

REFRESHING





GOOD
- NICE



MISSION

The development and marketing of non-alcoholic, value-added branded beverage products, providing an adequate return on investment for shareholders. To achieve this, Clover Beverages works towards creating competitive advantages by:

- Utilising and developing strong brands endorsed by Clover
- Developing products that will offer the consumer a combination of health and pleasure
- Leveraging the Company's expertise in dairy and juices
- Creating ownable and protectable product formulations, packaging and brands.

TOP BRANDS

Clover Beverages is a branded consumer goods company with top brands in its portfolio. These brands mostly have the number one market share in their categories. To achieve this and to stay ahead necessitates an understanding of the consumer's constantly changing needs and preferences.



Fruit juices

Clover Beverages is now the strong market leader in the refrigerated short-life juices market. Tropika, positioned as "Da smoothest taste under da sun", as a single brand accounts for a significant portion of sales and the strength of this brand will be used to enter new segments. Tropika is well supported with growth in the Clover Krush and Clover Life brands in the juice market. As a result of our efforts in the juice sector Clover Krush now occupies the number one brand position in the refrigerated short life juices market together with Tropika's number one position in the dairy fruit mix market.

Flavoured milk

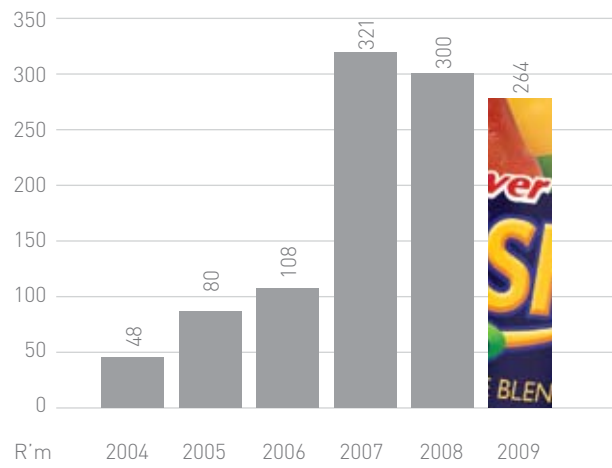
During the year the Super M and Mina Moo brands dropped to number two in the flavoured milk market as a result of supply constraints. New state-of-the-art linear filler technology installed during the financial year will bring new life to these brands as product availability will not be a constraint in future. We expect to regain the number one position in the new year.

GENERAL	PAGE
Mission and top brands	1
Salient features	4
Directorate and Management	5
Six-year financial review	6
Chairman's report	8
Chief Operating Officer's report	10
Corporate Governance report	12
Financial report	14
Certificate by Secretary	15
Analysis of shareholding	16
Notice of Annual General Meeting	17
Form of proxy	18
Administration	19
FINANCIAL SECTION	
Directors' report	20
Audit Committee report	21
Auditors' report	22
Income statement	23
Balance sheet	24
Statement of changes in equity	25
Cash flow statement	26
Notes to the financial statements	27

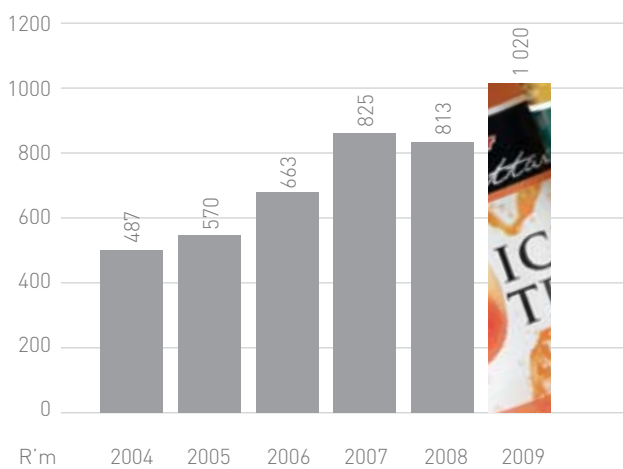
An explanation of all definitions and abbreviations used throughout the annual report is set out in Note 3 on page 34.



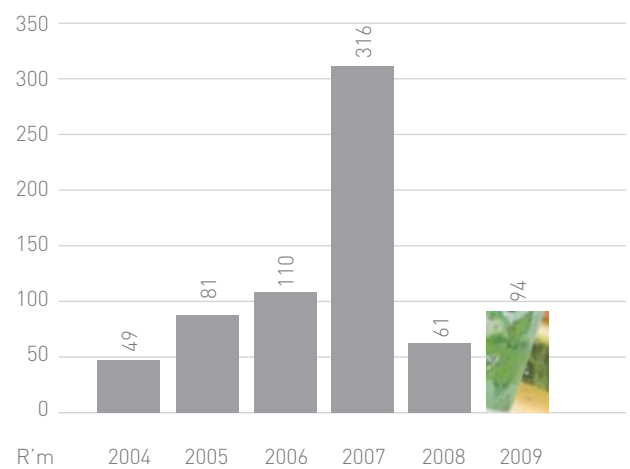
Group activities	2009	2008	Change
	R'm	R'm	%
Turnover	1 019,9	812,7	25,5
Operating profit	94,1	61,3	53,5
Profit for the year	77,6	54,2	43,2
Net assets	263,7	299,6	(12,0)
Ratios	%	%	%
Return on shareholders' funds	27,5	17,5	57,1
Return on net assets	33,0	19,6	68,4



Net Asset Value



Turnover



Operating Profit

* Includes R204 million profit on the sale of the UltraMel Custard business.

DIRECTORATE AND MANAGEMENT

Non-executive Directors

JAH Bredin \$

DK Smith \$

Executive Directors

JH Vorster (Chairman)

CP Lerm (Dr) (Chief Operating Officer)

LJ Botha

HB Roode

Alternate Non-executive Director

HPF du Preez \$

Company Secretary

HB Roode

Group Audit Committee

DK Smith (Chairman)

TA Wixley

\$ Member of Financial Oversight and Risk Committee

All the Directors are South African citizens



	2009	2008	2007	2006	2005	*2004
	R'000	R'000	R'000	R'000	R'000	R'000
Activities						
Turnover	1 019 879	812 744	825 354	663 182	569 539	487 303
Operating profit	94 064	61 289	111 946	109 945	80 520	49 112
Profit on sale of UltraMel Custard business	-	-	204 009	-	-	-
Operating profit before finance income/(cost)	94 064	61 289	315 955	109 945	80 520	49 112
Financing income/(cost)	14 775	24 963	16 520	2 736	(3 847)	(2 246)
Profit before taxation	108 839	86 252	332 475	112 681	76 673	46 866
Taxation	(31 292)	(32 067)	(52 954)	(37 960)	(25 547)	(16 716)
Profit for the year	77 547	54 185	279 521	74 721	51 126	30 150
	Cents	Cents	Cents	Cents	Cents	Cents
Dividend per share	37,8	25,2	22,1	15,6	8,9	7,5
Earnings per share	25,9	18,1	93,2	24,9	17,0	10,0
Diluted earnings per share	25,9	18,1	93,2	24,9	17,0	10,0
	R'000	R'000	R'000	R'000	R'000	R'000
Financial position						
Non-current assets	20 476	23 542	25 476	26 310	25 233	16 442
Current assets	267 208	313 134	402 316	169 215	124 216	77 015
Total assets	287 684	336 676	427 792	195 525	149 449	93 457
Shareholders' funds	263 696	299 609	321 024	107 893	79 852	47 925
Non-current liabilities	2 880	3 318	2 829	2 932	3 321	47
Current liabilities	21 108	33 749	103 939	84 700	66 276	45 485
Total equity and liabilities	287 684	336 676	427 792	195 525	149 449	93 457
Net assets	263 696	299 609	321 024	107 893	79 852	47 925
Average net assets	281 652	310 317	214 459	93 873	63 889	44 025
Net asset value per share (cents)	87,9	99,9	107,0	36,0	26,6	16,0
Replacement value of property, plant and equipment **	160 058	138 160	120 635	120 000	108 804	102 364
Number of shares in issue at year-end	300 million	300 million	300 million	300 million	300 million	300 million

*Not adjusted for implementation of IFRS.

** Replacement value of property, plant and equipment is annually determined by an independent valuator.

A list of all definitions used in the above calculations is set out in Note 3 on page 34.

SIX-YEAR FINANCIAL REVIEW

	2009	2008	2007	2006	2005	*2004
	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow						
Cash flow (utilised by)/from operating activities	(51 580)	(165 076)	(27 027)	42 138	(6 469)	12 971
Cash flow from/(utilised by) investing activities	55 304	167 475	26 610	(39 756)	(1 384)	(4 065)
Net increase/(decrease) in cash and short-term deposits	3 724	2 399	(417)	2 382	(7 853)	8 906
Cash flow per share from operating activities (cents)	(17,2)	(55,0)	(9,0)	14,0	(2,2)	4,3
	%	%	%	%	%	%
Ratios and returns						
Operating profit to turnover	9,2	7,5	**38,3	16,6	14,1	10,1
Return on net assets	33,0	19,6	**145,4	113,4	122,8	111,9
Return on shareholders' funds	27,5	17,5	**130,3	79,6	80,0	68,5
Effective tax rate	28,8	37,2	15,9	33,7	33,3	35,7
	Times	Times	Times	Times	Times	Times
Net asset turn	3,8	2,7	3,9	7,2	9,5	11,1
Current ratio	12,7	9,3	3,9	2,0	1,9	1,7
*Not adjusted for implementation of IFRS.						
** Includes R204 million profit on sale of the UltraMel Custard business.						
A list of all definitions used in the above calculations is set out in Note 3 on page 34.						



CHAIRMAN'S REPORT

Performance

Clover Beverages' results for the year ended 30 June 2009 reflect just how well this brand portfolio has done, especially considering the lower consumer spending levels and downtrading by consumers, particularly towards cheaper private labels. The benefits of the appropriate strategy applied by Clover Beverages clearly demonstrate the resilience of the brands against the economic hardship being experienced by consumers. The value proposition of each brand is continuously being tested to ensure a high-quality product at suitable price levels.

Corporate governance

The Board regards its key functions as:

- The keepers of strategy
- The monitors of risk
- The custodians of management excellence
- The overseers of performance of the Company.

I refer stakeholders to the detailed Corporate Governance report contained in this annual report.

Sustainability

Clover Beverages remains committed to the three pillars of sustainability covering economic, social and environmental practices. Clover Beverages participates in all the initiatives of Clover S.A., and the required effort, time and resources are allocated to ensure sustainable profits, but not at the expense of the environment or the communities the Company serves.

Dividend policy

The Company currently applies a 25% dividend policy. Dividends declared, proposed and paid are disclosed in the Directors' report.

Prospects

Considering the effect of the economic recession and the delayed impact of job losses during the past number of months, it is important to remain vigilant in curtailing costs and offering value to consumers.

New product concepts and brand line extensions form part of the growth strategy and the brands are expected to perform well during the coming year.

Acknowledgements

I wish to once again congratulate Dr Chris Lerm and his dedicated team on these outstanding results. Their commitment is exceptional and I wish them everything of the best with the challenging year ahead.



JH Vorster
Chairman



CHIEF OPERATING OFFICER'S REPORT

Clover Beverages' results for the financial year 2008/9 were very satisfactory, surpassing all targets set for the year and even more. This was achieved against the backdrop of the worldwide economic slowdown and resultant South African slump in the economy, lower consumer spending and most companies achieving substantial lower results than the previous year.

Turnover increased by 25,5% on the previous year, breaking the R1 billion mark for the first time and reaching R1 019,9 million. Operating profit increased by 53,5% to R94,1 million. Profit for the year increased by 43,2% to R77,6 million, despite interest received being negatively influenced by the R100 million dividend on the proceeds of the UltraMel sale paid during the financial year and the drop in interest rates.

Our results could have been even better had packaging costs and the cost of ingredients not been much higher than expected due to the fall in the value of the rand, especially during the first six months of the financial year.

We had solid performances from all our brands, but the bulk of the growth in volumes came from a sharp increase in market share from the juice portfolio, notably KRUSH 100% Pure Fruit Juice. This was the result of a focused campaign to increase juice volumes in the wake of a major competitor's exit from the markets in Gauteng, KwaZulu-Natal and the Free State. The Beverages Marketing Division and the Commercial Division of Clover S.A. must be congratulated on a well-executed plan and we will maintain our momentum in this respect.

We have set an ambitious growth target for the new financial year. We have the brands and the fuel for adequate marketing support, and we have the dedicated and creative enthusiasm of our Beverages personnel. The final ingredient necessary is the support of our "enabler", Clover S.A., for the execution of our sales and distribution plans. These combined efforts will ensure yet another successful financial year for Clover Beverages in 2010.

I would like to attribute the success of our financial year to the dynamic vision, passion, drive and support of our Chairman, Johann Vorster. In tough times, his vision for a comprehensive juice strategy played a major role in our success during the year. My fellow Executive Directors, Manie Roode and Jacques Botha, round off a team that is not easily beaten. A special thank you to all of you.

My thanks and appreciation also go to the rest of the Board and to the Clover S.A. and Beverages personnel. After all, people and brands make a company what it is.



CP Lerm (Dr)
Chief Operating Officer

Introduction

The Company is committed to the principles of transparency, integrity and accountability in its dealings with all stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King II Report and the draft King III report on Corporate Governance for South Africa. The Clover Group achieved an A-g Corporate Governance rating from Ratings Africa.

Ethics

The Board adopted a Code of Conduct and the Directors are fully committed to these principles, which ensure that the business is managed with due regard to the conditions in the beverage industry in South Africa, as well as the social and political environment within which the Company operates.

Financial statements

The Directors of the Company are responsible for preparing financial statements and other information set out in the Directors' Report.

Audit Committee

The Clover Group Audit Committee acts as the Company's audit committee. More details appear in the Audit Committee report. The external auditors have unrestricted access to the Audit Committee. Details of the Audit Committee members are set out on page 5.

Financial Oversight and Risk Committee

Following the promulgation of the amendments to the 1973 Companies Act, the Board appointed a Financial Oversight and Risk Committee for this Company to perform certain chartered functions that were previously performed by the Audit and Risk Committee prior to the amendment of the said Act. Mr DK Smith, a Non-executive Director, chairs the Committee and the other members are all Non-executive Directors. The functions of this Committee include:

- To review the effectiveness of internal control in the Company with reference to the findings of both the internal and external auditors
- To ensure that the Company mitigates all key areas of risk that have been identified
- To consider important accounting issues and a review of the major audit recommendations
- To ensure that the Company complies with all relevant legislation
- To ensure that the Company adheres to sound corporate governance principles
- To review significant cases of fraud, misconduct or conflict of interest.

The external and internal auditors have unrestricted access to the Financial Oversight and Risk Committee. Details of the members of the Committee are set out on page 5.

Internal control

The Company 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 Company has outsourced its internal audit function to Clover S.A. This internal audit function operates under the direction of the Financial Oversight and Risk Committee, which approves the scope of the work to be performed. Significant findings are reported to both Executive Management and the Financial Oversight and Risk Committee. Corrective action is taken to address internal control deficiencies identified in the execution of the work.

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

The Company has comprehensive risk and loss control procedures in place, structured with tactical levels of first deductibles, which allows the Company to obtain competitive rates while still protecting the Company from major losses through appropriate reinsurance.

Directorate

The Board is chaired by an Executive Director and comprises of four Executive Directors and two Non-executive Directors. Details appear on page 5.

New appointees to the Board are appropriately familiarised with the Company's business through an induction programme.

The Board meets regularly and monitors the performance of the Executive Management. It addresses a range of key issues and ensures a focus on matters of policy, strategy and performance.

All Directors of the Company have access to the advice and services of the 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 details of the Secretary appear on page 5.

Directors may, however, seek independent professional advice on the affairs of the Company in appropriate circumstances if they believe that such action would be in the best interest of the Company.

Executive Committee

The Group Executive Committee comprises the Executive Directors and selected Key Managers of Clover. This Committee meets regularly to review current operations, identify risks and management thereof, develop strategies and policies for consideration by the Board and to implement the directives and decisions of the Board of Directors.

Directors' and Senior Management's remuneration

Remuneration Committee

During the previous year a Remuneration Committee was appointed by the Board. This Committee was disbanded during the year under review and the responsibility for determining the remuneration of the Executive and Non-executive Directors, as well as Management was delegated to the Clover Group Remuneration Committee.

Remuneration policy

The remuneration policy is formulated to attract and retain top-quality people in the best interests of shareholders and is based upon the following principles:

- Remuneration of the Directors and Senior Personnel is appropriate for their responsibilities to support the Company's business strategy and vision, and to conform to best practices
- Total rewards will be set at levels that are competitive within the context of the relevant areas of responsibility and the complexity of the industry in which the Company operates.



Financial performance

The 43,2% increase in profit for the year can mainly be ascribed to the increase of R71,3 million in gross profit which more than covered the R38,4 million increase in selling, distribution, administration and other expenses. Gross margin was constant at 34,4% with the R71,3 million increase in gross profit mainly resulting from a 42% volume growth in fruit juices as a result of the Company's comprehensive juice strategy and increased market realisations.

Finance income decreased in response to the R100 million special dividend paid during the year. The effective income tax rate decreased from 37,2% to 28,8% due to STC savings on dividends paid to Clover S.A. after Clover S.A. increased its shareholding in the Company to 94,8%. This effectively amounted to a R9 million saving on taxation for the year.

Balance sheet and cash flow

Capital expenditure on expansion activities was R0,8 million (2008: R1,5 million). The Company's balance sheet continues to reflect a very healthy solvency and liquidity position with no interest-bearing debt. Cash generated from operations increased by R145,0 million to R96,2 million. The previous year's cash generated from operations was negatively affected by a rectification of contractual payment terms with Clover S.A. and the current year reflects a more normalised position. The special dividend of R100 million paid in January 2009, however, caused a net cash flow of R52 million from operating activities that was largely funded by a repayment of R41,3 million from Clover S.A. on the intercompany loan.

CERTIFICATE BY SECRETARY

for the year ended 30 June 2009

The Secretary of Clover Beverages Limited, Hermanus Bernardus Roode, certifies that Clover Beverages 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 Section 286G(d) of the Companies Act, 1973, as amended, have been lodged with the Registrar of Companies and that such returns are true, correct and up to date and that, in accordance with Section 302, a copy of these annual financial statements was sent to every person who is entitled thereto in terms of the Act.



HB Roode
Secretary



ANALYSIS OF SHAREHOLDING AT 30 JUNE 2009

	Number of shareholders	% of total	Number of shares	% of total
Ordinary shares				
Size of holding				
1 – 1 000	2 627	64,99	1 122 626	0,37
1 001 – 5 000	930	23,01	2 019 495	0,67
5 001 – 10 000	207	5,12	1 498 419	0,50
10 001 – 50 000	242	5,99	4 781 019	1,59
50 001 – 100 000	23	0,57	1 682 014	0,56
Over 100 000	13	0,32	288 896 427	96,31
Total	4 042	100,00	300 000 000	100,00
Categories				
Holding company	1	0,02	284 343 368	94,78
Directors and Senior Management	4	0,10	64 416	0,02
Other	4 037	99,88	15 592 216	5,20
Total	4 042	100,00	300 000 000	100,00

Shareholders' diary

Financial year-end	30 June 2009
Annual General Meeting	28 October 2009

Reports

Annual report	30 September 2009
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Dividends

Dividend payable	6 January 2010
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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the Annual General Meeting of Clover Beverages Limited to be held at 200 Constantia Drive, Constantia Kloof on Wednesday, 28 October 2009 at 11:00 to transact the following business

1.	To receive and consider the annual financial statements for the year ended 30 June 2009
2.	To approve a dividend of 6,46 cents per share to shareholders registered as shareholders on 30 October 2009
3.	To approve the Directors' remuneration for the year ended 30 June 2009, as per the financial statements
4.	To approve the following Non-executive Directors' remuneration for the year ending 30 June 2010, as indicated below:
4.1 Annual retainer	R
Board member	107 406
4.2 Meeting attendance fees	
All chairpersons of committees	14 320
Board meeting	6 773
Financial Oversight and Risk Committee	11 935
Other subcommittees	9 547
5.	To appoint Ernst & Young Inc. as auditors for the ensuing year and Mr FF Scheepers as the designated auditor
6.	To place all unissued shares of the Company under the control of the Directors until the next Annual General Meeting
7.	To approve by special resolution that the Articles of Association of the Company be amended by the deletion of Article 18 in its entirety. The reason for and effect of the special resolution is to delete the requirement from the Articles that the Directors of the Company retire by rotation
8.	To transact such other business as may be transacted at an Annual General Meeting

A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his or her stead.

A proxy need not be a shareholder of the Company. Forms of proxy must be deposited with the Secretary, 200 Constantia Drive, Constantia Kloof, Roodepoort, or mailed to PO Box 6161, Weltevreden Park, 1715, so as to arrive not later than 11:00 on Monday, 26 October 2009.

By order of the Board



HB Roode
Secretary
30 September 2009



Annual General Meeting

To be held in the boardroom at 200 Constantia Drive, Constantia Kloof on Wednesday, 28 October 2009 at 11:00.

I/We _____

of _____

being a shareholder/s of the Company, hereby appoint

_____ or failing him, the Chairman of the meeting as my/our proxy to act for me/us at the Annual General Meeting of the Company to be held on Wednesday, 28 October 2009 at 11:00 and at each adjournment thereof and to vote in my/our name/s, in accordance with the following instructions:

Number of votes		*In favour of	*Against	*Abstain
1	To approve the Company's annual financial statements			
2	To approve a dividend of 6,46 cents per share to shareholders registered as shareholders on 30 October 2009			
3	To approve the Directors' remuneration for the year ended 30 June 2009			
4	To approve the Non-executive Directors' remuneration for the year ending 30 June 2010			
5	To appoint Ernst & Young Inc. as auditors for the ensuing year and Mr FF Scheepers as the designated auditor			
6	To place the unissued share capital under the control of the Directors			
7	To approve by special resolution that the Articles of Association of the Company be amended by the deletion of Article 18 in its entirety			

Signature _____

Signed at _____

on _____ 2009

Notes

1. Insert an "X" in the relevant spaces according to how you wish your votes to be cast. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he/she deems fit.
2. A shareholder entitled to attend and vote at the above-mentioned Annual General Meeting is entitled to appoint a proxy to attend, to vote and speak in his/her stead. A proxy need not be a shareholder of the Company.
3. Forms of proxy must be received by the Secretary, 200 Constantia Drive, Constantia Kloof, 1709 (PO Box 6161, Weltevreden Park, 1715) by no later than 11:00 on Monday, 26 October 2009.

ADMINISTRATION

Company registration number

2000/000301/06

Registered office

200 Constantia Drive, Constantia Kloof, 1709

Postal address

PO Box 6161, Weltevreden Park, 1715

Telephone

011 471 1400

Telefax

011 471 1504

Website

www.clover.co.za

External auditors

Ernst & Young Inc.

Bankers

First National Bank

Attorneys

Werksmans
Roestoff, Venter and Kruse
Schwartz North
Kocks and Dreyer

Trading in unlisted shares

Details pertaining to the stockbrokers can be obtained at:
www.clover.co.za



The Directors present their report on the activities and the financial statements for Clover Beverages Limited in respect of the year ended 30 June 2009.

Directors' responsibility

Clover Beverages' Directors are required by the Companies Act to maintain adequate accounting records and prepare financial statements for each year which fairly present the state of affairs of the Company at the end of the financial year and of the profit and cash flows for the period. In preparing the accompanying financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the Board and the effects thereof are fully explained in the annual financial statements. The financial statements incorporate full and responsible disclosure.

The Directors have reviewed the Company's budget and cash flow forecast up to 30 June 2010. On the basis of this review and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that Clover Beverages is a going concern and have therefore continued to adopt the going-concern basis in preparing the financial statements. The Company's external auditors, Ernst & Young Inc., have audited the financial statements and their unqualified report appears on page 22. The financial statements for the year ended 30 June 2009, as set out on pages 20 to 21 and 23 to 52, were approved by the Board on 8 September 2009 and are signed on its behalf by Mr JH Vorster and Dr CP Lerm.

Nature of business

The main activity of the Company is the development and marketing of non-alcoholic, value-added branded beverage products. The Company operates mainly in the geographical area of South Africa.

Company results

The detailed Company results are set out in the financial statements and can be summarised as follows:

	2009	2008
	Rm	Rm
Turnover	1 019,9	812,7
Profit attributable to shareholders	77,6	54,2

Group structure

Clover S.A. is the holding company of Clover Beverages with an interest of 94,8% (2008: 94,8%) in the issued share capital. The ultimate holding company is Clover Industries Limited.

Share capital

Details of the authorised and issued share capital are given in Note 13 of the financial statements.

Dividends

Dividends of R113,5 million (2008: R75,6 million) were declared and paid during the year by the Company. The Directors propose a dividend of R19,4 million/6,46 cents per share to be approved at the Annual General Meeting on 28 October 2009. The Company applies a dividend policy of 25% of profits for the year.

Directors and Secretary

Particulars of the present Directors and changes of Directors that took place during the year are given on page 5. No Director has a service contract with a notice period in excess of one year. Particulars of the Secretary are given on page 5.

Insurance and risk management

The Company follows a policy of reviewing the risk relating to assets and commitments that might flow from the use thereof with its insurers on an annual basis. Wherever possible assets are covered for their replacement value and additions during the year are automatically included. There is also a continued asset risk control programme, which is carried out in conjunction with the Company's insurance brokers.

Property, plant and equipment

There was no change in the nature of the property, plant and equipment. Additions to plant and machinery amounted to R0,8 million (2008: R1,5 million) for the year.

Change in basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Refer to Note 2.1 (c) regarding changes in accounting policies.

Special resolutions

None noted.

Events subsequent to the year-end

No events of significance requiring disclosure have taken place subsequent to the year-end.

Interest of Directors in the Company's share capital

Details of the interest of Directors in the Company's share capital are provided in the shareholding analysis section.

Corporate Governance

A detailed Company statement on Corporate Governance is set out on pages 12 and 13.

Acknowledgements

We express our thanks and appreciation to:

- Our shareholders for their co-operation and support during the year;
- Our staff for the enthusiasm with which they have carried out their duties;
- All our suppliers of a wide variety of requirements;
- The retail and wholesale trade as well as all distributors who made our products available on shelves;
- The millions of consumers who selected our quality products above those of our competitors.



JH Vorster
Chairman
8 September 2009



Dr CP Lerm
Chief Operating Officer
8 September 2009

AUDIT COMMITTEE REPORT

The Clover Group Audit Committee acts as Audit Committee for the Company.

This Audit Committee consists of two Non-executive Directors of the Group who act independently.

The duties of the Audit Committee are mainly those required by the Companies Act of 1973, as amended, including the nomination of auditors for appointment, determining of audit fees and pre-approval of non-audit work performed by the external auditors.

The auditors for the year ended 30 June 2009 were appointed at the Annual General Meeting on 29 October 2008 on recommendation of the Audit Committee. Audit fees for the 2008/09 year were approved by the Audit Committee based on an audit plan presented to them by the auditors. The Committee concluded the audit fees to be appropriate.

The Audit Committee has pre-approved certain non-audit services that were provided by the external auditors. The nature and extent of non-audit services to be provided by the auditors are pre-approved by the Committee only if the Committee is satisfied that such service will not impair the independence of the auditors. The Committee does not believe that these non-audit services have affected the independence of the auditors.

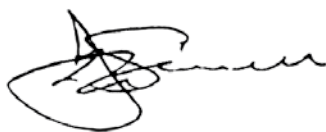
During the period under review the Committee received no complaints relating to accounting practices, internal audit, the content or auditing of the Group's financial statements or any related matter.

The Committee meets regularly. The external auditors and the Executive Directors attend these meetings and have unrestricted access to the Audit Committee. Time is allocated for both the auditors and the Executive Directors to discuss matters with the Committee separately. The Audit Committee evaluates the performance of the auditors annually. Based on these results and after consideration of auditor independence and auditor rotation, the Committee will nominate auditors for appointment at the Annual General Meeting. Audit fees will be determined annually after the presentation to the Committee of an audit plan and fee budget by the auditors and after taking into consideration the following:

- Previous year's fees
- Changes in the business
- New and amended legislation
- New and amended International Standards on Quality Control, Auditing, Assurance and Related Services
- New and amended International Financial Reporting Standards and International Accounting Standards
- Risk areas.

After obtaining assurances from the auditors, the Audit Committee is satisfied that the auditors acted independently in the performance of their duties.

The Audit Committee is satisfied that it fulfilled its responsibilities under its terms of reference for the period under review. During that time the Audit Committee met three times.



DK Smith
Chairman

To the members of Clover Beverages Limited

We have audited the annual financial statements of Clover Beverages Limited, which comprise the balance sheet as at 30 June 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Directors' and Audit Committee reports as set out on pages 20 to 21 and 23 to 52.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2009 and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor
Director: Mr FF Scheepers
11 September 2009
Johannesburg

INCOME STATEMENT

for the year ended 30 June

	Notes	2009 R'000	2008 R'000
Revenue	4.1	987 351	803 750
Turnover		1 019 879	812 744
Cost of sales	4.2	(669 267)	(533 387)
Gross profit		350 612	279 357
Other operating income	4.3	1 907	1 962
Selling and distribution costs		(250 812)	(213 464)
Administrative expenses		(7 304)	(6 556)
Other operating expenses		(339)	(10)
Operating profit	4.4	94 064	61 289
Finance income	4.5	14 775	24 969
Finance costs	4.6	-	(6)
Profit before taxation		108 839	86 252
Income tax expense	5	(31 292)	(32 067)
Profit for the year		77 547	54 185
Earnings per share (cents)	6.1	25,9	18,1
Diluted earnings per share (cents)	6.2	25,9	18,1

	Notes	2009 R'000	2008 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	17 097	19 591
Intangible assets	8	3 379	451
Other investments	9	-	3 500
Total non-current assets		20 476	23 542
Current assets			
Inventories	10	34 898	34 266
Trade and other receivables	11	222 804	273 463
Income tax receivable		377	-
Cash and short-term deposits	12	9 129	5 405
Total current assets		267 208	313 134
TOTAL ASSETS		287 684	336 676
EQUITY AND LIABILITIES			
Issued capital	13	15 000	15 000
Retained earnings	14	248 696	284 609
Total equity		263 696	299 609
Liabilities			
Non-current liabilities			
Deferred tax liability	15	2 210	2 347
Provisions	17	670	971
Total non-current liabilities		2 880	3 318
Current liabilities			
Trade and other payables	16	20 977	31 238
Income tax payable		-	2 469
Provisions	17	131	42
Total current liabilities		21 108	33 749
Total liabilities		23 988	37 067
TOTAL EQUITY AND LIABILITIES		287 684	336 676

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Share capital	Retained earnings	Total
	R'000	R'000	R'000
Opening balance 1 July 2007	15 000	306 024	321 024
Profit for the year	-	54 185	54 185
Dividends paid	-	(75 600)	(75 600)
Closing balance 30 June 2008	15 000	284 609	299 609
Profit for the year	-	77 547	77 547
Dividends paid	-	(113 460)	(113 460)
Closing balance 30 June 2009	15 000	248 696	263 696

CASH FLOW STATEMENT

for the year ended 30 June

	Notes	2009 R'000	2008 R'000
Operating activities			
Cash generated from/(utilised by) operations	18.1	96 159	(48 844)
Income tax paid	18.3	(34 279)	(40 626)
Finance costs		-	(6)
Dividends paid		(113 460)	(75 600)
Net cash utilised by operating activities		(51 580)	(165 076)
Investing activities			
Proceeds from sale of tangible assets		17	-
Capital expenditure: intangible assets		-	(135)
Call loans repaid by holding company		41 283	144 150
Capital expenditure: tangible assets		(771)	(1 509)
Finance income		14 775	24 969
Net cash from investing activities		55 304	167 475
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	12	5 405	3 006
Cash and cash equivalents at the end of the year	12	9 129	5 405

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

1 Corporate information

Clover Beverages Limited ("the Company") is a company incorporated and domiciled in South Africa. The holding company and ultimate holding company of the Company are Clover S.A. (Pty) Limited and Clover Industries Limited respectively.

The financial statements of the Company for the year ended 30 June 2009 were authorised for issue in accordance with a resolution of the Directors on 8 September 2009.

The Company's operations and principal activities are set out in the Directors' report on page 20.

2 Basis of accounting

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Preparation

The preparation of financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

(c) Changes in accounting policies and disclosures

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

Standard/Interpretation	Impact and application
IAS 39 & IFRS 7 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)	The Company did not reclassify any financial assets as allowed by the standard as there were no circumstances that warrant it.
IFRIC 11 & IFRS 2 – Company and Treasury Share Transactions	The Company does not have any treasury share transactions therefore the interpretation is not applicable to the Company.
IFRIC 12 – Service Concession Arrangements	The Company does not have any service concession arrangements therefore the interpretation is not applicable to the Company.
IFRIC 14 & IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	The Company does not recognise any defined-benefit assets, therefore the adoption of the interpretation has no impact on the Company.

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company or on any additional disclosure, as no events occurred that these standards and interpretations relate to.

2.1.1 Standards, interpretations and amendments issued that are not yet effective

At the date of authorisation of the Company's annual financial statements for the year ended 30 June 2009, the following standards and interpretations were in issue but not yet effective:

	Issue date	Effective date
IAS 1 – Presentation of Financial Statements (Revised)	Aug-08	Jan-09
IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations to be loaded	Jan-08	Jan-09
IFRS 3 – Business Combinations (Revised)	Jan-08	Jul-09
IFRS 8 – Operating Segments	Nov-06	Jan-09
IAS 23 – Borrowing Costs (Revised)	Mar-07	Jan-09
IAS 27 – Consolidated and Separate Financial Statements (Revised)	Jan-08	Jul-09
IAS 32 & IAS 1 – Amendments – Financial Instruments: Presentation IAS 1 Amendments - Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	Feb-08	Jan-09
IFRS 1 & IAS 27 – Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Aug-08	Jan-09
IAS 39 – Eligible Hedged Items (Amendment to IAS 39 Financial Instruments: Recognition and Measurement)	Aug-08	Jul-09

	Issue date	Effective date
IFRIC 9 – Amended: Reassessing Embedded Derivatives	Jan-08	Jul-09
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	Jul-08	Oct-08
IFRIC 17 – Distribution of Non-cash Assets to Owners	Nov-08	Jul-09
IFRIC 18 – Transfers of Assets from Customers	Jan-09	Jul-09
Improvements to IFRS (May 2008)	May-08	Refer below

The amendments to IFRS 2, IFRS 1 & IAS 27, IAS 32 & IAS 1, IFRIC 16, IFRIC 17 and IFRIC 18 are not applicable to the business of the Company and will therefore have no impact on the financial position or performance of the Company. The Company currently has no transaction or does not foresee any transactions that relate to the specific amendments or interpretations.

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

IAS 1 Presentation of Financial Statements (Revised)

The amendment to IAS 1 affects the presentation of comparative information upon retrospective application of an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, as well as affects the reporting of owner changes and non-owner changes in equity. The amendment to IAS 1 also introduces the statement of comprehensive income.

The Company plans to adopt the revised IAS 1 in its 2010 financial year. The revised standard will have no impact on the financial position or performance of the Company.

IFRS 3 Business Combinations (Revised)

The main revisions made were:

- The scope was broadened to cover business combinations involving only mutual entities and business combinations achieved by contract alone
- The definitions of a business and a business combination were amended and additional guidance was added for identifying when a group of assets constitutes a business
- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted
- The requirements for how the acquirer makes any classifications, designations or assessments for the identifiable assets acquired and liabilities assumed in a business combination were clarified
- The period during which changes to deferred tax benefits acquired in a business combination can be adjusted against goodwill has been limited to the measurement period (through a consequential amendment to IAS 12 Income Taxes)
- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability
- Costs the acquirer incurs in connection with the business combination must be accounted for separately from the business combination, which usually means that they are recognised as expenses (rather than included in goodwill)

- Consideration transferred by the acquirer, including contingent consideration, must be measured and recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with IAS 39, IAS 37 or other IFRSs, as appropriate (rather than by adjusting goodwill). The disclosures required to be made in relation to contingent consideration were enhanced
- Application guidance was added in relation to when the acquirer is obliged to replace the acquiree's share-based payment awards; measuring indemnification assets; rights sold previously that are reacquired in a business combination; operating leases; and valuation allowances related to financial assets such as receivables and loans
- For business combinations achieved in stages, having the acquisition date as the single measurement date was extended to include the measurement of goodwill. An acquirer must remeasure any equity interest it holds in the acquiree immediately before achieving control at its acquisition date fair value and recognise the resulting gain or loss, if any, in the income statement.

The Company plans to adopt the revised IFRS 3 in its 2010 financial year. As no business combinations are currently planned, the statement will have no impact on the Company.

IFRS 8 Operating Segments

IFRS 8 was issued as part of the convergence project with the US Financial Accounting Standards Board. This new standard replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting as required in the US Standard SFAS 131 Disclosures about Segments of an Enterprise and Related Information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences.

Additional disclosures required by IFRS 8 are:

- For all entities:
 - Information about products and services
 - Information about geographical areas
 - Information about major customers
- The factors used to identify an entity's reportable segments
- For each reportable segment, information is disclosed only if included in the results reported to the Chief Operating Decision Maker. Items currently required by IAS 14 plus the following are to be considered:
 - Interest revenue
 - Interest expense
 - Income tax expense or income
 - Segment liabilities, if such information is reviewed by the Chief Operating Decision Maker
- An explanation of the measurement basis used to determine the amounts disclosed
- A reconciliation between total reportable segment items with the amounts disclosed in the financial statements for revenues, profit or loss, assets, liabilities and other material items.

The Company will adopt IFRS 8 for the first time in its financial reporting period ending 30 June 2010.

The additional disclosure will not have any financial impact.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

IAS 23 Borrowing Costs (Revised)

The Company will be required to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset and recognise other borrowing costs as an expense in the period in which they are incurred.

The Company plans to adopt IAS 23 in its 2010 financial year. The Company's current accounting policy agrees to this amendment, therefore, the amendment will have no impact on the financial position or performance of the Company.

IAS 27 Consolidated and Separate Financial Statements (Revised)

The main amendments made were:

- The term 'minority interest' was replaced by the term 'non-controlling interest', with a new definition
- An entity must attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The previous version required excess losses to be allocated to the owners of the parent except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses
- Requirements were added to specify that changes in a parent's ownership interest in a subsidiary that does not result in the loss of control must be accounted for as equity transactions. The previous version did not have requirements for such transactions
- Requirements were added to specify how an entity measures any gain or loss arising on the loss of control of a subsidiary. Any such gain or loss is recognised in the income statement. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The previous version required the carrying amount of an investment retained in the former subsidiary to be regarded as its cost on initial measurement of the financial asset in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

The amendments also changed the structure of IAS 27, by moving some paragraphs within the standard. The paragraphs were renumbered for ease of reading.

The Company plans to adopt the revised IAS 27 in its 2010 financial year. As the results of future transactions cannot be anticipated, the impact of the changes cannot be determined.

IAS 39 Eligible Hedged Items (Amendment to IAS 39 Financial Instruments: Recognition and Measurement)

The main amendments made were:

- The final amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item
- An entity can designate the changes in fair value or cash flows related to a one-sided risk as the hedged item in an effective hedge relationship. In most cases, the intrinsic value of a purchased option hedging instrument, but not its time value, reflects a one-sided risk in a hedge item
- The designated risks and portions of fair values or cash flows in an effective hedge relationship must be separately identifiable components of the financial instrument. Additionally, the changes in fair values or cash flows of the entire financial instrument arising from changes in the designated risks and portions must be reliably measurable

- The amendment indicates that inflation is not a separately identifiable risk and cannot be designated as the hedged risk unless it represents a contractually specified cash flow
- The Company plans to adopt the amendment to IAS 39 in its 2010 financial year. As the results of future transactions cannot be anticipated, the impact of the changes cannot be determined.

IFRIC 9 Reassessment of Embedded Derivatives

An entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

As the Company only reassessed embedded derivatives as being under the circumstances mentioned in this interpretation, the interpretation will have no impact on the financial position or performance of the Company.

2.2 Improvements to IFRS (May 2008)

During May 2008, the International Accounting Standards Board issued its first omnibus of amendments to its standards. The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to standards, primarily with a view to removing inconsistencies and clarifying wording. The document comprises two parts. Part I of this document contains amendments that result in accounting changes for presentation, recognition or measurement purposes, with the IASB's rationale included in related bases for conclusions. Part II contains amendments that are terminology or editorial changes only, which the IASB expects to have no or minimal effect on accounting.

Part I

	Effective date	Amendment
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	1-Jul-09	• Plan to sell the controlling interest in a subsidiary
IAS 1 – Presentation of Financial Statements	1-Jan-09	• Current/non-current classification of derivatives
IAS 16 – Property, Plant and Equipment	1-Jan-09	• Recoverable amount • Sale of assets held for rental
IAS 19 – Employee Benefits	1-Jan-09	• Curtailments and negative past service cost • Plan administration costs • Replacement of term 'fall due' • Guidance on contingent liabilities
IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance	1-Jan-09	• Government loans with a below-market rate of interest
IAS 23 – Borrowing Costs	1-Jan-09	• Components of borrowing costs
IAS 27 – Consolidated and Separate Financial Statements	1-Jan-09	• Measurement of subsidiary held for sale in separate financial statements
IAS 28 – Investments in Associates	1-Jan-09	• Required disclosures when investments in associates are accounted for at fair value through profit or loss • Impairment of investment in associate

	Effective date	Amendment
IAS 31 – Interests in Joint Ventures	1-Jan-09	<ul style="list-style-type: none"> Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss
IAS 29 – Financial Reporting in Hyperinflationary Economies	1-Jan-09	<ul style="list-style-type: none"> Description of measurement basis in financial statements
IAS 36 – Impairment of Assets	1-Jan-09	<ul style="list-style-type: none"> Disclosure of estimates used to determine recoverable amount
IAS 38 – Intangible Assets	1-Jan-09	<ul style="list-style-type: none"> Advertising and promotional activities Unit of production method of amortisation
IAS 39 – Financial Instruments: Recognition and Measurement	1-Jan-09	<ul style="list-style-type: none"> Reclassification of derivatives into or out of the classification of at fair value through profit or loss Designating and documenting hedges at the segment level Applicable effective interest rate on cessation of fair value hedge accounting
IAS 40 – Investment Property	1-Jan-09	<ul style="list-style-type: none"> Property under construction or development for future use as investment property
IAS 41 – Agriculture	1-Jan-09	<ul style="list-style-type: none"> Discount rate for fair value calculations Additional biological transformation

Part II

	Effective date	Amendment
IFRS 7 – Financial Instruments: Disclosures	1-Jan-09	<ul style="list-style-type: none"> Presentation of finance costs
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors	1-Jan-09	<ul style="list-style-type: none"> Status of implementation guidance
IAS 10 – Events after the Reporting Period	1-Jan-09	<ul style="list-style-type: none"> Dividends declared after the end of the reporting period
IAS 18 – Revenue	1-Jan-09	<ul style="list-style-type: none"> Costs of originating a loan
IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance	1-Jan-09	<ul style="list-style-type: none"> Consistency of terminology with other IFRSs
IAS 29 – Financial Reporting in Hyperinflationary Economies	1-Jan-09	<ul style="list-style-type: none"> Consistency of terminology with other IFRSs
IAS 34 – Interim Financial Reporting	1-Jan-09	<ul style="list-style-type: none"> Earnings per share disclosures in interim financial reports
IAS 40 – Investment Property	1-Jan-09	<ul style="list-style-type: none"> Consistency of terminology with IAS 8 Investment Property held under lease
IAS 41 – Agriculture	1-Jan-09	<ul style="list-style-type: none"> Examples of agricultural produce and products Point-of-sale costs

2.3 Significant accounting judgements and estimates

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

Judgements

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

Estimates and assumptions

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

Property, plant and equipment

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

Impairment of non-financial assets

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

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

Deferred taxation assets

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

2.4 Summary of significant accounting policies

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes trade payables and taxation liabilities.

Measurement

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

Derecognition

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

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

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

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

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

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

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

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

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through

profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(a)(i) Financial assets

Investments and other financial assets

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

Financial assets at fair value through profit or loss

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

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held-for-trading are recognised in the income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

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

Available-for-sale financial investments

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

Fair value

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

Amortised cost

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

Cash and cash equivalents

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

(a)(ii) Financial liabilities

The category of financial liabilities is as follows

Trade and other payables

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

(b) Property, plant and equipment

Owned assets

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

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

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. Leases are classified as finance leases where the Company retains substantially all the risks and benefits incidental to ownership.

Operating leases

Operating leases are those leases which do not fall in the scope of the above definition of a finance lease. Operating lease rentals with fixed escalation clauses are charged against trading profit on a straight-line basis over the term of the lease.

Depreciation

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

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

(c) Intangible assets

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be appropriate. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Trademarks, patents and software licences

Trademarks, patents and software licences are measured on initial recognition at cost. Following initial recognition, they are amortised on a straight-line basis over a period of 5 to 30 years. Impairment testing is done annually or more frequently when an indication of impairment exists. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development cost

Research and development costs are recognised in the income statement as incurred.

(d) Inventories

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

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

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

(e) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

(f) Provisions

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

(g) Retirement benefits

Defined-contribution funds

Obligations for contributions to defined-contribution pensions and provident plans are recognised as an expense in the income statement as incurred.

Medical aid

The obligation in respect of post-retirement health care is the sole responsibility of the retired employee. There is therefore no Company obligation or liability in this regard.

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding confidential discounts and including finance income, management fees and rental income. The following specific recognition criteria must also be met before revenue is recognised.

Turnover

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Finance income

Revenue is recognised as interest accrues. The Company deposits surplus funds at financial institutions and the Company does not act as a supplier of finance to third parties. Interest received is recognised as finance income.

Royalties

Fees and royalties received for the use of the entity's intellectual assets are recognised in accordance with the substance of the agreement. Royalties are recognised as and when the rights granted under the agreement are utilised.

Management fees

Management fees are recognised when the service is rendered.

(i) Cost of sales

Cost of sales consists of the following:

- Cost of raw material, ingredients and packaging;
- Manufacturing direct and indirect costs;
- Primary distribution costs and
- Charges against sales that relate to promotional costs.

(j) Finance costs

Finance costs are recognised as an expense when incurred.

(k) Taxes

Current taxation

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

Deferred taxation

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax is based on current rates of taxation. IFRS requires the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted at the balance sheet date, to be applied.

Value-added taxation

Revenues, expenses, assets and liabilities are recognised net of the amount of value-added taxation, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

Secondary taxation on companies

Secondary taxation on companies is recognised if one of the following events occurs:

- Ordinary dividends are declared or
- Events have occurred which result in a deemed dividend.

STC is calculated at the prescribed legislated rate and the expense is reflected as part of the taxation expense in the income statement.

(l) Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products and is subject to risks and rewards that are different from those of other segments.

All products constitute beverages and are sold in similar markets. Clover Beverages operates mainly in the geographical area of South Africa. The revenue and assets of the operations outside South Africa are insignificant. It is therefore not considered appropriate to report by product group or geographical segment.

(m) Comparative figures

Where account balances were reclassified for the purpose of better disclosure, the comparative figures have been restated accordingly.

An amount has been reclassified from selling and distribution expenses to administrative expenses in order to enhance disclosure.

3 Definitions

3.1 Dividend per share

Actual dividend paid, divided by the number of shares in issue at the end of the year.

3.2 Earnings per share

Profit for the year divided by the weighted average number of shares in issue during the year.

3.3 Net asset value per share

Shareholders' funds divided by the number of shares in issue at the end of the year.

3.4 Net assets

Total assets less total liabilities.

3.5 Cash flow

Cash flow from operating activities.

3.6 Net asset turn

Revenue divided by average net assets less average cash on hand.

3.7 Return on net assets

Operating profit as a percentage of average assets less average non-interest bearing current liabilities.

3.8 Return on shareholders' funds

Profit for the year as a percentage of average shareholders' funds.

3.9 Current ratio

Current assets divided by current liabilities.

3.10 Activities pertaining to cash flow

* Operating activities

All transactions and other events that are not investing or financing activities.

* Investing activities

Activities relating to the acquisition, holding and disposal of long-term assets and loans advanced.

* Financing activities

Activities that result in changes in the size and composition of the capital structures of the Company. This includes both the equity and debt not falling within the definition of cash and cash equivalents.

3.11 Cash and cash equivalents

Cash on hand and in current bank accounts.

3.12 Abbreviations

Clover Beverages Limited

– Clover Beverages

Clover S.A. (Pty) Limited

– Clover S.A.

Clover Industries Limited

– CIL

Clover Botswana (Pty) Limited (Incorporated in Botswana)

– Clover Botswana

Danone Clover (Pty) Limited

– Danone Clover

Clover Manhattan (Pty) Limited

– Clover Manhattan

International Accounting Standards

– IAS

International Financial Reporting Standards

– IFRS

International Accounting Standards Board

– IASB

Financial Oversight and Risk Committee

– FORC

Chief Operating Decision Maker

– CODM

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R'000	R'000
4 Revenue and expenses		
4.1 Revenue		
Revenue comprises		
Turnover	1 019 879	812 744
Less: confidential discounts	(49 210)	(35 715)
Turnover net of confidential discounts	970 669	777 029
Finance income	14 775	24 969
Royalties	1 018	955
Management fee	889	797
Total revenue	987 351	803 750
4.2 Cost of sales consists of		
Charges against sales	(59 949)	(49 338)
Cost of raw milk, ingredients and packaging	(446 026)	(341 174)
Manufacturing direct and indirect cost	(99 185)	(87 988)
Primary distribution cost	(64 107)	(54 887)
Total cost of sales	(669 267)	(533 387)
Included in cost of sales are operating expenses as indicated below:		
Depreciation	(3 145)	(3 468)

	2009	2008
	R'000	R'000
4.3 Other operating income		
Included in other operating income are the following:		
Royalties	1 018	955
Management fee	889	797
Other	–	210
Total operating income	1 907	1 962
4.4 Operating profit before financing income/(cost)		
Operating profit before finance income/(cost) has been determined after taking into account the following expenses:		
Rentals		
– land and buildings	–	(519)
– storage and equipment	(59)	(33)
Total rentals	(59)	(552)
Personnel expenses		
– wages, salaries, bonuses and car allowances	(8 363)	(8 841)
– other Company contributions	(45)	(39)
– pension contributions	(678)	(670)
– medical aid contributions	(209)	(209)
– other personnel expenses	(291)	(239)
Total personnel expenses	(9 586)	(9 998)
Auditor's remuneration		
– Audit fees current year	(520)	(540)
Total auditor's remuneration	(520)	(540)
Amortisation	(572)	(100)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R'000	R'000
4.5 Finance income		
Finance income earned on call loans advanced to Clover S.A.	14 775	24 969
Total finance income	14 775	24 969
4.6 Finance costs		
Finance costs	-	(6)
Total finance costs	-	(6)
5 Income tax expense		
The major components of the tax expense are as follows:		
Current income tax expense		
- Current year	(30 590)	(24 071)
Deferred income tax		
- Current year	141	(503)
- Tax rate adjustment	-	67
Secondary tax on companies		
- Current year	(843)	(7 560)
Total tax expense	(31 292)	(32 067)
Reconciliation of tax rate (%)		
Standard taxation rate	28,0	28,0
Permanent differences	-	0,1
Secondary taxation on companies	0,8	8,8
Tax rate adjustment	-	(0,1)
Other	-	0,4
Effective income tax rate	28,8	37,2
Income tax rate change		
During the previous financial year, the legislated corporate rate of taxation decreased from 29% to 28%.		

6 Earnings per share and dividends per share

6.1 Earnings per share

The earnings per share of 25,9 cents (2008: 18,1 cents) have been calculated on profits for the year of R77,6 million (2008: R54,2 million) and the weighted average number of issued ordinary shares of 300 million (2008: 300 million).

6.2 Diluted earnings per share

There are no instruments in issue that could have a dilutive effect and therefore the diluted earnings per share equal the earnings per share.

6.3 Dividends per share

A dividend of R113,5 million (2008: R75,6 million) was paid during the year. Based on the weighted average number of shares of 300 million (2008: 300 million), the dividend per share is 37,8 cents (2008: 25,2 cents).

		2009	2008
		R'000	R'000
7	Property, plant and equipment		
7.1	Freehold land and buildings		
	Cost		
	Balance at the beginning of the year	6 673	6 673
	Balance at the end of the year	6 673	6 673
	Accumulated depreciation		
	Balance at the beginning of the year	(3 071)	(2 880)
	Depreciation for the year	(185)	(191)
	Balance at the end of the year	(3 256)	(3 071)
	Carrying amounts		
	Balance at the beginning of the year	3 602	3 793
	Balance at the end of the year	3 417	3 602
7.2	Plant, equipment and vehicles		
	Cost		
	Balance at the beginning of the year	30 919	29 423
	Additions	771	1 509
	Disposals	(456)	(13)
	Balance at the end of the year	31 234	30 919
	Accumulated depreciation		
	Balance at the beginning of the year	(14 930)	(11 656)
	Depreciation for the year	(2 960)	(3 277)
	Disposals	336	3
	Balance at the end of the year	(17 554)	(14 930)
	Carrying amounts		
	Balance at the beginning of the year	15 989	17 767
	Balance at the end of the year	13 680	15 989

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R'000	R'000
7.3 Total property, plant and equipment		
Cost		
Balance at the beginning of the year	37 592	36 096
Additions	771	1 509
Disposals	(456)	(13)
Balance at the end of the year	37 907	37 592
Accumulated depreciation		
Balance at the beginning of the year	(18 001)	(14 536)
Depreciation for the year	(3 145)	(3 468)
Disposals	336	3
Balance at the end of the year	(20 810)	(18 001)
Carrying amounts		
Balance at the beginning of the year	19 591	21 560
Balance at the end of the year	17 097	19 591
Registers containing details of land are available for inspection at the registered office.		
8 Intangible assets		
8.1 Trademarks, patents and software licences		
Cost		
Balance at the beginning of the year	706	571
Aquisitions	-	135
Transfer from other investments	3 500	-
Balance at the end of the year	4 206	706
Accumulated amortisation		
Balance at the beginning of the year	(255)	(155)
Amortisation for the year	(572)	(100)
Balance at the end of the year	(827)	(255)
Carrying amounts		
Balance at the beginning of the year	451	416
Balance at the end of the year	3 379	451

		2009	2008
		R'000	R'000
9	Other investments		
	Unlisted:		
	Investment in Clover Manhattan		
	Opening balance	3 500	3 500
	Transfer to trademarks	(3 500)	-
	Total other investments	-	3 500
	The carrying amount approximates fair value.		
10	Inventories		
	Raw materials and consumables	5 254	5 622
	Finished goods	29 644	28 644
	Total inventories	34 898	34 266
11	Trade and other receivables		
	Call loan to Clover S.A.	50 918	92 201
	Intercompany debtors	171 886	181 220
	Other debtors	-	42
	Total trade and other receivables	222 804	273 463
	Clover S.A. is responsible for the administration and collection of sales and debtors arising from the sale of Clover Beverages products and all risks and rewards attached to the debtors are for the Clover S.A. account. Refer to Note 24.5 for disclosures regarding fair values of these receivables.		
	The call loan is unsecured, payable on demand and attracts interest at prime. The fair value of the loan approximates the carrying value due to the short-term maturity of the loan.		
	Refer to Note 22.1 regarding the terms and conditions of the intercompany debtors' balance.		
12	Cash and short-term deposits		
	Cash at banks and on hand	9 129	5 405
	Total cash and short-term deposits	9 129	5 405
	Cash at banks attracts interest at market-related rates. Refer to Note 24.5 for disclosures regarding fair values of these cash and short-term deposits.		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

		2009	2008
		R'000	R'000
13	Issued capital		
	Ordinary shares		
	Authorised		
	400 million ordinary par value shares of 5 cents each	20 000	20 000
	Issued		
	300 million ordinary par value shares of 5 cents each	15 000	15 000
	Total issued share capital	15 000	15 000
	All unissued authorised shares were placed under the control of the Directors until the next Annual General Meeting.		
14	Retained earnings		
	Retained profit at the beginning of the year	284 609	306 024
	Profit for the year	77 547	54 185
	Dividends declared during the year	(113 460)	(75 600)
	Retained profit at the end of the year	248 696	284 609

		2009	2008
		R'000	R'000
15	Deferred tax liability		
	Deferred tax liability at 30 June is reconciled as follows:		
	Balance at beginning of year	2 347	1 911
	Movements during the year	(137)	503
	Tax rate adjustment	-	(67)
	Balance at end of year	2 210	2 347
	The balance is constituted as follows		
	Deferred tax asset		
	Credit notes	(237)	(309)
	Bad debts	-	(113)
	Other	-	(146)
	Trademarks	(45)	-
	Leave pay	(131)	(166)
	Long-service bonus	(130)	(118)
	Total deferred tax asset	(543)	(852)
	Deferred tax liabilities		
	Accelerated property, plant and equipment allowances	2 751	3 118
	Other	2	81
	Total deferred tax liabilities	2 753	3 199
	Net deferred tax liability	2 210	2 347
16	Trade and other payables		
	Trade payables	8 531	11 210
	Intercompany payables	8 695	16 377
	Other payables	3 751	3 651
	Total trade and other payables	20 977	31 238
	Trade and other payables are non-interest bearing and are generally settled within 30 – 60 days.		
	Refer to Note 22.1 for disclosure regarding the terms and conditions of the intercompany creditors' balance.		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
17 Provisions		
17.1 Long-service bonus		
The Company rewards employees with long-service by remunerating them with a lump sum after a specific number of service years. Assumptions and valuation methods are as follows:		
Background		
The long-service bonuses which employees receive differ between employees whose employment date was before 1 January 2001 and employees whose employment date was after 1 January 2001. The benefit is as follows:		
<u>Employees with an employment date before 01/01/2001</u>		
Employees receive a bonus of three times their monthly basic salary after 15 years' service and one time their monthly basic salary every 5 years thereafter.		
<u>Employees with an employment date after 01/01/2001</u>		
Employees receive a bonus of 10% of their monthly basic salary after 10 years' service, 15% after 15 years' service, 20% after 20 years' service, 25% after 25 years' service, etc.		
Valuation method		
Simeka Consultants and Actuaries conducted the valuation regarding the long-service bonus. The projected unit credit method is used in the calculations. The values of the past service liabilities and the future service liabilities are given separately. The past service liability is the value of the accumulated liability as at the calculation date in respect of service already rendered. The future service liability is the value of the liability from service after the calculation date until the next date the employee is entitled to receive a bonus payment. The total liability is evenly distributed over the period since service inception until the date when the benefit is payable.		
The determination of the long-service bonus is based on the following assumptions:		
Number of active members: before 01/01/2001	4	6
Number of active members: after 01/01/2001	7	5
Salary escalation rate	7,8%	9,7%
Discounting rate	9,3%	10,9%
Normal retirement	65	65
	R'000	R'000
Past service liability		
Employees with employment date before 01/01/2001	331	420
Employees with employment date after 01/01/2001	1	2
Total past service liability	332	422
Future service liability		
Employees with employment date before 01/01/2001	48	108
Employees with employment date after 01/01/2001	3	4
Total future service liability	51	112
Balance at the beginning of the year	422	615
Amounts utilised	(90)	(193)
Total long-service bonus provision	332	422

	2009	2008
	R'000	R'000
17.2 Leave pay		
A provision for leave pay is recognised for the number of days leave due to employees at 30 June, valued at a rate per day based on the basic salary of each employee at 30 June. Leave payments are recognised as utilisations.		
Balance at the beginning of the year	591	354
Amounts (written back)/provided	(118)	290
Amounts utilised	(4)	(53)
Total leave pay provision	469	591
17.3 Total provision		
Long-term portion	670	971
Short-term portion	131	42
Total provision balance at the end of year	801	1 013
18 Notes to the cash flow statements		
18.1 Cash generated from operations		
Profit before taxation	108 839	86 252
Finance income	(14 775)	(24 969)
Finance costs	-	6
Movement in provisions	(212)	44
Amortisation	572	100
Depreciation	3 145	3 468
Change in working capital	(1 517)	(113 755)
Loss on disposal and scrapping of assets	107	10
Total cash generated from/(utilised by) operations	96 159	(48 844)
18.2 Change in working capital		
Increase in inventories	(632)	(6 808)
Decrease/(increase) in accounts receivable	9 376	(45 761)
Decrease in accounts payable	(10 261)	(61 186)
Increase in working capital	(1 517)	(113 755)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

	2009	2008
	R'000	R'000
18.3 Income tax paid		
Amount unpaid at the beginning of the year	(2 469)	(11 464)
Tax charged in income statement	(31 433)	(31 631)
Amount due at the end of the year	(377)	2 469
Total income tax paid	(34 279)	(40 626)
19 Pensions and other post-employment benefit plans		
It is the policy of the Company to provide for payments to separate funds which are independent from the Company. Contributions are charged to the income statement and are disclosed separately in Note 4.4.		
19.1 Pension fund		
This is a defined-contribution fund. The value of this fund determines the benefits that accrue to members. The Company has no obligation other than its normal contributions. Ten (2008: nine) employees are members of the Clover Defined-Contribution Fund. The pension fund is governed by the Pension Funds Act, 1956 (Act no. 24 of 1956).		
19.2 Provident fund		
This is a defined-contribution fund. The value of the fund determines the benefits that accrue to members. The Company has no obligation other than its normal contributions. One (2008: two) employee is a member of the Clover Provident Fund. The provident fund is governed by the Pension Funds Act, 1956 (Act no. 24 of 1956).		
19.3 Medical aid		
The obligation in respect of post-retirement health care is the sole responsibility of the retired employee. The Company therefore has no obligation or liability in this regard.		
20 Capital commitments		
There were no capital commitments for the year (2008: R nil).		
21 Borrowing capacity		
There are no borrowing restrictions on the Company.		

	2009	2008
	R'000	R'000
22 Related-party transactions		
Related-party relationships exist between the Company, Clover S.A., Clover Botswana, Danone Clover and the Directors. All purchasing and selling transactions are concluded at arm's length.		
The Company has concluded certain borrowing transactions with its holding company. All interest-rate pricing arising in respect of these transactions was concluded on a market-related and arm's length basis.		
22.1 With regard to business done with related parties, the following transactions took place during the year:		
Transactions		
– interest received from Clover S.A.	14 775	24 969
– rent paid to Clover S.A.	–	(519)
– fees paid to Clover S.A. for services provided (production, distribution, administration)	(359 712)	(306 491)
– dividends paid to Clover S.A.	(107 539)	(71 655)
Balances		
– amounts due by Clover S.A. to Clover Beverages	171 803	170 713
– amounts receivable by Clover Beverages from Danone Clover	–	10 358
– amounts due by Clover Botswana to Clover Beverages	83	149
– amounts due by Clover Beverages to Clover Botswana	–	(56)
– amounts payable by Clover Beverages to Clover S.A.	(8 695)	(16 321)
– amounts on call loan with Clover S.A.	50 918	92 201
Terms and Conditions		
Intercompany debtors: The sales made by Clover S.A. on behalf of the Company are due and receivable within 40 days.		
Intercompany creditors: Expenses paid on behalf of the Company are due and payable after 30 days. Monthly production and service fees charged are, however, payable in the month in which they are incurred.		
22.2 Compensation of Directors		
Compensation of Executive Directors and Key Management Personnel		
– basic salary, car allowances and bonuses	4 793	3 926
– pension and medical contributions	412	408
Total compensation of Executive Directors and Key Management Personnel	(5 205)	(4 334)
Compensation of Non-executive Directors		
– Directors' fees	(285)	(348)
– expenses allowance	(46)	(46)
Total compensation of Non-executive Directors	(331)	(394)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

		2009	2008
		R'000	R'000
23	Commitment and contingencies		
23.1	Operating lease commitments		
	Company as lessor		
	The Company leases the Mayfair factory to Clover S.A. Clover S.A. recovers the rental as production cost from Clover Beverages. The future minimum lease receipts are as follows:		
	– within one year	2 797	2 563
	– after one year, but not longer than five years	11 187	10 250
	– after five years	# 13 984	# 12 813
	Total future minimum lease receipts	27 968	25 626
	# The contract states an indefinite lease term, the figure has, however, been calculated by reference to a five-year period in order to provide the user with sufficient information.		

24 Financial instruments

The Company makes use of the Clover Group Treasury function.

The Group Treasury function does not operate as a profit centre, but rather provides financial services to the divisions and Group companies, coordinates access to domestic and international financial markets and manages the financial risks relating to the Group's operations. The Group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movement in currency and interest rates. Currency and interest rate exposure is managed within Board-approved policies and guidelines, which restrict the use of derivatives to the hedging of specific underlying currency and interest rate exposures.

24.1 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk and
- market risk.

This Note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Financial Oversight and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

This Committee is assisted in its oversight role by Clover S.A. Internal Audit which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

(i) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from intercompany debtors.

Credit risk primarily relates to potential exposure on bank and cash balances, investments and trade receivables. The Company limits its exposure by only dealing with well-established institutions of high credit standing. The Company is exposed to credit risk in the form of trade receivables, mainly intercompany balances, which are included in the total debtors balance. The maximum exposure to credit risk is disclosed in Note 24.7.

Trade and other receivables

Trade and other receivables comprise a call loan to Clover S.A., intercompany debtors and sundry debtors. These intercompany debtors comprise of Clover Botswana, Danone Clover and Clover S.A. The main risk arises from the intercompany debtors, as this makes up approximately 77% (2008: 66%) of the total trade and other receivables balance.

The Company's exposure to credit risk is not influenced by the individual characteristics of each customer, nor the demographics of the Company's customer base, nor any geographical concentration of risk.

All the sales were made by Clover S.A., on behalf of the Company. Hence the sales made by Clover S.A. on behalf of the Company were included in the intercompany debtors balance and is due and receivable within 40 days after statement.

Based on the past five years' historical intercompany receipts from Clover S.A. to the Company, no defaulting on payments occurred and Clover S.A. is of high credit standing.

The responsibility for effective credit management rests with the Chief Financial Officer of CIL.

(ii) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The major component relating to liquidity risk during the year, is an intercompany payable, namely Clover S.A. This particular payable constitutes approximately 26,4% (2008: 52,4%) of the trade and other payables balance.

The intercompany payable agreement stipulates when the outstanding amounts are due and payable. Expenses which are paid on behalf of the Company by Clover S.A. are due and payable after 30 days. Monthly production and service fees charged are, however, payable in the month which in they are incurred.

The Company manages liquidity risk by monitoring actual and budgeted cash flows.

The Company ensures that it has sufficient cash on demand to meet expected operational demands, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company monitors the liquidity risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return of risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

As the Company does not deal in any foreign currency and does not buy and sell any derivatives in the ordinary course of business, it does not need to manage market risks relating to any foreign currency risk as it is not exposed to any currency risks.

As the Company does not have any interest-bearing borrowings, the Company is not exposed to any major interest rate risks.

24.2 Capital management

Capital consists of ordinary share capital and premium.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2009 and 30 June 2008.

The Company's target is to achieve a return on shareholders' equity of at least 20% in the medium to long term. A return of 27,5% (2008: 17,5%) was achieved.

The Company is not subject to externally imposed capital requirements.

24.3 Classification of financial and non-financial instruments

	Carrying value							
	Loans and receivables		Cash and cash equivalents		Non-financial assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS								
Non-current assets								
Property, plant and equipment	-	-	-	-	17 097	19 591	17 097	19 591
Intangibles	-	-	-	-	3 379	451	3 379	451
Other investments	-	-	-	-	-	3 500	-	3 500
Total non-current assets	-	-	-	-	20 476	23 542	20 476	23 542
Current assets								
Inventories	-	-	-	-	34 898	34 266	34 898	34 266
Trade and other receivables	222 804	273 463	-	-	-	-	222 804	273 463
Cash and short-term deposits	-	-	9 129	5 405	-	-	9 129	5 405
Income tax receivable	-	-	-	-	377	-	377	-
Total current assets	222 804	273 463	9 129	5 405	35 275	34 266	267 208	313 134
Total assets	222 804	273 463	9 129	5 405	55 751	57 808	287 684	336 676

24.4 Classification of financial and non-financial instruments

	Carrying value							
	Amortised cost		Equity instrument		Non-financial liability		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	15 000	15 000	-	-	15 000	15 000
Retained earnings	-	-	248 696	284 609	-	-	248 696	284 609
Total equity	-	-	263 696	299 609	-	-	263 696	299 609
Liabilities								
Provisions	-	-	-	-	801	1 013	801	1 013
Trade and other payables	20 977	31 238	-	-	-	-	20 977	31 238
Deferred taxation	-	-	-	-	2 210	2 347	2 210	2 347
Taxation payable	-	-	-	-	-	2 469	-	2 469
Total liabilities	20 977	31 238	-	-	3 011	5 829	23 988	37 067
Total equity and liabilities	20 977	31 238	263 696	299 609	3 011	5 829	287 684	336 676

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

24.5 Fair value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value
	2009		2008	
Financial assets				
Loans and receivables	222 804	222 804	273 463	273 463
Cash and short-term deposits	9 129	9 129	5 405	5 405
Total financial assets	231 933	231 933	278 868	278 868
Financial liabilities				
Amortised cost	20 977	20 977	31 238	31 238
Total financial liabilities	20 977	20 977	31 238	31 238

The carrying values reasonably approximates fair value.

24.6 Liquidity risk

Maturity profile of financial instruments

The maturity profile of the financial instruments at 30 June 2009 is summarised as follows for the Company:

	2009					
	0 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years	> 5 years	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Financial liabilities						
Trade and other payables	20 977	–	–	–	–	20 977
Total financial liabilities	20 977	–	–	–	–	20 977

The maturity profile of the financial instruments at 30 June 2008 is summarised as follows for the Company:

	2008					
	0 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years	> 5 years	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Financial liabilities						
Trade and other payables	31 238	–	–	–	–	31 238
Total financial liabilities	31 238	–	–	–	–	31 238

