

# CLOVER

BEVERAGES LIMITED

UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010



**CLOVER**  
beverages



# DIRECTORATE

## NON-EXECUTIVE DIRECTORS

JAH Bredin  
DK Smith: (Resigned 22 October 2010)

## EXECUTIVE DIRECTORS

JH Vorster (Chairman)  
CP Lerm (Dr) (Chief Operating Officer)  
IJ Botha  
HB Roode

## ALTERNATIVE NON-EXECUTIVE DIRECTOR

HPF du Preez

## COMPANY SECRETARY

HB Roode

## GROUP AUDIT AND RISK COMMITTEE

DK Smith: (Resigned 22 October 2010)  
TA Wixley (Chairman)  
SF Booysen (Dr) (Appointed 18 November 2010)  
NP Mageza (Appointed 18 November 2010)

All the Directors are South African citizens



# ADMINISTRATION

## COMPANY REGISTRATION NUMBER

2000/000301/06

## REGISTERED OFFICE

200 Constantia Drive, Constantia Kloof, 1709

## TELEPHONE

011 471 1400

## TELEFAX

011 471 1504

## WEBSITE

[www.clover.co.za](http://www.clover.co.za)

## AUDITORS

Ernst & Young Inc, Johannesburg

## BANKERS

First National Bank of Southern Africa

## ATTORNEYS

Werksmans  
Roestoff and Kruse  
Kocks and Dreyer

## TRADING IN UNLISTED SHARES

Details pertaining to the stockbrokers can be obtained at:  
[www.clover.co.za](http://www.clover.co.za)

# FINANCIAL OVERVIEW

Clover Beverages' performance for the first six months of the financial year reflects the broad business strategy adopted by the Board, namely:

- increasing its leading market share positions in the markets that it participates in;
- reduction in price premiums;
- aggressive drive to decrease variable costs through volume discounts;
- long term sustainable growth.

Through Project Reset Clover Beverages achieved 12,4% growth in volumes compared to the previous corresponding period and achieved the top market share positions in all of the markets it competes in with notable improvements in the flavoured milk and ice tea markets.

Revenue increased by R42 million or 7,6% and gross profit by R14 million or 6,6% compared to the 2009 reporting period.

Operating profit was R64 million or 2,2% higher compared to the previous period and net profit R51 million or 6% higher.

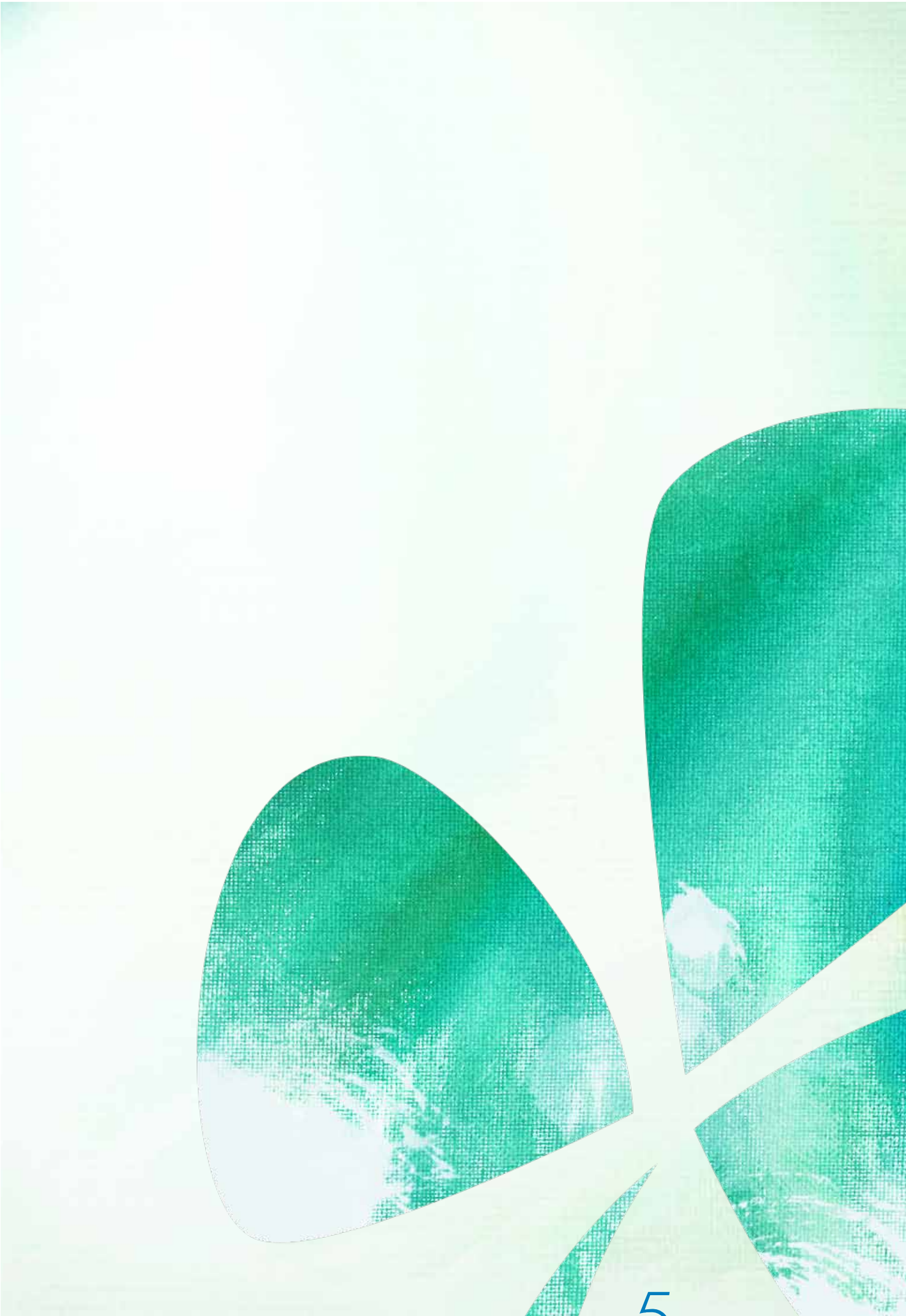
The operating margin, although lower than the corresponding prior year period, increased from 10,3% for the year ending 30 June 2010 to 10,7%.

Management aims to continue the growth strategy in the next six months through the introduction of exciting new product platforms and products and will build from the established volume platform to further improve margins. With effect from 1 December 2010 the company bought the Danao brand from Danone Southern Africa. Danao is a yoghurt fruit mix drink positioned as a breakfast drink and with the proper marketing support this brand will fit in very well with the company's brand portfolio.

Although Clover Beverages anticipates good progress in its drive to build market share, the influence of higher fuel and energy prices, as well as the uncertainty of the inflationary pressures due to higher fuel prices and the weakening of the rand, make any prediction for the next 6 months uncertain and unpredictable. The medium to long term outlook however remains positive.

  
JH Vorster  
Chairman

  
Dr CP Lerm  
Chief Operating Officer



# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2010

|  | Unaudited        |                  | Notes | Audited          |
|--|------------------|------------------|-------|------------------|
|  | Six months ended |                  |       | Year ended       |
|  | 31 December 2010 | 31 December 2009 |       | 30 June 2010     |
|  | R'000            | R'000            |       | R'000            |
| <b>Continuing operations</b>                                 |                  |                  |       |                  |
| Sales of product   | 593 802          | 551 287          |       | 1 054 161        |
| Rendering of services  | –                | 476              |       | –                |
| Royalties  | 661              | 858              |       | 1 639            |
| <b>Revenue</b>   | <b>594 463</b>   | <b>552 621</b>   |       | <b>1 055 800</b> |
| Cost of sales  | (369 836)        | (341 881)        |       | (658 426)        |
| <b>Gross profit</b>  | <b>224 627</b>   | <b>210 740</b>   |       | <b>397 374</b>   |
| Selling and distribution expenses                            | (156 098)        | (142 979)        |       | (279 935)        |
| Administration expenses                                      | (4 044)          | (3 986)          |       | (6 984)          |
| Restructuring cost   | –                | (1 206)          |       | (1 289)          |
| Other operating expenses                                     | (731)            | (214)            |       | (504)            |
| <b>Operating profit</b>                                      | <b>63 754</b>    | <b>62 355</b>    |       | <b>108 662</b>   |
| Finance income   | 7 263            | 4 640            |       | 9 093            |
| Finance cost   | –                | –                |       | (24)             |
| <b>Profit before tax</b>                                     | <b>71 017</b>    | <b>66 995</b>    |       | <b>117 731</b>   |
| Income tax expense   | (19 885)         | (18 759)         |       | (32 932)         |
| <b>Profit for the period</b>                                 | <b>51 132</b>    | <b>48 236</b>    |       | <b>84 799</b>    |
| <b>Other comprehensive income</b>                            |                  |                  |       |                  |
| Income/Expense   | –                | –                |       | –                |
| <b>Total comprehensive income for the period, net of tax</b> | <b>51 132</b>    | <b>48 236</b>    |       | <b>84 799</b>    |
| <b>Earnings per share</b>                                    |                  |                  |       |                  |
| Basic earnings per share (cents)                             | 17,0             | 16,1             | 5     | 28,3             |
| Diluted earnings per share (cents)                           | 17,0             | 16,1             | 5     | 28,3             |

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

|                                      | Unaudited        |                  | Notes | Audited        |
|--------------------------------------|------------------|------------------|-------|----------------|
|                                      | As at            |                  |       | As at          |
|                                      | 31 December 2010 | 31 December 2009 |       | 30 June 2010   |
|                                      | R'000            | R'000            |       | R'000          |
| <b>Assets</b>                        |                  |                  |       |                |
| <b>Non-current assets</b>            |                  |                  |       |                |
| Property, plant and equipment        | 13 956           | 15 858           |       | 14 646         |
| Intangible assets                    | 13 219           | 3 268            |       | 3 273          |
| <b>Total non-current assets</b>      | <b>27 175</b>    | <b>19 126</b>    |       | <b>17 919</b>  |
| <b>Current assets</b>                |                  |                  |       |                |
| Inventories                          | 32 186           | 39 391           |       | 32 310         |
| Trade and other receivables          | 314 097          | 250 471          |       | 320 314        |
| Income tax receivable                | 1 441            | 2 318            |       | 2 242          |
| Cash and short term deposits         | 5 312            | 59 581           |       | 3 823          |
| <b>Total current assets</b>          | <b>353 036</b>   | <b>351 761</b>   |       | <b>358 689</b> |
| <b>Total assets</b>                  | <b>380 211</b>   | <b>370 887</b>   |       | <b>376 608</b> |
|                                      |                  |                  |       |                |
| <b>Equity and liabilities</b>        |                  |                  |       |                |
| Issued capital                       | 15 000           | 15 000           |       | 15 000         |
| Retained earnings                    | 344 036          | 277 552          |       | 314 115        |
| <b>Total equity</b>                  | <b>359 036</b>   | <b>292 552</b>   |       | <b>329 115</b> |
| <b>Liabilities</b>                   |                  |                  |       |                |
| <b>Non-current liabilities</b>       |                  |                  |       |                |
| Deferred tax liability               | 1 556            | 1 969            |       | 1 847          |
| Provisions                           | 517              | 865              |       | 453            |
| <b>Total non-current liabilities</b> | <b>2 073</b>     | <b>2 834</b>     |       | <b>2 300</b>   |
| <b>Current liabilities</b>           |                  |                  |       |                |
| Trade and other payables             | 18 887           | 75 411           |       | 44 907         |
| Provisions                           | 215              | 90               |       | 286            |
| <b>Total current liabilities</b>     | <b>19 102</b>    | <b>75 501</b>    |       | <b>45 193</b>  |
| <b>Total liabilities</b>             | <b>21 175</b>    | <b>78 335</b>    |       | <b>47 493</b>  |
| <b>Total equity and liabilities</b>  | <b>380 211</b>   | <b>370 887</b>   |       | <b>376 608</b> |

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2010

|                                    | Notes | Share capital | Retained earnings | Total          |
|------------------------------------|-------|---------------|-------------------|----------------|
|                                    |       | R'000         | R'000             | R'000          |
| <b>Balance at 1 July 2009</b>      |       | <b>15 000</b> | <b>248 696</b>    | <b>263 696</b> |
| Profit for the period              |       |               | 48 236            | 48 236         |
| Dividends paid                     | 6     |               | (19 380)          | (19 380)       |
| <b>Balance at 31 December 2009</b> |       | <b>15 000</b> | <b>277 552</b>    | <b>292 552</b> |
| Profit for the period              |       |               | 36 562            | 36 562         |
| Dividends paid                     | 6     |               | –                 | –              |
| <b>Balance at 30 June 2010</b>     |       | <b>15 000</b> | <b>314 114</b>    | <b>329 114</b> |
| Profit for the period              |       |               | 51 132            | 51 132         |
| Dividends paid                     | 6     |               | (21 210)          | (21 210)       |
| <b>Balance at 31 December 2010</b> |       | <b>15 000</b> | <b>344 036</b>    | <b>359 036</b> |

# INTERIM CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 December 2010

|  | Unaudited        |                  | Audited         |
|--|------------------|------------------|-----------------|
|  | Six months ended |                  | Year ended      |
|  | 31 December 2010 | 31 December 2009 | 30 June 2010    |
|  | R'000            | R'000            | R'000           |
| <b>Operating activities</b>  |                  |                  |                 |
| Profit before tax from continuing operations                       | 71 017           | 66 995           | 117 731         |
| Income taxes paid  | (19 374)         | (20 941)         | (35 158)        |
| <b>Adjustments to reconcile profit before tax to net cash flow</b> |                  |                  |                 |
| <b>Adjustments for non cash items</b>                              |                  |                  |                 |
| Depreciation and impairment of property, plant and equipment       | 1 331            | 1 554            | 3 063           |
| Amortisation and impairment of intangible assets                   | 53               | 111              | 106             |
| Movement in provisions   | (8)              | 154              | (61)            |
| Loss on disposal and scrapping of assets                           | –                | –                | 100             |
| <b>Other adjustments</b>   |                  |                  |                 |
| Finance income   | (7 263)          | (4 640)          | (9 093)         |
| <b>Working capital adjustments</b>                                 |                  |                  |                 |
| Increase in inventories  | 124              | (4 493)          | 2 589           |
| (Increase)/decrease in trade and other receivables                 | 6 218            | (78 585)         | (11 953)        |
| Increase/(decrease) in trade and other payables                    | (26 020)         | 35 054           | 23 930          |
| <b>Net cash flow (used in)/from operating activities</b>           | <b>26 078</b>    | <b>(4 791)</b>   | <b>91 254</b>   |
| <b>Cash flows from investing activities</b>                        |                  |                  |                 |
| Call loans repaid by holding company                               | –                | 50 918           | (85 557)        |
| Proceeds from sale of tangible assets                              | –                | –                | 112             |
| Interest received  | 7 263            | 4 640            | 9 093           |
| Capital expenditure: tangible assets                               | (642)            | –                | –               |
| Capital expenditure: intangible assets                             | (9 999)          | (315)            | (828)           |
| <b>Net cash flow from investing activities</b>                     | <b>(3 379)</b>   | <b>55 243</b>    | <b>(77 180)</b> |
| <b>Cash flows from financing activities</b>                        |                  |                  |                 |
| Dividends paid   | (21 210)         | –                | (19 380)        |
| <b>Net cash flows used in financing activities</b>                 | <b>(21 210)</b>  | <b>–</b>         | <b>(19 380)</b> |
| Net increase in cash and cash equivalents                          | 1 489            | 50 452           | (5 306)         |
| Cash and cash equivalents at the beginning of the period           | 3 823            | 9 129            | 9 129           |
| <b>Cash and cash equivalents at the end of the period</b>          | <b>5 312</b>     | <b>59 581</b>    | <b>3 823</b>    |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010

## **1 Corporate information**

Clover Beverages Limited (the "Company") is a company incorporated and domiciled in South Africa. The unaudited consolidated financial statements of the Group for the six months ended 31 December 2010 comprise the company and its subsidiary companies (together referred to as the "Group"). The companies within the Group have coterminous year-ends.

The unaudited interim condensed financial statements of Clover Beverages Ltd for the six months ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 9 March 2011.

## **2 Basis of preparation and accounting policies**

### **2.1 Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 31 December 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2010.

### **2.2 Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2010.

## **3 Segment analysis**

All products constitute beverages and are sold in similar markets grouped into the beverages operating segment. Clover Beverages operates mainly in the geographical area of South Africa. The revenue and assets of the operations outside South Africa are insignificant.

## **4 Seasonality of results**

The Group's operating results from normal trading activities for the first semester are traditionally better than those for the second semester. High sales volumes during the December festive season, and November in anticipation of the festive season, are much higher than Easter sales volumes during the second semester. Beverage volumes are also higher during the warm spring and summer months.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010

|   | Unaudited        |                  | Audited          |
|---|------------------|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 | 30 June 2010     |
|   | R'000            | R'000            | R'000            |
| <b>5 Earnings and diluted earnings per share</b>  |                  |                  |                  |
| Profit attributable to equity shareholders  | 51 132           | 48 236           | 84 799           |
|   | Number of shares | Number of shares | Number of shares |
| Weighted average number of issued ordinary shares:  | 300 000 000      | 300 000 000      | 300 000 000      |
|   | Cents per share  | Cents per share  | Cents per share  |
| Earnings per share - ordinary shares  | 17,0             | 16,1             | 28,3             |
| There are no instruments in issue that could have a dilutive effect, and therefore the diluted earnings per share equal the earnings per share. |                  |                  |                  |
| <b>6 Dividends</b>  |                  |                  |                  |
| <b>Dividends declared during the six month period</b>   |                  |                  |                  |
| To ordinary shareholders  | 21 210           | 19 380           | 19 380           |
|   | Cents per share  | Cents per share  | Cents per share  |
| <b>Dividends per share</b>  |                  |                  |                  |
| To ordinary shareholders  | 7,1              | 6,5              | 6,5              |
|   | R'000            | R'000            | R'000            |
| <b>Dividends paid during the six month period</b>   |                  |                  |                  |
| To ordinary shareholders  | 21 210           | 19 380           | 19 380           |
| The dividend for 2010 of 7,07 cents per share (R 21,2 million) was approved on 4 November 2010 and paid on 17 November 2010.                    |                  |                  |                  |

