

DIRECTORS' REPORT

The Directors present their report on the activities and the financial statements for Clover Industries Ltd ("CIL") and the Group in respect of the year ended 30 June 2014.

NATURE OF BUSINESS

The procurement, production, marketing, sales and distribution of branded consumer goods to customers on the African continent.

Group results

The Group's results for the year are as follows:

	2014 R'm	2013 Restated R'm
Revenue	8 530,2	7 832,9
Total comprehensive income attributable to equity holders of the parent Company	189,2	238,4

More detailed financial information can be found in the Financial Report which forms part of the Integrated Annual Report.

The June 2012 Consolidated Statement of Financial Position has also been restated and disclosed to show the effect of IFRS 11 on the financial position of the Group.

SUBSIDIARY COMPANIES AND INTERESTS IN JOINT VENTURES

Details of subsidiary companies are reflected in note 30 to the financial statements and business combinations and interests in joint ventures in note 3 and 4 to the financial statements.

As communicated on the Stock Exchange News Services ("SENS") on 8 May 2014, The Real Beverages Company (Proprietary) Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has concluded two agreements with Dairybelle (Proprietary) Limited ("Dairybelle"), to acquire the following two businesses:

- the yoghurt manufacturing, marketing and distribution business ("Yoghurt Business") for a cash consideration of R125 million; and
- the UHT milk manufacturing, marketing and distribution business ("UHT Milk Business") for a cash consideration of R30 million.

These transactions are in line with the Company's stated strategy to expand its portfolio of value added and branded consumer products.

The acquisition of the assets comprising the Yoghurt Business will provide the Company with access to the yoghurt market, in which Dairybelle has a meaningful presence. Additionally, the location of Dairybelle's UHT production facilities in the Western Cape will allow the Company, after it acquires the UHT Milk Business, to improve efficiencies through the more effective utilisation of its raw milk supply in the region.

The effective dates of the transactions are as follows:

- The Yoghurt business will take effect on the later of (i) the first day of the month succeeding the month in which the approval of the transaction by the competition authorities in South Africa is obtained, or (ii) 1 January 2015 (such date, the "Yoghurt Completion Date"); and
- The UHT Milk business will take effect on the first day of the month succeeding the month in which the approval of the transaction by the competition authorities in South Africa is obtained.

For more detail regarding these transactions please refer to the SENS announcement on the 8th of May 2014.

SHARE CAPITAL

Details of the authorised and issued share capital are disclosed in note 19 to the financial statements.

A general authority to repurchase ordinary shares of the Company was granted to the Directors by way of a special resolution adopted on 26 November 2013 and is valid until 28 November 2014. Such authority is subject to the Companies Act and the Listings Requirements of the JSE. The Listings Requirements of the JSE limit repurchases during any one year to a maximum of 20% of the issued ordinary shares at the time.

On 1 July 2013 the company issued 1 260 440 ordinary Clover Industries shares to a retired member of senior management to settle part of its obligation under the Clover Share Appreciation Rights Plan.

Except for the above no shares were issued or repurchased during the year ending 30 June 2014.

DIVIDENDS

Dividends declared and paid by CIL during the year:

	2014 R'000	2013 R'000
Ordinary dividends		
Declared	69 342	41 912
Paid	69 342	41 912
Preference dividends recognised as interest:		
Declared	–	20 346
Paid	–	26 106

The Board declared and paid an interim cash dividend of (R29,2 million) 16 cents per ordinary share during April 2014. It further declared a final dividend of R29,2 million or 16 cents per ordinary share, bringing the total dividend for the year to R58,4 million (2013: R58,1 million) or 32 cents (2013: 32 cents) per ordinary share.

This is equal to the dividend paid in the previous financial year which is in line with the company's dividend policy to at least maintain dividends in the event of HEPS ending lower than the prior financial year.

DECLARATION OF DIVIDEND NUMBER 9

Notice is hereby given that the directors have declared a final gross cash dividend of R29,2 million or 16 cents (13,6 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2014.

The dividend has been declared from income reserves and no secondary tax on companies credits have been used.

A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

The Company income tax number is 9657/002/71/4.

The issued share capital at the declaration date is 182 478 589 ordinary shares. The salient dates will be as follows:

Last day to trade to receive a dividend	Friday, 3 October 2014
Shares commence trading "ex" dividend	Monday, 6 October 2014
Record date	Friday, 10 October 2014
Payment date	Monday, 13 October 2014

Share certificates may not be dematerialised or rematerialised between Monday, 6 October 2014 and Friday, 10 October 2014, both days inclusive.

DIRECTORS AND COMPANY SECRETARY

Particulars of the present Directors and company secretary are listed on pages 16 to 18 and page 110.

SHARE-BASED COMPENSATION

On 1 July 2013, 3 041 063 SAR were issued to executives at an issue price of R16,83 and on 30 June 2014 a further 3 134 141 at an issue price of R17,31. These SAR will vest three years after the issue date and are subject to vesting conditions. SAR not exercised will be cancelled seven years after the issue date.

On exercise Executives will be entitled to a payment equal to the increase in the CIL ordinary share price over the issue price of the SAR. Such payment can at the election of the Group be either in cash or by way of the issue to the member of a number of ordinary shares equal in value to such cash amount. Details of SAR issued and vested in terms of the plan are given in the Remuneration Policy and Remuneration Report contained in the Integrated Annual Report.

INSURANCE AND RISK MANAGEMENT

The Group follows a policy of reviewing the risks relating to assets and commitments that might flow from the use thereof with its insurers on an annual basis. Wherever possible, assets are automatically included. There is also a continuous asset risk control programme, which is carried out in conjunction with the Group's insurance brokers. For further information on the Group's risk management process please refer to the Report on Corporate Governance, Risk and Compliance on page 40.

PROPERTY, PLANT AND EQUIPMENT

There was no change in the nature of the property, plant and equipment of the Group or in the policy regarding their use. Capital expenditure on tangible assets was R375,0 million (2013: R434,3 million) and R13,0 million (2013: R103,0 million) on intangible assets.

EVENTS AFTER THE REPORTING PERIOD

With effect 1 July 2014 Clover SA bought the remaining 48% issued ordinary shares of Lactolab from Taurus Stock Improvement Co-operative Ltd for an amount of R5,5 million. The transaction was funded from own cash resources of the company.

Other than the above no significant events occurred subsequent to the year-end.

SPECIAL RESOLUTIONS

The following special resolutions were adopted at the Annual General Meeting of Clover Industries Limited held on 26 November 2013:

- A general authority was given to the Board of Directors to repurchase shares in the Company subject to the Companies Act and the JSE Listings Requirements;
- The remuneration of the Non-executive Directors with effect from 1 July 2013 was approved; and
- The Company and/or subsidiaries was given authority by way of general authority to provide, from time to time, subject to Section 45 of the Companies Act, financial assistance to related and inter-related companies on the terms and conditions that the Board of Directors deem appropriate.

ACKNOWLEDGEMENTS

We express our thanks and appreciation to:

- Our shareholders for their support during the year;
- Our staff for their dedication to the Clover brand;
- All our suppliers for their support in reducing the costs in the supply chain;
- The retail and wholesale trade for their support; and
- The consumers who support the Clover brand.



Werner Büchner
Chairman



Johann Vorster
Chief Executive Officer

15 September 2014