a percentage of annual earnings are paid out over a three year period (in equal amounts).
- The LTI is governed by rules which are reviewed and updated by the Remuneration Committee as necessary for alignment with best practice, from time to time.

6.2 Share Appreciation Rights Scheme ("SAR Scheme")

- The purpose of the SAR Scheme is to attract, retain, motivate and reward the Group's Executives (Paterson Grade F) who are able to influence the performance of the Group, on a basis which aligns their interests with those of the Group's shareholders.
- The Group's Executives are eligible for participation in the SAR Scheme.
- The eligibility criteria, the quantum of allocations and the conditions governing each allocation are determined by the Remuneration Committee taking cognisance of the following:
 - the seniority within the Group
 - the work function and
 - the ability of the Executive to add value to the Group and its businesses
- Notwithstanding the aforementioned, in calculating the number of share appreciation rights ("SAR") to be allocated to an Executive (or participant) the following market related formula is used:-

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

where –

A = the total number of SAR to be allocated

B = TGP of the Executive (or participant)

C = market related multiples (for the Chief Executive the multiple is 8, for the Deputy Chief Executive and the Chief Financial Officer the multiple is 6 and for other Executives the multiple is 4) and

D = the volume weighted average price of an ordinary share on the JSE over seven trading days immediately prior to the allocation price.
- The SAR Scheme is governed according to rules approved by the Company's shareholders in November 2010.

7. Regulatory

This Policy is to be read in conjunction with the Company's letter of appointment, disciplinary code, code of ethics, applicable employment legislation, specifically the Basic Conditions of Employment Act and Labour Relations Act, as well as the Company's short-term and long-term incentive scheme rules.

certificate by secretary

(in terms of Section 268G(d) of the Companies Act)

The Secretary of Clover Industries Limited, Hermanus Bernardus Roode, certifies that Clover Industries Limited has complied with all requirements of the Companies Act and more specifically that all such returns as required by a public company in terms of the Companies Act 2008, as amended, have been lodged with the Registrar of Companies and that such returns are true, correct and up to date and that a copy of these annual financial statements was sent to every person who is entitled thereto in terms of the Act.



HB Roode
Secretary

administration

Registered office

200 Constantia Drive, Constantia Kloof, 1709

Postal address

P O Box 6161, Weltevredenpark, 1715

Telephone

(011) 471 1400

Telefax

(011) 471 1504

Internet address

www.clover.co.za

External auditors

Ernst & Young Incorporated Johannesburg

Bankers

The Absa Group
First National Bank
Investec Bank

Company registration number

2003/030429/06

Attorneys

Werksmans
Roestoff, Venter and Kruse
Kocks and Dreyer
Adams & Adams

Clover's characteristic attention to detail and meticulous quality control ensure that Clover cheeses are as authentic as tradition demands.





