ANNUAL FINANCIAL STATEMENTS

The audited financial statements contained in this section were prepared under the supervision of Elton Ronald Bosch, CA(SA), in his capacity as Chief Financial Officer of the Group.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee has pleasure in submitting this report as required by section 94(7)(f) of the Companies Act. The Audit and Risk Committee has adopted detailed terms of reference which comply with the Companies Act, No 71 of 2008 ("Act"), and King III and have been approved by the Board of Directors of the Company ("Board").

Audit and Risk Committee membership and attendance at meetings

The Audit and Risk Committee comprises only Independent Non-executive Directors. The Chief Executive, Chief Financial Officer and other executives attend meetings of the Audit and Risk Committee by invitation and actively engage in these meetings. Other Non-executive Directors may attend if they so wish. The Audit and Risk Committee was duly appointed by the shareholders at the Annual General Meeting on 27 November 2015. Shareholders will again be asked to approve the appointment of the members of the Audit and Risk Committee for the 2016/17 financial year at the Annual General Meeting scheduled for 28 November 2016. Details of the members of the Audit and Risk Committee and the number of meetings (including the attendance of the members) held for the financial year are set out on page 73 in the Report on Governance, Risk and Compliance.

Function of the Audit and Risk Committee

The functions of the Audit and Risk Committee are as follows:

- to perform all of the duties required of it by the Act, in respect of the Company and all of its subsidiary companies;
- to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, the maintenance of accurate and complete accounting records and the preparation of financial statements in compliance with the applicable legal requirements, King III code of governance principles and applicable accounting standards;
- to review the Group's Annual Integrated Report, including the annual financial statements, as well as its interim report and any other public reports or announcements containing financial information;
- to provide management, External Auditors and the Internal Auditors with access to the Chairman or any other member of the Audit and Risk Committee to discuss any matter within the Audit and Risk Committee's scope;
- to meet separately with the External and Internal Auditors at least once a year;
- to provide a forum for discussing business risk and control issues and developing recommendations for consideration by the Board;
- to monitor enterprise-wide, operational, market, regulatory, safety and other risks, and to monitor controls designed to minimise risk;
- to consider and recommend to the Board whether external assurance should be provided on the Report on Six Capitals and to ensure that the report is consistent with the Annual Financial Statements;
- to perform the functions required in terms of the JSE Listings Requirements;
- to perform the matters required by the Act, in respect of the Company and all its subsidiary companies incorporated in South Africa;
- to oversee the activities of, and ensure co-ordination, between the activities of Internal and External Audit; and
- to review the Audit and Risk Committee's work plan and terms of reference annually and make recommendations to Board to ensure its effectiveness.

Duties carried out

The Audit and Risk Committee confirms that it has performed its duties and responsibilities during the financial year in accordance with the Act, its terms of reference and work plan.

External audit

During the year under review, the Audit and Risk Committee undertook the following:

- nominated Ernst & Young Inc. as the External Auditor, with Sarel Strydom as the designated auditor to the shareholders for appointment as auditor for the financial year ended 30 June 2016, and ensured that the appointment complied with all legal and regulatory requirements for the appointment of an auditor;
- confirmed that the auditor and the designated auditor are accredited by the JSE;
- approved the External Audit engagement letter, the plan and the budgeted audit fees payable to the External Auditor;
- reviewed the audit and evaluated the effectiveness of the auditor;
- obtained a statement from the auditor confirming that its independence was not impaired;
- determined the nature and extent of all non-audit services provided by the External Auditor and pre-approved all non-audit services undertaken;
- obtained assurances from the External Auditor that adequate accounting records were being maintained;
- confirmed that no reportable irregularities had been identified or reported by the auditors under the Auditing Profession Act; and
- nominated the External Auditor and the designated independent auditor for each of the South African subsidiary companies for the financial year ended 30 June 2016.

Financial statements

During the year under review, the Audit and Risk Committee:

- confirmed, based on managements' review that the interim and Annual Financial Statements were drawn up on the going-concern basis;
- examined the published Interim and Annual Financial Statements and other financial information, prior to the Board's approval;
- considered the accounting treatment of significant or unusual transactions and accounting judgements by management;
- considered the appropriateness of accounting policies and any changes made;
- reviewed the audit report on the Annual Financial Statements;
- reviewed the representation letter relating to the Annual Financial Statements signed by management;
- considered any problems identified as well as any legal and tax matters that could materially affect the financial statements;
- met separately with management, the External Auditor and Internal Auditor; and
- concluded that the Annual Financial Statements fairly present the financial position of the Group and Company at the end of the financial year and the results of operations and cash flows for the financial year.

Risk management and information technology

During the year under review, the Audit and Risk Committee:

- reviewed and approved the Group's Enterprise Wide Risk Management Framework defining Clover's risk management methodology;

AUDIT AND RISK COMMITTEE REPORT (continued)

- reviewed quarterly risk reports containing pertinent risks and opportunities aligned to the Group's vision and mission, emerging events and reportable incidents;
- reviewed the Group's policies on risk assessment and risk management, including fraud risks and information technology risks and found them to be sound;
- reviewed the Group's insurance cover based on the advice of the Group's insurance broker and confirmed that all significant insurable risks are appropriately covered; and
- received a limited assurance report on management's assessment of the effectiveness of the Group's system of internal controls over financial reporting from the External Auditors, Ernst & Young Inc.

Internal control and Internal audit

During the year under review, the Audit and Risk Committee:

- reviewed and approved the annual Internal Audit plan and evaluated the independence, effectiveness and performance of the Internal Audit providers;
- considered the reports of the Internal and External Auditors on the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems;
- received assurances that proper accounting records were maintained and that the systems safeguarded the Group's assets against unauthorised use or disposal;
- reviewed issues raised by Internal Audit and the adequacy of corrective action taken by management in response; and
- assessed the adequacy of the performance of the Internal Audit function and found it satisfactory.

Taking into account all information received from management as well as the Internal and External Auditors, nothing has come to the attention of the Audit and Risk Committee that indicates a material breakdown in the internal controls of the Group.

Sustainability

During the year under review, the Audit and Risk Committee:

- reviewed the Report on Six Capitals included in the Group's Integrated Annual Report and satisfied itself that it is consistent with the Annual Financial Statements; and
- obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework as reflected in the Report on Six Capitals. It is the Group's intention to enhance qualitative and quantitative information as systems are progressively bedded down. All material risks concerning the sustainability of Clover's business model and in complying with the requirements of Regulation 43 of the Companies Act, as well as King III are incorporated into Clover's risk universe and are monitored under Clover's risk management process as described more comprehensively under the Governance section of the Integrated Report.

Legal and regulatory requirements

During the year under review, the Audit and Risk Committee:

- reviewed with management all legal matters that could have a material impact on the Group;
- reviewed with the Group's internal legal counsel the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the Group's ethics line or otherwise, including complaints or concerns regarding accounting matters, Internal Audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, Internal Audit and the External Auditor regarding compliance with legal and regulatory requirements.

Combined assurance

The Audit and Risk Committee reviewed the Group's combined assurance plan together with the reports of the respective assurance providers, including External and Internal Auditors, and concluded that the material financial and governance controls within the business were satisfactory.

Chief Financial Officer and finance function

As required by the JSE Listings Requirements 3.84(h), the Audit and Risk Committee has:

- considered the experience and expertise of the Chief Financial Officer and concluded that these were satisfactory; and
- considered the expertise, resources and experience of the finance function and concluded that these were satisfactory.

Independence of external auditor

The Audit and Risk Committee is satisfied that Ernst & Young Inc. is independent of the Group after taking the following factors into account:

- representations made by Ernst & Young Inc. to the Audit and Risk Committee;
- the auditor does not, except as External Auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group;
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board of Auditors and international regulatory bodies.

Annual financial statements

Following the review by the Audit and Risk Committee of the consolidated and company Annual Financial Statements of Clover Industries Limited for the year ended 30 June 2016 and the opinion of the External Auditor, the Audit and Risk Committee is of the view that they fairly present, in all material aspects, the financial position at that date and the results of operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The Audit and Risk Committee has satisfied itself of the integrity of the remainder of the Integrated Annual Report.

Having achieved its objectives for the financial year, the Audit and Risk Committee has recommended the Annual Financial Statements and Integrated Annual Report for the year ended 30 June 2016 for approval to the Clover Industries Limited Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

For and on behalf of the Audit and Risk Committee.

B Ngonyama
Chairperson of the Audit and Risk Committee

12 September 2016

APPROVAL OF THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2008 to maintain adequate accounting records and to prepare financial statements for each year which fairly present the state of affairs of the Company and the Group 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 applied, 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 relevant disclosure. The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment.

To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management and the Internal Auditors that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Group and Company's budget and cash flow forecast up to 30 June 2017. 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 Industries Limited is a going concern and have therefore continued to adopt the going-concern basis in preparing the financial statements.

The consolidated and separate financial statements have been prepared under the supervision of the Chief Financial Officer, Mr. Elton Bosch (CA) SA and have been audited in terms of the Companies Act of South Africa.

The consolidated and separate Annual Financial Statements, set out on pages 154 to 240, which have been prepared on the going-concern basis, were approved by the Board of Directors on 12 September 2016 and were signed on their behalf by:

Werner Büchner
Chairman

Johann Vorster
Chief Executive

Certificate by Company Secretary –(in terms of section 88(2)(e) of the Companies Act)

The Secretary of Clover Industries Limited, Jacques van Heerden, certifies that Clover Industries Limited has complied with all the requirements of the Companies Act and more specifically that all such returns as required by a public company in terms of the Companies Act, 2008, as amended, have been lodged with the Registrar of Companies and that such returns are true, correct and up to date.

Jacques van Heerden
Company Secretary

12 September 2016

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

To the shareholders of Clover Industries Limited

We have audited the consolidated and separate financial statements of Clover Industries Limited set out on pages 154 to 240, which comprise the consolidated and separate statements of financial position as at 30 June 2016, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the financial statements

The company directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate 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 consolidated and separate 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 management, as well as evaluating the overall presentation of the consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the financial position of Clover Industries Limited as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Ernst & Young Inc. has been the auditor of Clover Industries Limited for 22 years.

Ernst & Young Inc.

Ernst & Young Incorporated
Director – Sarel Jacobus Johannes Strydom
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Sandton
Johannesburg

12 September 2016

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 2016.

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:

	2016 R'm	2015 R'm
Revenue	**9 818,7**	9 266,3
Total comprehensive income attributable to equity holders of the parent Company	**379,8**	353,6

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

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.

During the year under review, Clover S.A. Proprietary Limited ("CSA") (a wholly-owned subsidiary of the Company) has acquired 51% of the issued share capital of Clover Good Hope Proprietary Limited ("Clover Good Hope"). Good Hope International Beverages (SA) Proprietary ("GHIB") sold its business to Clover Good Hope for a consideration of R5 million, effective 1 May 2016 and in return holds an equity stake in Clover Good Hope of 49% of the issued share capital (see note 3.1). The business includes soy based fluid products and other beverages. The agreement provides for a Put Option against CSA exercisable after the third anniversary of the effective date and a Call Option in favour of CSA exercisable after the fifth anniversary of the effective date (see note 14.1).

In addition, Clover S.A. Proprietary Limited ("CSA") (a wholly-owned subsidiary of the Company) has acquired 51% of the issued share capital of Clover Frankies Proprietary Limited ("Clover Frankies"). Frankies Close Corporation ("Frankies") sold its business to Clover Frankies for a consideration of R12,96 million, effective 1 November 2015 and in return holds an equity stake in Clover Frankies of 49% of the issued share capital (see note 3.2). The business includes carbonated soft drinks (CSD) manufacturing, marketing and distribution business ("CSD Business"), inventory and intellectual property. The agreement provides for a Put Option against CSA and a Call Option in favour of CSA, both are exercisable after 30 June 2019 (see note 14.1).

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

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 27 November 2015 and is valid until 28 November 2016. 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.

During the period 1 December 2015 to 22 June 2016 the Company issued 2 583 212 (2015: 5 252 549) ordinary Clover Industries shares to members 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 2016.

Dividends

Dividends declared and paid by CIL during the year:

	2016 R'000	2015 R'000
Ordinary dividends		
Declared	**108 755**	71 624
Paid	**108 755**	71 624

The Board declared and paid an interim cash dividend of R46,1 million (2015: R42,4 million) or 24,21 cents (2015: 22,6 cents) per ordinary share during March 2016. It further declared a final dividend of R77,9 million or 40,94 cents per ordinary share, bringing the total dividend for the year to R124 million (2015: R105,1 million) or 65,15 cents (2015: 56,0 cents) per ordinary share.

Declaration of dividend number 13

Notice is hereby given that the directors have declared a final gross cash dividend of R77,9 million or 40,94000 cents (34,79900 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2016.

The dividend has been declared from income reserves.

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 190 314 350 ordinary shares. The salient dates will be as follows:

Last day to trade to receive a dividend	Tuesday, 11 October 2016
Shares commence trading "ex" dividend	Wednesday, 12 October 2016
Record date	Friday, 14 October 2016
Payment date	Monday, 17 October 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 October 2016 and Friday, 14 October 2016, both days inclusive.

Directors and Company Secretary

Particulars of the present Directors and Company Secretary are listed on pages 52 to 53 and page 150.

Share-based compensation

On 30 June 2016, 2 679 262 SARs were issued to executives at an issue price of R18,44. These SARs will vest three years after the issue date and are subject to vesting conditions. SARs not exercised will be cancelled five years after the allocation date.

DIRECTORS' REPORT (continued)

On exercise executives will be entitled to a payment equal to the increase in the CIL ordinary share price over the allocation price of the SARs. 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 and note 32.

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 Governance, Risk and Compliance on pages 70 to 80.

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 R366,7 million (2015: R468,1 million) and R56,4 million (2015: R21,6 million) on intangible assets.

Events after the reporting period

No significant events occurred subsequent to the year-end that would require disclosure or amendment to these financial statements.

Special resolutions

The following special resolutions were adopted at the Annual General Meeting of Clover Industries Limited held on 27 November 2015:

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 2015 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

12 September 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
9 102 469	8 272 084	Sales of products			
684 496	838 112	Rendering of services			
22 769	152 822	Sale of raw milk			
8 983	3 233	Rental income			
9 818 717	9 266 251	**Revenue**			
(7 025 497)	(6 482 147)	Cost of sales	6.1		
2 793 220	2 784 104	**Gross profit**			
73 688	58 039	Other operating income	6.2	**44 945**	49 369
–	–	Dividends received		**100 000**	50 000
(1 944 333)	(1 996 467)	Selling and distribution costs			
(300 461)	(309 041)	Administrative expenses		**(12 937)**	(13 415)
(8 493)	(8 472)	Restructuring expenses	6.7	**–**	(75)
(49 171)	(19 091)	Other operating expenses	6.3		
564 450	509 072	**Operating profit**	6.4	**132 008**	85 879
10 139	9 041	Finance income	6.5	**3 438**	2 784
(122 964)	(83 105)	Finance cost	6.6	**(14)**	(56)
14 268	10 939	Share of profit in joint ventures after tax	4		
465 893	445 947	**Profit before tax**		**135 432**	88 607
(113 992)	(100 286)	Taxation	7	**(9 925)**	(10 430)
351 901	345 661	**Profit for the year**		**125 507**	78 177

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

for the year ended 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
351 901	345 661	**Profit for the year (carried forward from previous page)**		**125 507**	78 177
		Other comprehensive income to be reclassified to profit or loss in subsequent periods			
26 461	3 268	Exchange differences on translations of foreign operations, net of tax	21.1		
(1 905)	3 268	Exchange differences on translations of foreign operations			
28 366	–	Reclassified to profit or loss			
–	–	Income tax effect			
2 412	–	Net gain on cash flow hedges, net of tax	21.2		
(22 500)	–	Cash flow hedge fair value adjustment			
25 850		Reclassified to profit or loss			
(938)	–	Income tax effect			
28 873	3 268	Net other comprehensive income to be reclassified to profit or loss in subsequent periods			
380 774	348 929	**Total comprehensive income for the year, net of tax**		**125 507**	78 177
		Profit attributable to:			
350 906	350 345	Equity holders of the parent		**125 507**	78 177
995	(4 684)	Non-controlling interests			
351 901	345 661			**125 507**	78 177
		Total comprehensive income attributed to:			
379 779	353 613	Equity holders of the parent		**125 507**	78 177
995	(4 684)	Non-controlling interests			
380 774	348 929			**125 507**	78 177
		Earnings per share (cents)			
185.9	190,4	Basic profit for the year attributable to ordinary equity holders of the parent	8		
181.8	182,0	Diluted profit for the year attributable to ordinary equity holders of the parent	8		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
		Assets			
		Non-current assets			
2 323 216	2 153 451	Property, plant and equipment	11	**233**	234
15	23	Investment properties	12		
612 191	567 557	Intangible assets	13		
		Investment in subsidiaries	30	**326 735**	334 819
31 651	31 625	Investment in joint ventures	30		
5 657	–	Other non-current financial assets	14.1		
37 019	32 696	Deferred tax assets	15	**77**	77
3 009 749	2 785 352			**327 045**	335 130
		Current assets			
916 909	940 181	Inventories	16		
1 308 223	1 215 579	Trade and other receivables	17	**603 605**	522 335
16 184	17 530	Prepayments			
–	40 330	Income tax receivable	25	**928**	2 157
604 071	475 436	Cash and short-term deposits	18	**21 871**	40 015
2 845 387	2 689 056			**626 404**	564 507
10 907	429	**Assets classified as held-for-sale**	10	**–**	429
5 866 043	5 474 837	**Total assets**		**953 449**	900 066
		Equity and liabilities			
		Equity			
9 516	9 387	Issued share capital	19	**9 516**	9 387
882 774	838 363	Share premium	19	**882 774**	838 363
74 873	72 880	Other capital reserves	20	**2 169**	10 252
24 147	(2 314)	Foreign currency translation reserve	21.1		
2 412	–	Cash flow hedge reserve	21.2		
1 871 690	1 653 022	Retained earnings		**48 898**	31 991
2 865 412	2 571 338	Equity attributable to equity holders of the parent		**943 357**	889 993
23 305	13 510	Non-controlling interests			
2 888 717	2 584 848	**Total equity**		**943 357**	889 993
		Liabilities			
		Non-current liabilities			
931 455	681 601	Interest–bearing loans and borrowings	22		
73 474	74 901	Employee-related obligations	23		
192 358	188 253	Deferred tax liability	15		
19 311	21 459	Trade and other payables	24		
2 199	2 716	Other non-current financial liabilities	14.2		
1 218 797	968 930				
		Current liabilities			
1 363 332	1 330 385	Trade and other payables	24	**10 092**	10 073
343 015	573 576	Interest-bearing loans and borrowings	22		
25 612	2 670	Other current financial liabilities	14.2		
9 893	–	Income tax payable	25		
16 677	14 428	Employee-related obligations	23		
1 758 529	1 921 059			**10 092**	10 073
2 977 326	2 889 989	**Total liabilities**		**10 092**	10 073
5 866 043	5 474 837	**Total equity and liabilities**		**953 449**	900 066

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

GROUP

	Notes	Ordinary share capital R'000	Ordinary share premium R'000	Other capital reserves R'000	Cash flow hedge reserve R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 July 2014		9 124	734 414	283 225		(5 582)	1 231 089	2 252 270	20 471	2 272 741
Profit for the year							350 345	350 345	(4 684)	345 661
Other comprehensive income	21.1 - 21.2					3 268		3 268		3 268
Total comprehensive income						3 268	350 345	353 613	(4 684)	348 929
Share appreciation rights exercised	19	263	103 949	(18 468)			(64 132)	21 612		21 612
Share-based payment expense recognised	31			18 080				18 080		18 080
Other capital reserves transferred to retained earnings				(209 957)			209 957			
Acquisition of non-controlling interest in Lactolab (Pty) Ltd							(3 223)	(3 223)	(2 277)	(5 500)
Dividends forfeited							610	610		610
Dividends declared and paid	9						(71 624)	(71 624)		(71 624)
Balance at 30 June 2015		**9 387**	**838 363**	**72 880**		**(2 314)**	**1 653 022**	**2 571 338**	**13 510**	**2 584 848**
Profit for the year							**350 906**	**350 906**	**995**	**351 901**
Other comprehensive income	21.1 - 21.2				**2 412**	**26 461**		**28 873**		**28 873**
Total comprehensive income					**2 412**	**26 461**	**350 906**	**379 779**	**995**	**380 774**
Share appreciation rights exercised	19	**129**	**44 411**	**(11 709)**			**(23 638)**	**9 193**		**9 193**
Share-based payment expense recognised	31			**12 697**				**12 697**		**12 697**
Initial recognition of call options	20			**1 005**				**1 005**		**1 005**
Non-controlling interest arising from business combinations	3.1 - 3.2								**8 800**	**8 800**
Dividends forfeited							**155**	**155**		**155**
Dividends declared and paid	9						**(108 755)**	**(108 755)**		**(108 755)**
Balance at 30 June 2016		**9 516**	**882 774**	**74 873**	**2 412**	**24 147**	**1 871 690**	**2 865 412**	**23 305**	**2 888 717**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

COMPANY

	Notes	Ordinary share capital R'000	Ordinary share premium R'000	Other capital reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2014		9 124	734 414	29 198	24 350	797 086
Profit for the year					78 177	78 177
Other comprehensive income					–	–
Total comprehensive income					78 177	78 177
Share appreciation rights exercised	19	263	103 949	(18 468)		85 744
Other capital reserves transferred to retained earnings				(478)	478	
Dividends forfeited					610	610
Dividends declared and paid					(71 624)	(71 624)
Balance at 30 June 2015		9 387	838 363	10 252	31 991	889 993
Profit for the year					**125 507**	**125 507**
Other comprehensive income					**–**	**–**
Total comprehensive income					**125 507**	**125 507**
Share appreciation rights exercised	19	**129**	**44 411**	**(8 083)**		**36 457**
Dividends forfeited					**155**	**155**
Dividends declared and paid					**(108 755)**	**(108 755)**
Balance at 30 June 2016		**9 516**	**882 774**	**2 169**	**48 898**	**943 357**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 June 2016

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
		Operating activities			
465 893	445 947	Profit before tax		**135 432**	88 607
465 893	445 947	**Profit before tax**		**135 432**	88 607
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
166 941	160 490	Depreciation and impairment of property, plant and equipment		**1**	1
21 680	17 048	Amortisation and impairment of intangible assets			
8	132	Depreciation of investment properties			
(20 869)	(38 950)	Profit on disposal and scrapping of assets		**(521)**	–
21 036	3 063	Unrealised loss on financial instruments			
(9 075)	2 999	Unrealised foreign exchange - (gain)/loss	6.2		
(27 833)	(9 966)	Realised foreign exchange gain	6.2		
(1 721)	–	Bargain purchase on the investment in Clover Good Hope	3.1		
28 366	–	Release of foreign currency translation reserve in abandonment of foreign operation	6.3		
38	3 282	Share of profit of joint venture – net of dividend paid	4		
1 120	1 701	Movement in provisions			
12 697	18 080	Share appreciation rights expense recognised over vesting period	31		
		Other adjustments:			
122 964	83 105	Finance cost	6.6	**14**	56
(10 139)	(9 041)	Finance income	6.5	**(3 438)**	(2 784)
–	–	Dividends received		**(100 000)**	(50 000)
–	(3 330)	Share appreciation rights expense settled in cash			
(4 490)	(1 582)	Government grants			
(56 938)	(106 254)	Taxes paid	25	**(8 696)**	(11 263)
		Working capital adjustments			
24 269	(372 289)	Decrease/(increase) in inventories			
(91 298)	(193 922)	(Increase)/Decrease in trade and other receivables		**13 426**	(3 116)
30 799	159 672	Increase in trade and other payables		**19**	2 173
673 448	160 185	**Net cash flows from operating activities**		**36 237**	23 674

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

GROUP 2016 R'000	GROUP 2015 R'000		Notes	COMPANY 2016 R'000	COMPANY 2015 R'000
		Investing activities			
45 533	61 684	Proceeds from sale of property, plant and equipment and other assets		**950**	–
27 833	9 966	Realised foreign exchange gain	6.2		
10 139	9 041	Interest received	6.5	**3 438**	2 784
(2 550)	–	Acquisition of controlling interest in Clover Good Hope Proprietary Limited	3.1		
(6 610)	–	Acquisition of controlling interest in Clover Frankies Proprietary Limited	3.2		
–	(30 000)	Acquisition of Dairy belle UHT Milk business	3.3		
–	(107 131)	Acquisition of Dairybelle Yoghurt business	3.4		
–	(48 684)	Acquisition of Nkunzi MilkyWay business	3.5		
		Dividends received		**50 000**	50 000
16 097	38 055	Government grants received recognised against property, plant and equipment and expenses			
(366 665)	(468 106)	Capital expenditure: tangible assets			
(56 406)	(21 647)	Capital expenditure: intangible assets			
(332 629)	(556 822)	**Net cash flows (used in)/from investing activities**		**54 388**	52 784
		Financing activities			
(122 964)	(83 105)	Interest paid	6.6	**(14)**	(56)
(108 755)	(71 624)	Dividends paid		**(108 755)**	(71 624)
–	(5 500)	Non-controlling interest acquired in Lactolab Proprietary Ltd	3.6		
(254 646)	(9 646)	Repayment of borrowings			
273 939	387 972	Proceeds from borrowings			
(212 426)	218 097	**Net cash flows (used in)/from financing activities**		**(108 769)**	(71 680)
128 393	(178 540)	**Net increase/(decrease) in cash and cash equivalents**		**(18 144)**	4 778
242	87	**Net foreign exchange difference**			
475 436	653 889	**Cash and cash equivalents at the beginning of the year**		**40 015**	35 237
604 071	475 436	**Cash and cash equivalents at the end of the year**	18	**21 871**	40 015

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Clover Industries Limited (the "Company") is a company incorporated and domiciled in South Africa. The consolidated financial statements of the Group for the year ended 30 June 2016 comprise the Company and its subsidiary companies (together referred to as the "Group") and the Group's interest in jointly controlled entities. The companies within the Group have co-terminous year-ends. The consolidated financial statements of Clover Industries Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 12 September 2016. The Group's operations and principal activities are set out in the Directors' report.

2. BASIS OF ACCOUNTING

2.1 Basis of preparation

a. Statement of compliance

The consolidated and separate financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the South African Companies Act of 2008.

b. Preparation

The consolidated and separate financial statements are presented in Rands, which is the Company's functional currency, rounded to the nearest thousand. They are prepared on the historical-cost basis unless otherwise stated.

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 significantly 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 a 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 unless stated otherwise.

c. Basis of consolidation

Subsidiaries and business combinations

Subsidiaries are entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Impairment losses on transactions are recognised immediately if the loss provides evidence of a reduction in the recoverable amount of related assets.

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

Investment in joint ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

d. Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year. No new and amended IFRS and IFRIC interpretations were adopted by the Group during the year.

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

At the date of authorisation of the Group Annual Financial Statements for the year ended 30 June 2016, the following standards and interpretations were in issue but not yet effective:

- IAS 1 Disclosure Initiative – Amendments
- IAS 27 – Equity Method in Separate Financial Statements – Amendments to IAS 27
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 7 Disclosure Initiative – Amendments to IAS 7
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- Annual Improvement Plan – issued in 2014

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

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

- **IAS 1** Disclosure Initiative – Amendments:

  The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly changes, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the Statement(s) of Profit or Loss and OCI and the Statement of Financial Position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional sub-totals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

The amendment is effective for annual periods beginning on or after 1 January 2016.

The amendments to this standard are expected to have an impact on the presentation and disclosures of joint ventures of the Group in future periods. Currently there are no items in OCI for joint ventures that will need to be classified separately.

- **IAS 27** – Separate Financial Statements – Amendments

  The amended IAS 27 allows an entity to use the equity method to account for its investments in subsidiaries, joint venture and associates in its separate financial statements. Consequently, an entity is permitted to account for these investments either:

- at cost; or
- In accordance with IFRS 9 (IAS 39); or
- using the equity method.

This is an accounting policy choice for each category of investment.

The amendment is effective for annual periods beginning on or after 1 January 2016.

This amendment is not expected to have a material impact on the financial statements of the Company or the Group as the Company and Group are not considering a change to its current accounting policy choice.

- **IFRS 9** Financial Instruments (Amendment)

  The International Accounting Standards Board (IASB) has published the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and general hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This version adds a new expected loss impairment model and limited amendments, to classification and measurement for financial assets. The Standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after 1 January 2018. The Group is currently assessing the full impact of the amendments, but due to the limited types of financial instruments entered into by the Group, only the disclosure is expected to be impacted on items like the provision for bad debts.

- **IFRS 15** – Revenue from Contracts with Customers

  IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The new standard is effective for annual periods beginning on or after 1 January 2018, therefore this standard will be effective for the 30 June 2019 financial year.

The Company is still in the process of assessing the full impact of the standard. Performance obligations and transaction price allocations that are being considered include but are not limited to co-operative advertising, distribution and distribution centre allowances, settlement discounts, growth incentives, rebates, store deliveries, merchandising and quality assurance. However, from preliminary evaluations the impact is not expected to be significant on the measurement and recognition of revenue but additional disclosure will be required.

- **IFRS 16** Leases

  The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

  IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

  Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  The Group is still in the process of assessing the full impact of the standard.

  The new standard is effective for annual periods beginning on or after 1 January 2019.

- **IAS 7** Disclosure Initiative – Amendments to IAS 7

  The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

  The amendments to this standard are expected to have an impact on the presentation and disclosures of the Group in future periods. The amendments are intended to provide information to help investors better understand changes in a company's debt.

  The amendment is effective for annual periods beginning on or after 1 January 2017.

- **IFRS 2** Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

  The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

  - The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction

- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.

The amendments to this standard are expected to have an impact on the presentation and disclosures of the Group in future periods when new share-based payments are entered into.

The amendment is effective for annual periods beginning on or after 1 January 2018 and requires no retrospective application.

- **IAS 12** Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

  The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses.

  The amendment is effective for annual periods beginning on or after 1 January 2017

- Annual Improvement Project – Released in 2014 – effective 1 January 2016

  IAS 34 Interim Financial Reporting – Disclosure of information "elsewhere in the Interim Financial Report"

  Disclosure of information "elsewhere in the Interim Financial Report"

  The amendment clarifies that the required interim disclosures must either be in the Interim Financial Statements or incorporated by cross-reference between the Interim Financial Statements and wherever they are included within the Interim Financial Report (e.g., in the Management Commentary or Risk Report). The other information within the Interim Financial Report must be available to users on the same terms as the Interim Financial Statements and at the same time. The amendment must be applied retrospectively.

This clarification will be applied in the 2017 interim financial statements but the impact is not expected to be material.

IFRS 5 – Non-Current Assets Held-for-Sale and Discontinued Operations – Changes in methods of disposal

- The amendment clarifies that changing from held-for-disposal to held-for-distribution to owners or vice versa would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively and is not expected to impact the financial statements significantly.

2.3 Significant accounting judgements and estimates and assumptions

The preparation of the Group's Consolidated 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 might require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's consolidated 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 consolidated financial statements.

Cash flow hedge

The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. The Group's diesel usage amounts are based on highly probable factors. The long-futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges of offset the effect of the prices changes in diesel. Refer to note 14.

Joint ventures

Clover Industries indirectly holds a 51% interest in Clover Fonterra through Clover SA. The Group has classified the interest in Clover Fonterra as a joint venture despite the fact that the Group owns more than 50% of the issued share capital. Refer to note 4.1.

Cell captive

The cell captive is considered to be a financial asset at fair value through profit or loss and not consolidated as there is no control due to the fact that the assets and liabilities in the cell captive cannot be ring-fenced as required for consolidation.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Operating lease commitments – Group as lessee

The Group entered into an outsourcing agreement whereby the Group is provided with distribution and milk collection vehicles. Judgement was exercised in classifying these lease agreements as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a risk of causing an 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. Refer to note 11.

Impairment of non-financial assets

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

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Refer to note 13.

Share-based payments – equity

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The Group is currently using the Hull-White Trinominal Lattice model. This also requires determining the most appropriate inputs to the valuation model and making assumptions about them. Refer to note 31.

Share-based payments – cash-settled

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

Deferred tax assets

Deferred tax 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 tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Income tax expense

Taxes are a matter of interpretation and subject to changes. The Group makes use of tax experts to advise on all tax matters. Estimations of normal Company tax and Capital Gains Tax ("CGT") are based on the advice and management's interpretation thereof.

Long-service bonus provision and defined-benefit pension plan

The cost of the long-service bonus provision and defined-benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer to note 33.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 29 for further disclosures.

Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer to notes 3 and 13 for details).

Leave pay provision

Management applied their judgement to perform the current, non-current split regarding the leave pay provision. This judgement is based on management's best estimate of the pattern of leave usage over the last five years per the leave management system as well as expected future developments. Consenting that legally, though unlikely, the full leave balance may be called upon in the next 12 months. The leave entitlement regulation limits the number of leave days that can be carried forward. This was also factored in to determine those leave days expected to be taken in the next 12 months.

Cash flow hedge

The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. Due to the recent fluctuations in the commodities market specifically relating to the international price of oil and the effect it had on the price of diesel locally the Group entered into a diesel hedge with RMB in the form of a long-futures contract. as a result this is the first financial year the Group apply hedge accounting. The futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges of offset the effect of the prices changes in diesel. Refer to note 14.

Cell captive

The cell captive was entered into to provide insurance to the farmers (the legal structure of a cell is simply required due to FSB regulation) the investment in the cell is managed on a fair value basis by Clover – the value of the cell is determined every year end by Guardrisk taking into account the fair value of the instruments invested in at year end and the liability for future claims as determined by way of the actuarial assessment. Refer to note 14.

Put and Call options

The value of the call option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. Estimates and assumptions were made relating to the future cash flows and the discount rate being used. Refer to note 14.

2.4 Summary of significant accounting policies

a. Financial instruments

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

Initial recognition and off-setting

Financial instruments are generally recognised as soon as the Group becomes a party under the contractual regulations of the financial instruments. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position, when and only when, the entity currently has a legally enforceable right to set-off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously. No set-off has occurred during the current and previous financial year.

Derecognition

A financial asset (or, where applicable a part of 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 Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- The Group has transferred its right to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement with the asset. Continuing involvement that takes a form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 is 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 the amortised cost that would have been recognised had no impairment been recognised in the past. Any subsequent reversal of an impairment loss is recognised in profit or loss. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

a. (i) Financial assets

Initial recognition

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. All regular-way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group becomes a party to the transaction. 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, cell captives, call option and financial assets designated upon initial recognition as at fair value through profit or loss.

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

Loans and accounts receivables

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

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

a. (ii) Financial liabilities

Trade and other payables

Short-term trade payables are non-interest-bearing and carried at the original invoice amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes derivatives not designated as hedging instruments, put option and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Interest-bearing loans and borrowings

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

b. Financial statements of foreign operations

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

c. Foreign currency transactions

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

d. Derivative financial instruments

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

e. Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.
When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

f. 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 losses. Such cost includes the cost of replacing significant parts 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. The carrying amount of the replaced part or service is derecognised. All buildings are measured at cost less accumulated depreciation and accumulated impairment losses. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised. The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if appropriate, at each financial year-end.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the item of property, plant and equipment. Significant parts and inspections are separately depreciated. 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 20 years

Vehicles: 5 to 20 years

g. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable value. An asset's recoverable value is the higher of an asset's or cash-generating unit's fair value less cost of disposal 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 a group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

h. Leases

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

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease (those leases that do not transfer substantially all the risks and rewards) payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits incidental to ownership of the asset are classified as operating leases.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

i. Investment properties

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

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

j. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets are not capitalised and expenditure is charged in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

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

Trademarks, patents, customer lists and software licences

Trademarks, patents, customer lists and software licences are measured on initial recognition at cost. Following initial recognition they are amortised on a straight-line basis over a period of five to 15 years. Impairment testing is done annually or more frequently when an indication of impairment exists. Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Research expenses

Research expenses are recognised in profit or loss as incurred.

k. 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.

l. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. To reflect the time value of money the group recognises the present value of the expected outflows required to settle the obligation using a current pre-tax discounting rate that reflects the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

m. Employee-related obligations

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

Defined-benefit fund

The Group operated a defined-benefit pension plan in South Africa, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined-benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

- Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "selling and distribution expenses" in consolidated statement of profit or loss (by function):
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

Defined contribution funds

Obligations for contributions to defined contribution pension and provident plans are recognised as an expense in profit or loss as incurred. A corresponding liability is included in trade payables for unpaid contributions at year-end.

Leave pay

Employees' entitlement to annual leave is recognised when the service is rendered and the obligation accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the accumulated leave obligation.

n. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account discounts or rebates.

Revenue consists of distribution, sales and marketing services rendered; contract manufacturing; and rental income. The following specific recognition criteria must also be met before revenue is recognised:

Sales of products

Invoiced product sales are recognised as revenue, excluding value-added taxation. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue comprises invoiced gross sales of products, less discounts, rebates and provisions for product claims.

Services rendered

Revenue from the rendering of services is recognised based on the stage of completion of the service. Services are recognized once the delivery has been made and the performance obligations have been met.

Finance income

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

Dividends received

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

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the rental income. To optimise the Group's return on the vast number of properties it owns the Group enters into rental agreements from time to time. Income in this regard is recognised as revenue.

o. Cost of sales

Cost of sales consists of the following:

- Cost of raw milk, ingredients and packaging;
- Milk collection cost;
- Manufacturing direct and indirect costs;
- Primary distribution costs; and
- Charges against sales (i.e. Co-op advertising, agent commission, border levies, etc.).

p. Finance costs

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

q. Taxes

Current taxation

Current taxation assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The taxation rates and taxation laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred tax is provided using the statement of financial position method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-of current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Value-added taxation (VAT)

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT, 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. Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

r. Segment reporting

The operating segments are based on the Group’s management and internal reporting structure. Inter-segment pricing is determined on an arm’s-length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

s. Share-based compensation

The Group operates an equity-settled, as well as a cash-settled share-based compensation plan.

Equity-settled share-based compensation plan

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period, and that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled share-based compensation plan

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

t. Borrowing cots

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

u. Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 29. Non-financial assets such as investment properties are measured at cost less accumulated depreciation and accumulated impairment. Its fair values, however, are also disclosed in note 12. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use it when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon by management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

v. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is used to reduce the cost of the asset.

w. Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

x Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, are recognised in accordance with IFRS 3.58 where the acquirer shall account for changes in the fair value of contingent considerations that are not measurement period adjustments as follows:

(a) Contingent consideration classified as equity shall not be re-measured and its subsequent settlement shall be accounted for within equity

(b) Other contingent consideration that:

(i) Is within the scope of IAS 39 (IFRS 9) shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with that IFRS

(ii) Is not within the scope of IAS 39 (IFRS 9) shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not measurement period adjustments.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3 BUSINESS ACQUISITIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

3.1 Acquisition of interest in Clover Good Hope Proprietary Limited

Clover entered into an agreement with Good Hope International Beverages (SA) Proprietary Limited ("Seller") to form a new entity, Clover Good Hope Proprietary Limited ("Clover Good Hope") that acquired the Good Hope soy and non-alcoholic beverages business, effective 1 May 2016. According to the "Sale of Business Agreement" Clover Good Hope has bought all of the intellectual property of the Seller in relation to the Good Hope business on the effective date. Clover effectively holds 51% of the shares in Clover Good Hope and Good Hope International Beverages (SA) Proprietary Limited holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Good Hope Proprietary Limited at residual value on initial recognition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R4,3 million; free cash flow growth per annum of between 16% to 19% and a discount rate of 18%.

The fair values allocated to the assets and liabilities are based on a provisional assessment of their fair values. According to IFRS 3.45, the Company is allowed a measurement period, not exceeding one year, to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the effective date.

The fair values of the identifiable assets, liabilities, goodwill and non-controlling interest of the Good Hope business as at the date of acquisition were:

	2016 R'000	2015 R'000
Assets		
Intangible assets	7 391	
	7 391	
Liabilities		
Deferred tax liability	(670)	
Total identifiable net assets at fair value	6 721	
Bargain purchase arising on acquisition	(1 721)	
Total value of the Good Hope business	5 000	
Non-controlling interest measured at residual value	2 450	
Purchase consideration settled in cash	2 550	

The business contributed R16,2 million of revenue and R5,8 million of margin on material to the Group results since acquisition. These amounts would have been R97,2 million and R34,8 million respectively if annualised for the full period. The bargain purchase originated since there was an incentive for the seller to sell a portion of its shareholding at a competitive price (holding a non-controlling interest in the newly formed entity of 49%) to enable the business to benefit from the Clover distribution network for future growth and improved profitability.

	2016 R'000	2015 R'000

3.2 Acquisition of interest in Clover Frankies Proprietary Limited

Clover entered into an agreement with Frankies Olde Soft Drinks cc ("Seller") to form a new entity, Clover Frankies Proprietary Limited ("Clover Frankies") that acquired the Frankies business, effective 1 November 2015. According to the "Sale of Business Agreement" Clover Frankies has bought all of the consumables, raw materials, finished goods, equipment and material contracts of the Seller in relation to the Frankies business on the effective date. Clover effectively holds 51% of the shares in Clover Frankies and Frankies Olde Soft Drinks cc holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Frankies Proprietary Limited at residual value on initial recognition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R1,2 million; free cash flow growth per annum of between 11% to 16% and a discount rate of 18,2%.

The fair values allocated to the assets and liabilities are based on a provisional assessment of their fair values. According to IFRS 3.45, the Company is allowed a measurement period, not exceeding one year, to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the effective date.

The fair values of the identifiable assets, liabilities, goodwill and non-controlling interest of the Frankies business as at the date of acquisition were:

	2016 R'000	2015 R'000
Assets		
Equipment	463	
Intangible assets	6 636	
Inventory	997	
	8 096	
Liabilities		
Deferred tax liability	(676)	
Total identifiable net assets at fair value	7 420	
Goodwill arising on acquisition	5 540	
Total value of the Frankies business	12 960	
Non-controlling interest measured at residual value	6 350	
Purchase consideration settled in cash	6 610	

Goodwill arising on acquisition represents the value paid for the Frankies business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations and Clover's extended distribution network.

The business contributed R20,6 million of revenue and R12,4 million of margin on material to the Group results since acquisition. These amounts would have been R30,9 million and R18,6 million respectively if annualised for the full period.

3.3 Acquisition of the Dairybelle UHT Milk Business (prior year)

As communicated in earlier SENS and cautionary announcements The Real Beverages Company Proprietary Limited – "Real Beverages") – a wholly-owned subsidiary of the Company) has purchased from Dairybelle Proprietary Limited – "Seller") the Dairybelle UHT Milk Business effective 1 December 2014. According to the "UHT Sale of Business Agreement" Real Beverages has bought all of the consumables, raw materials, finished goods, equipment and material contracts of the Seller in relation to the UHT Milk Business on the effective date. The location of the Dairybelle UHT milk production facilities in the Western Cape will allow the Group to improve efficiencies through the more effective utilisation of its raw milk supply in the region.

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R0,9 million free cash flow reduction per annum of 5% and a discount rate of 17,5%.

The fair value of the identifiable assets and liabilities of the Dairybelle UHT Milk Business as at the date of acquisition were:

	2016 R'000	2015 R'000
Assets		
Property, plant and equipment		17 200
Intangible assets		3 949
		21 149
Liabilities		–
Total identifiable net assets at fair value		21 149
Goodwill arising on acquisition		8 851
Purchase consideration settled in cash		30 000
Cash flow on acquisition		
Net cash acquired with business		–
Cash paid		(30 000)
Net cash flow		(30 000)

Goodwill arising on acquisition represents the value paid for the Dairybelle UHT Milk business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations, which include production, milk transport and distribution efficiencies.

The business contributed R95,0 million of revenue and R19,0 million of margin on material to the Group results since acquisition. These amounts would have been R162,8 million and R32,6 million respectively if annualised for the full period.

3.4 Acquisition of the Dairybelle Yoghurt Business (prior year)

As communicated in earlier SENS and cautionary announcements, The Real Beverages Company Proprietary Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has purchased from Dairybelle Proprietary Limited ("Seller") the Dairybelle Yoghurt Business effective 1 January 2015.

According to the "Yoghurt Sale of Business Agreement" Real Beverages has bought all of the consumables, raw materials, finished goods, fixed assets (property, plant and equipment), intellectual property (for example certain trademarks) and material contracts of the Seller in relation to the Yoghurt Business on the effective date. The transaction is in line with the Group'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 Group with access to the yoghurt market, in which Dairybelle had a meaningful presence.

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R3,6 million; free cash flow growth per annum of 11% and a discount rate of between 16,7% and 17,2%.

The fair value of the identifiable assets and liabilities of the Dairybelle Yoghurt Business as at the date of acquisition were:

	2016 R'000	2015 R'000
Assets		
Property, plant and equipment		43 100
Intangible assets		39 335
		82 435
Liabilities		
Deferred tax liability		(1 961)
Total identifiable net assets at fair value		80 474
Goodwill arising on acquisition		26 657
Purchase consideration settled in cash		107 131
Cash flow on acquisition		
Net cash acquired with business		–
Cash paid		(107 371)
Net cash flow		(107 371)

Goodwill arising on acquisition represents the value paid for the Dairybelle Yoghurt Business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations, which include production, milk transport and distribution efficiencies.

The business contributed R100,9 million of revenue and R25,2 million of margin on material to the Group results since acquisition. These amounts would have been R201,8 million and R50,4 million respectively if annualised for the full period.

	2016 R'000	2015 R'000

3.5 Acquisition of Nkunzi MilkyWay Proprietary Limited's business and assets (prior year)

Clover MilkyWay Proprietary Limited ("MilkyWay") (a wholly-owned subsidiary of the Company) has purchased from Nkunzi MilkyWay Proprietary Limited ("Nkunzi") its business and assets effective 1 June 2015.

The acquisition saw Clover entering the Ayrshire and Organic milk markets, where it will manufacture and pack fresh milk and cream in addition to other dairy products for Woolworths Holdings Limited ("Woolworths") at the acquired Nkunzi facility as well as its Clayville plant in Midrand, Gauteng. Clover will take over existing Nkunzi supply agreements with producers on the same terms and conditions, or renegotiate supply agreements on an individual basis with producers.

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R3,9 million; free cash flow growth per annum of between 7% and 23% and a discount rate of 16,5%.

The fair value of the identifiable assets and liabilities of the Nkunzi MilkyWay Business as at the date of acquisition were:

	2016 R'000	2015 R'000
Assets		
Property, plant and equipment		19 997
Intangible assets		25 770
		45 767
Liabilities		
Instalment sale agreement		(814)
Deferred tax liability		(7 216)
		(8 030)
Total identifiable net assets at fair value		37 737
Goodwill arising on acquisition		10 947
Purchase consideration settled in cash		48 684
Cash flow on acquisition		
Net cash acquired with business		–
Cash paid		(48 684)
Net cash flow		(48 684)

Goodwill arising on acquisition represents the value paid for the Nkunzi business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations, which include production and milk transport efficiencies.

The business contributed R19,9 million of revenue and R5,7 million of margin on material to the Group results since acquisition. These amounts would have been R238,9 million and R68,4 million respectively if annualised for the full period.

3.6 Acquisition of non-controlling interests in Lactolab Proprietary Limited (prior year)

With effect 1 July 2014 Clover SA Proprietary Limited ("Clover") bought the remaining 48% issued ordinary shares of Lactolab Proprietary Limited ("Lactolab") from Taurus Stock Improvement Co-operative Ltd for an amount of R5,5 million.

Lactolab is a leading analytical laboratory serving the South African dairy and dairy-related industries. Lactolab is located in Irene and its main focus is the analysis of raw milk and dairy products for composition, hygienic quality and various other quality parameters.

No goodwill may be recognised because of this transaction as Clover already had a controlling interest, holding 52% of the issued ordinary shares in Lactolab prior to this transaction.

The carrying amounts of the identifiable assets and liabilities of Lactolab as at the effective date were:

	2016 R'000	2015 R'000
Assets		
Property, plant and equipment		2 665
Other current assets		3 541
		6 206
Liabilities		
Interest-bearing borrowings		(297)
Deferred tax liabilities		(362)
Other current liabilities		(803)
		(1 462)
Total identifiable net assets at carrying amount		4 744
Non-controlling interest at carrying amount		(2 277)
Additional consideration paid to non-controlling equity holders		(3 223)
Purchase consideration settled in cash		(5 500)

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4 INTEREST IN JOINT VENTURES

Clover Industries indirectly holds a 51% interest in Clover Fonterra through Clover SA. Clover Fonterra is involved in the marketing and distribution of dairy-related products. The Group has classified the interest in Clover Fonterra as a joint venture despite the fact that the Group owns more than 50% of the issued share capital. The shareholder's agreement is set out in such a way that unanimous consent between the two shareholders is required for any decisions regarding the relevant activities of the investee. Therefore the Group concluded that they have joint control over the investee. Summarised financial information of the joint venture, based on its IFRS Financial Statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
128 387	128 355	Current assets including cash and cash equivalents of R2,4 million (2015: R3,9 million) and inventory R94,4 million (2015: R89,8 million)		
1 554	1 305	Non-current assets including deferred tax of R1,6 million (2015: R1,3 million)		
(67 880)	(67 154)	Current liabilities including trade and other payables of R62,3 million (2015: R61,3 million)		
62 061	62 506	Equity (Net asset value)		
51%	51%	Portion of the Group's ownership		
31 651	31 878	Carrying amount of the investment		
		Joint venture's revenue and profit		
360 476	358 315	Revenue		
(293 082)	(303 046)	Cost of sales		
(29 154)	(24 898)	Sales, marketing, distribution and administrative expenses		
115	133	Other operating income		
(187)	(25)	Net finance cost		
38 168	30 479	Profit before taxation		
(10 687)	(8 534)	Income tax expense		
27 481	21 945	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
14 015	11 192	Group's share of profit for the year after tax		
(14 242)	(14 221)	Dividend received		
(227)	(3 029)	**Net movement**		

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On 1 May 2014, Clover SA Proprietary Limited (holding 50% of the entire issued share capital) and Futurelife Health Products cc (holding 50% of the entire issued share capital) formed a new company called Clover Futurelife Proprietary Limited ("Clover Futurelife"). Clover Futurelife intends to manufacture, distribute, sell and market a range of functional food products using trademarks under licence from Clover and Futurelife.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Futurelife		
		Joint venture's statement of financial position		
–	1	Current assets		
–	(507)	Current liabilities		
–	(506)	Equity		
50%	50%	Portion of Group's ownership		
–	(253)	Carrying amount of investment		
		Joint venture's revenue and profit		
		Revenue		
		Cost of sales		
	(506)	Sales, marketing, distribution and administrative expenses		
506		Other operating income		
		Finance income		
506	(506)	Loss before tax		
		Income tax expense		
506	(506)	**Loss for the period**		
50%	50%	Portion of the Group's ownership		
253	(253)	Group's share of loss for the year		
		Total interest in profits from joint ventures		
14 268	10 939	**Total Group share of profit after tax**		
31 651	31 625	**Total investments in joint ventures**		

5 SEGMENT REPORTING

The Group's manufacturing, distribution, other assets and liabilities are totally integrated between the different product groups. The Executive Directors (the Chief Operating Decision Maker) are of the opinion that the operations for individual manufacturing, distribution and product groups are substantially similar to one another and that the risks and returns are likewise similar. As a result thereof, the business of the Group is considered to be a single segment, namely Clover Industries Limited ("CIL").

The following information regarding the Group's product groups, for which no discrete financial information is available, are presented on a voluntary basis. The Group comprises the following main product groups:

- The dairy fluid products is focused on providing the market with quality dairy fluid products and other dairy fluid replacement products;
- The dairy concentrated products consist of cheese, butter, condensed milk and retail milk powders;
- The ingredient products consist of bulk milk powders, bulk butter, bulk condensed milk, bulk creamers, calf feed substitutes, whey powder and buttermilk powder;
- The non-alcoholic beverage products focus on the development and marketing of non-alcoholic, value-added branded beverage products;
- The fermented products and desserts consist of yoghurt, maas and desserts.
- Other consists of Clover Industries Ltd holding company and Lactolab (Pty) Ltd that render laboratory services.

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30 June 2016 SEGMENT REPORT BY PRODUCT GROUP	Dairy Fluids R'000	Dairy Concentrated Products R'000	Ingredients R'000	Non-alcoholic Beverages R'000	Fermented Products and Desserts R'000	Other R'000	CIL Group R'000
External revenue							
Sale of products	4 427 051	1 355 240	266 909	2 367 158	679 481	6 630	9 102 469
Sale of raw milk	22 769	–	–	–	–	–	22 769
Charges against sales	(93 880)	(34 034)	(10 588)	(58 875)	(10 741)	–	(208 118)
Cost of material and packaging	(2 322 963)	(863 979)	(204 121)	(985 153)	(463 575)	(1 876)	(4 841 667)
Milk collection cost	(237 231)	(56 575)	(12 054)	(8 878)	(9 288)	–	(324 026)
Margin on material	1 795 746	400 652	40 146	1 314 252	195 877	4 754	3 751 427
Reconciliation of margin on material to operating profit							
Margin on material							3 751 427
Revenue from rendering of services							684 496
Rental income							8 983
Direct and indirect manufacturing cost							(1 206 199)
Primary distribution cost							(445 487)
Gross profit							2 793 220
Net other costs							(2 220 277)
Restructuring cost							(8 493)
Operating profit							564 450
Net financing cost							(112 825)
Tax expense							(113 992)
Depreciation and amortisation							(188 629)
Assets and liabilities							
Assets							5 866 043
Liabilities							2 977 326

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30 June 2015 SEGMENT REPORT BY PRODUCT GROUP	Dairy Fluids R'000	Dairy Concentrated Products R'000	Ingredients R'000	Non-alcoholic Beverages R'000	Fermented Products and Desserts R'000	Other R'000	CIL Group R'000
External revenue							
Sale of products	4 396 169	1 259 208	274 860	2 065 101	269 782	6 964	8 272 084
Sale of raw milk	152 822	–	–	–	–	–	152 822
Charges against sales	(85 491)	(27 634)	(10 231)	(50 825)	(5 137)	–	(179 318)
Cost of material and packaging	(2 495 270)	(773 658)	(164 461)	(906 026)	(187 328)	(1 632)	(4 528 375)
Milk collection cost	(229 948)	(54 846)	(11 688)	(8 628)	(9 021)	–	(314 131)
Margin on material	1 738 282	403 070	88 480	1 099 622	68 296	5 332	3 403 082
Reconciliation of margin on material to operating profit							
Margin on material							3 403 082
Revenue from rendering of services							838 112
Rental income							3 233
Direct and indirect manufacturing cost							(1 063 341)
Primary distribution cost							(396 982)
Gross profit							2 784 104
Net other costs							(2 266 560)
Restructuring cost							(8 472)
Operating profit							509 072
Net financing cost							(74 064)
Tax expense							(100 286)
Depreciation and amortisation							(177 587)
Assets and liabilities							
Assets							5 474 837
Liabilities							2 889 989

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Group operations outside of South Africa are not material however one of the regions are close to becoming material and have been disclosed separately up to margin on material level as part of the segment report by geographical region on a voluntary basis.

30 June 2016 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	**8 395 704**	**541 691**	**165 074**	**9 102 469**
Sale of raw milk	**22 769**	**–**	**–**	**22 769**
Charges against sales	**(198 980)**	**(5 908)**	**(3 230)**	**(208 118)**
Cost of material and packaging	**(4 382 473)**	**(326 423)**	**(132 771)**	**(4 841 667)**
Milk collection cost	**(322 514)**	**(1 512)**	**–**	**(324 026)**
Margin on material	**3 514 506**	**207 848**	**29 073**	**3 751 427**

30 June 2015 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	7 669 413	475 313	127 358	8 272 084
Sale of raw milk	152 822	–	–	152 822
Charges against sales	(170 587)	(4 370)	(4 361)	(179 318)
Cost of material and packaging	(4 112 426)	(318 890)	(97 059)	(4 528 375)
Milk collection cost	(313 231)	(900)	–	(314 131)
Margin on material	3 225 991	151 153	25 938	3 403 082

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6 INCOME AND EXPENSES

6.1 Cost of sales

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
(208 118)	(179 318)	Charges against sales		
(3 622 709)	(3 472 187)	Cost of raw materials		
(1 218 958)	(1 056 188)	Packaging costs		
(324 026)	(314 131)	Milk collection cost		
(1 206 199)	(1 063 341)	Manufacturing direct and indirect cost		
(445 487)	(396 982)	Primary distribution cost		
(7 025 497)	(6 482 147)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below: Depreciation, amortisation and impairment		
(95 967)	(94 380)	• Depreciation and impairment of property, plant and equipment		
(1 522)	(1 376)	• Amortisation and impairment of trademarks, patents and licences		
(97 489)	(95 756)	Total depreciation, impairment and amortisation included in cost of sales		
(13 247)	(20 744)	Total inventories, raw material and finished product written off or provided for included in cost of sales		

6.2 Other operating income

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
20 869	38 950	Profit on sale of property, plant and equipment and other assets	521	
27 833	9 966	Realised foreign exchange gains		
9 075	–	Unrealised foreign exchange gains		
1 055	5 967	Scrap sales and sales to staff		
1 721	–	Bargain purchase at acquisition (Clover Good Hope)		
2 852	–	Fair value adjustment for call option (Clover Frankies)		
2 000	–	Distribution received from cell captive		
–	549	Consulting income for IT services rendered		
–	–	Fees for the cession of milk rights	44 424	49 369
8 283	2 607	Sundry*	–	–
73 688	58 039	Total other operating income	44 945	49 369

** Sundry income consist of a number of immaterial items.*

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GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		6.3 Other operating expenses		
(2 252)	(5 465)	Write down to net realisable value of consumable stock (engineering spares)		
(1 299)	(1 355)	Loss on hedge for share appreciation rights forward purchases		
(5 021)	(209)	Movement in provision on impairment of trade receivables		
(28 366)	–	Release of foreign currency translation reserve in abandonment of foreign operation		
–	(2 999)	Unrealised foreign exchange loss		
(7 756)	(6 231)	Royalties		
(4 477)	(2 832)	Sundry*		
(49 171)	(19 091)	**Total other operating expenses**		
		6.4 Operating profit		
		Operating profit before finance income/(cost) has been determined after taking into account the following expenses:		
		Other expenses		
(37 705)	(25 184)	Research expenses		
		Rentals		
(46 528)	(35 025)	• land and buildings		
(45 069)	(39 616)	• equipment		
(318 531)	(329 804)	• vehicles		
(2 259)	(970)	• machines		
(3 729)	(2 933)	• other		
		Direct operating expenses of investment properties earning rental income		
(16)	(22)	• maintenance		
(453 837)	(433 554)	**Total other expenses**		
		Personnel expenses		
(1 604 728)	(1 556 894)	Wages, salaries, bonuses and car allowances		
(25 728)	(22 615)	Company contributions		
(104 586)	(88 839)	Pension contributions		
(34 788)	(31 786)	Medical aid fund contributions		
(48 379)	(71 283)	Other personnel expenses		
(8 493)	(8 156)	Retrenchment cost		
(1 826 702)	(1 779 573)	**Total personnel expenses**		

* *Sundry operating expenses consist of a number of immaterial items.*

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FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Auditors' remuneration		
(11 258)	(10 087)	Audit fees current year	**(1 914)**	(1 810)
276	(216)	Prior year (under)/over provision		
(376)	(635)	Other fees		
(11 358)	(10 938)	**Total auditors' remuneration**	**(1 914)**	(1 810)
		Depreciation, amortisation and impairment		
(70 987)	(66 110)	Depreciation and impairment of property, plant and equipment	**(1)**	(1)
(8)	(132)	Depreciation of investment properties		
(20 158)	(15 672)	Amortisation and impairment of trademarks, patents and licences		
–	(186)	Scrapping and impairment of property, plant and equipment		
(91 153)	(82 100)	**Total depreciation and amortisation included in selling, distribution, restructuring and administrative expenses**	**(1)**	(1)
		6.5 Finance income		
7 901	329	Bank interest	**2 700**	1 414
495	5 148	Interest received on call deposits		
1 743	3 564	Other	**738**	1 370
10 139	9 041	**Total finance income**	**3 438**	2 784
		6.6 Finance cost		
(18 158)	(17 505)	Bank loans and overdrafts	**–**	(56)
(82 050)	(61 387)	Debtors' securitisation		
(16 153)	–	Debentures		
(6 603)	(4 213)	Other	**(14)**	–
(122 964)	(83 105)	**Total finance cost**	**(14)**	(56)
		6.7 Restructuring expenses		
		Restructuring expenses has been determined after taking into account the following expenses:		
(8 493)	(8 156)	Retrenchment expenses		
–	(55)	Relocation of existing assets as part of Cielo Blu		
–	(75)	Listing fees for new shares issue	**–**	(75)
–	(186)	Scrapping and impairment of property, plant and equipment		
(8 493)	(8 472)	**Total restructuring expenses**	**–**	(75)

7 TAXATION

7.1 The major components of the tax expenses are:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Local income tax		
		Current income tax		
(87 139)	(88 549)	• current year	**(9 957)**	(10 954)
1 531	–	• previous year	**32**	–
		Deferred income tax		
(4 098)	(4 453)	• current year	**32**	–
784	2 381	• previous year	**(32)**	524
(1 552)	(636)	Withholding tax on foreign income		
		Foreign taxation		
		Current income tax		
(20 185)	(10 457)	• current year		
(18)	–	• previous year		
		Deferred taxation		
(2 899)	1 451	• current year		
(416)	(23)	• previous year		
(113 992)	(100 286)	**Total income tax expense**	**(9 925)**	(10 430)
200 268	211 247	**Estimated taxation losses available for reduction of future taxable income**		

7.2 Reconciliation of income tax rate

GROUP 2016 %	GROUP 2015 %		COMPANY 2016 %	COMPANY 2015 %
28.00	28.00	Standard income tax rate	**28.00**	28.00
		Adjusted for:		
(2.97)	(1.62)	Non taxable income*	**(20.68)**	(15.80)
2.16	1.82	Non deductible expenses#	**0.01**	0.16
(0.73)	(0.44)	Special deductions%		
0.50	0.48	Special inclusions&		
(1.49)	0.55	Tax (profits)/losses of foreign subsidiaries not (taxable)/deductible		
(0.87)	(0.68)	Effect of foreign jurisdictions tax at lower rates		
(0.40)	(0.53)	Prior year adjustments: over provision	**–**	(0.59)
(0.84)	(0.69)	Share of joint venture profit equity accounted		
–	(2.97)	Additional deferred tax asset recognised on assessed loss		
–	(0.24)	Utilisation of assessed loss not previously recognised		
1.62	–	Release of foreign currency translation reserve in abandonment of foreign operation		
(0.70)	(1.16)	Tax deduction realised on share appreciation rights exercised		
0.19	(0.03)	Other^		
24.47	22.49	**Effective income tax rate**	**7.33**	11.77

** Accounting capital profits; fair value adjustments on call options; IFRS day one gain; employment tax incentive;*
 # Professional and legal fees; non-deductible depreciation; share-based payment expense.
% Learnership allowances;
& Capital gains realised on assets disposed
^ Foreign withholding taxes in foreign jurisdictions and utilisation of foreign tax credits

8 EARNINGS AND HEADLINE EARNINGS PER SHARE

GROUP 2016 Number of shares	GROUP 2015 Number of shares		COMPANY 2016 Number of shares	COMPANY 2015 Number of shares
		8.1 Diluted weighted average number of ordinary shares		
188 733 409	183 989 596	Weighted average number of issued ordinary shares		
4 288 569	8 477 179	Increase in number of shares as a result of unexercised share appreciation rights		
193 021 978	192 466 775	**Diluted weighted average number of ordinary shares**		
R'000	**R'000**		**R'000**	**R'000**
		8.2 Profit for the year		
350 906	350 345	Profit for the year attributable to equity holders of the parent company		
Cents per share	**Cents per share**		**Cents per share**	**Cents per share**
		8.3 Earnings per share		
		Basic		
185.9	190.4	Attributable to equity holders of the parent		
		Diluted		
181.8	182.0	Attributable to equity holders of the parent		

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8.4 Headline earnings per share

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Headline earnings attributable to equity holders of the parent company		
350 906	350 345	Profit for the year attributable to equity holders of the parent company		
		Gross remeasurements excluded from headline earnings		
(20 869)	(38 950)	Profit on sale of property, plant and equipment and gains on other assets		
(1 721)	–	Bargain purchase at acquisition (Clover Good Hope)		
28 366	–	Release of foreign currency translation reserve in abandonment of foreign operation		
		Taxation effects of remeasurements		
(87)	7 948	Profit on sale of property, plant and equipment and gains on other assets		
356 595	319 343	Headline earnings attributable to equity holders of the parent company		

GROUP Cents per share	GROUP Cents per share		COMPANY Cents per share	COMPANY Cents per share
		Headline earnings per share		
		Basic		
188.9	173.6	Attributable to equity holders of the parent		
		Diluted		
184.7	165.9	Attributable to equity holders of the parent		

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FOR THE YEAR ENDED 30 JUNE 2016

9 DIVIDENDS DECLARED AND PAID

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		During the year equity dividends were declared as follows:		
108 755	71 624	To ordinary shareholders	**108 755**	71 624

GROUP 2016 Cents per share	GROUP 2015 Cents per share		COMPANY 2016 Cents per share	COMPANY 2015 Cents per share
57.61	38.60	To ordinary shareholders	**57.61**	38.60

10 ASSETS CLASSIFIED AS HELD-FOR-SALE

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Carrying value		
2 225	–	- Property plant and equipment		
8 682	429	- Freehold land and buildings	**–**	429
10 907	429		**–**	429

Certain properties are classified as assets held-for-sale following the decision of the Group's Management to sell certain properties no longer required for Group operations. The fair value of the disposal group exceeds the carrying value.

Sales are expected to be realised within the next six months.

The other net current assets of Lactolab (Pty) Ltd amounting to R0.4 million has not been reclassified as a disposal group to held for sale since it is not considered to be material.

Management is in the process of selling the property held by RBC situated in Stikland, Cape Town. The remainder of the assets amounting to R1.6 million relate to Lactolab (Pty) Ltd and the balance of R0.8 million represents movable items forming part of the Stikland sale.

11 PROPERTY, PLANT AND EQUIPMENT

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		11.1 Freehold land and buildings		
		Cost		
853 344	774 526	Balance at the beginning of the year	**250**	679
154 426	73 801	Additions capitalised		
–	(18 237)	Government grant received		
–	23 983	Acquisition through business combinations		
(34 359)	(429)	Transfer to assets classified as held-for-sale	**–**	(429)
(497)	(14)	Disposals		
–	(286)	Reclassification between asset classes		
972 914	853 344	**Balance at the end of the year**	**250**	250
		Accumulated depreciation and impairment		
(217 156)	(194 993)	Balance at the beginning of the year	**(16)**	(15)
(25 264)	(22 103)	Depreciation for the year	**(1)**	(1)
412	8	Disposals		
–	(68)	Reclassification between asset classes		
13 195	–	Transfer to assets classified as held-for-sale		
(228 813)	(217 156)	**Balance at the end of the year**	**(17)**	(16)
		Carrying amounts		
636 188	579 533	Balance at the beginning of the year	**234**	664
744 101	636 188	Balance at the end of the year	**233**	234
		11.2 Leasehold properties		
		Cost		
31 030	29 765	Balance at the beginning of the year		
5 152	1 032	Additions capitalised		
2 833	233	Foreign exchange translations		
39 015	31 030	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(5 145)	(3 956)	Balance at the beginning of the year		
(3 076)	(1 160)	Depreciation for the year		
(418)	(29)	Foreign exchange translations		
(8 639)	(5 145)	**Balance at the end of the year**		
		Carrying amounts		
25 885	25 809	Balance at the beginning of the year		
30 376	25 885	Balance at the end of the year		

11.3 Plant, equipment and vehicles

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
1 947 093	1 762 564	Balance at the beginning of the year		
204 441	195 280	Additions capitalised		
(2 003)	(17 089)	Government grant received		
463	56 314	Acquisition through business combinations		
–	298	Reclassification between asset classes		
(40 151)	(50 726)	Disposals		
(13 993)	–	Transfer to assets classified as held-for-sale		
5 979	452	Foreign exchange translations		
2 101 829	1 947 093	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(783 123)	(678 887)	Balance at the beginning of the year		
(138 601)	(137 227)	Depreciation for the year		
–	(8)	Reclassification between asset classes		
28 545	33 089	Disposals		
11 767	–	Transfer to assets classified as held-for-sale		
(1 596)	(90)	Foreign exchange translations		
(883 008)	(783 123)	**Balance at the end of the year**		
		Carrying amounts		
1 163 970	1 083 677	Balance at the beginning of the year		
1 218 821	1 163 970	Balance at the end of the year		

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11.4 Total property, plant and equipment

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
2 831 467	2 566 855	Balance at the beginning of the year	**250**	679
364 019	270 113	Additions capitalised		
(2 003)	(35 326)	Government grants received		
(48 352)	(429)	Transfer to assets classified as held-for-sale	**–**	(429)
463	80 297	Acquisition through business combinations		
(40 648)	(50 740)	Disposals		
8 812	685	Foreign exchange translations		
–	12	Reclassification between asset classes		
3 113 758	2 831 467	**Balance at the end of the year**	**250**	250
		Accumulated depreciation and impairment		
(1 005 424)	(877 836)	Balance at the beginning of the year	**(16)**	(15)
(166 941)	(160 490)	Depreciation for the year	**(1)**	(1)
24 962	–	Transfer to assets classified as held-for-sale		
–	(76)	Reclassification between asset classes		
28 957	33 097	Disposals		
(2 014)	(119)	Foreign exchange translations		
(1 120 460)	(1005 424)	**Balance at the end of the year**	**(17)**	(16)
		Capital work-in-progress		
327 408	129 094	Balance at the beginning of the year		
(144)	121	Foreign exchange translations		
365 133	513 277	Additions: current year		
2 003	35 326	Government grants received		
(364 482)	(350 410)	Assets brought into use		
329 918	327 408	**Balance at the end of the year**		
		Total property, plant and equipment including work-in-progress		
		Carrying amounts		
2 153 451	1 818 113	Total property, plant and equipment at the beginning of the year	**234**	644
2 323 216	2 153 451	Total property, plant and equipment at the end of the year	**233**	234

Registers containing details of land are available for inspection at the registered office. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2016 was R25,8 million (2015: R31,9 million). Additions during the year were R Nil million (2015: R 27,3 million) of plant and equipment held under finance lease and hire purchase agreements. Leased assets and assets bought under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Government grants have been received in terms of the DTI's Manufacturing Competitive Enhancement Programme for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

Assets with an original cost price of R51,4 million (2015: R32,1 million) are still in use, although it has been fully depreciated.

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FOR THE YEAR ENDED 30 JUNE 2016

12 INVESTMENT PROPERTIES

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
270	6 096	Balance at the beginning of the year		
–	(5 826)	Transfer to assets held-for-sale		
270	270	**Balance at the end of the year**		
		Accumulated depreciation		
(247)	(4716)	Balance at the beginning of the year		
(8)	(132)	Depreciation for the year		
–	76	Reclassification between asset classes		
–	4 525	Transfer to assets held-for-sale		
(255)	(247)	**Balance at the end of the year**		
		Carrying amounts		
23	1 380	Balance at the beginning of the year		
15	23	**Balance at the end of the year**		
292	272	Rental income derived from investment properties		
–	–	Direct operating expenses generating rental income		
292	272	**Net profit arising from investment properties carried at net book value**		

The fair value of the property is R1,1 million (2015: R1,1 million).

The fair value of investment properties has been determined based on valuations performed by "The Property Partnership", an accredited independent valuer, "The Property Partnership" is an industry specialist in valuing investment properties.

The valuation was determined by using the capitalisation of future rentals technique. It was based on a net annual rental income of R149 000 (2015: R157 376) and a rental capitalisation into perpetuity factor of 13% (2015: 14%) and is considered to be a Level 3 fair value disclosure.

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13 INTANGIBLE ASSETS

13.1 Goodwill

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
375 205	328 750	Balance at the beginning of the year		
5 540	46 455	Acquisition through business combinations		
380 745	375 205	**Balance at the end of the year**		
		Impairment losses		
(1 311)	(1 311)	Balance at the beginning of the year		
(1 311)	(1 311)	**Balance at the end of the year**		
		Carrying amounts		
373 894	327 439	Balance at the beginning of the year		
379 434	373 894	Balance at the end of the year		

13.2 Trademarks, patents, right-of-use and customer lists

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
138 057	69 003	Balance at the beginning of the year		
14 027	68 054	Acquisitions through business combinations		
152 084	138 057	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(16 777)	(9 452)	Balance at the beginning of the year		
(11 849)	(7 325)	Amortisation for the year		
(28 626)	(16 777)	**Balance at the end of the year**		
		Carrying amounts		
121 280	59 551	Balance at the beginning of the year		
123 458	121 280	Balance at the end of the year		

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GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		13.3 Software licences		
		Cost		
130 215	86 483	Balance at the beginning of the year		
15 383	44 161	Additions		
(10 236)	(417)	Disposals		
(9 604)	–	Government grants received		
–	(12)	Reclassification between asset classes		
125 758	130 215	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(65 554)	(56 234)	Balance at the beginning of the year		
(9 831)	(9 723)	Amortisation for the year		
10 181	403	Disposals		
(65 204)	(65 554)	**Balance at the end of the year**		
		Carrying amounts		
64 661	30 249	Balance at the beginning of the year		
60 554	64 661	Balance at the end of the year		

13.4 Total intangible assets

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cost		
643 477	484 236	Balance at the beginning of the year		
15 383	44 161	Additions		
19 567	115 509	Additions through business combinations		
(10 236)	(417)	Disposals		
(9 604)	–	Government grants received		
–	(12)	Reclassification between asset classes		
658 587	643 477	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(83 642)	(66 997)	Balance at the beginning of the year		
(21 680)	(17 048)	Amortisation for the year		
10 181	403	Disposals		
(95 141)	(83 642)	**Balance at the end of the year**		
		Capital work-in-progress – software		
7 722	30 254	Balance at the beginning of the year		
66 367	137 138	Additions		
9 604	–	Government grants received		
(34 948)	(159 670)	Amounts capitalised		
48 745	7 722	**Balance at the end of the year**		
		Carrying amounts		
567 557	447 493	Total intangible assets at the beginning of the year		
612 191	567 557	Total intangible assets at the end of the year		

An impairment test is done annually at the Group's financial year-end on goodwill acquired through business combinations. The value-in-use of the businesses are represented by the present value of future cash flows generated by the businesses estimated for a five-year period and is based on:

Current net profit before tax, projected forward at an average growth of between 5%-6% (2015: 6%) and adjusted for non-cash items; movements in working capital; and a before tax discount rate of 19,92% (2015: 17,19%).

Goodwill has been allocated to Clover Industries Group excluding Clover Frankies and then to Clover Frankies as the smallest separately identifiable cash-generating units due to income, cost, assets and liabilities not being possible to be split into smaller cash-generating units. In the comparative figures Clover Waters was as a separate CGU however, due to restructuring the business of Clover Waters by bringing the manufacturing in-house it will form part of the CIL Group CGU from this year onwards. The calculated recoverable amount exceeds the carrying amount of the cash-generating unit. No reasonably possible change will result in the carrying amount exceeding the recoverable amount of the cash-generating unit.

Government grants have been received in terms of the DTI's Manufacturing Competitive Enhancement Programme for the purchase of specific software additions made during the current financial year. There are no unfulfilled conditions or contingencies attached to these grants.

Goodwill has been allocated to the following cash-generating units for purposes of the impairment review:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
373 894	349 928	Clover Industries		
5 540	–	Clover Frankies		
–	23 966	Clover Waters (Iced Tea business) *		
379 434	373 894	**Clover Industries Group**		

** Included in Clover Industries in current financial year as explained above.*

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

14.1 Other financial assets

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Financial assets at fair value through profit or loss		
1 800	–	Investment in Guardrisk Cell Captive		
		Derivatives not designated as hedges		
3 297	–	Call option to acquire remaining shares in Clover Frankies		
560	–	Call option to acquire remaining shares in Clover Good Hope		
5 657	–	**Total financial instruments at fair value**		
5 657	–	**Total other financial assets**		
–	–	Total current		
5 657	–	Total non-current		

Call option to acquire remaining shares in Clover Frankies

Frankies granted Clover the irrevocable right to purchase Frankies' 49% of the issued share capital in Clover Frankies ("Call shares"). The call option may be exercised by Clover any time after 30 June 2019. The purchase price of the call shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Frankies for the two financial years preceding the call option or R3 million increased with CPI for each 12 month period from the effective date, whichever is the highest.
B – EBITDA multiple of 5 (five)
C – Net financial debt of Clover Frankies (should the minimum EBITDA be used, C will be Nil)
The value of the call option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.2.

Put option to acquire remaining shares in Clover Frankies

Clover granted Frankies the irrevocable right to sell Frankies' 49% of the issued share capital in Clover Frankies ("put shares"). The put option may be exercised by Frankies any time after 30 June 2019. The purchase price of the put shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Frankies for the two financial years preceding the call option or R3 million increased with CPI for each 12 month period from the effective date, whichever is the highest.
B – EBITDA multiple of 4 (four)
C – Net financial debt of Clover Frankies (should the minimum EBITDA be used, C will be Nil)
The value of the put option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.2. The valuation resulted in a postion not favourable to the holder of the put option and accordingly no liability has been recognised by the Group.

Call option to acquire remaining shares in Clover Good Hope

Good Hope granted Clover the irrevocable right to purchase Good Hope's 49% of the issued share capital in Clover Good Hope ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the fifth anniversary of the effective date. The purchase price of the call shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Good Hope for the financial years preceding the call option
B – EBITDA multiple. If Clover's EBITDA multiple is 7 or lower the EBITDA multiple will be 6. If Clover's EBITDA multiple is above 7 then the EBITDA multiple will be 7
C – Actual average net financing cost of Clover Good Hope for the two financial years preceding the call option
The value of the call option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.1.

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Put option to acquire remaining shares in Clover Good Hope

Clover granted Good Hope the irrevocable right to sell Good Hope's 49% of the issued share capital in Clover Good Hope ("Put shares"). The put option may be exercised by Good Hope within three months after each 12 month period from the third anniversary of the effective date. The purchase price of the put shares will be determined by why of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.
((A x B) – C) x 49%
A – Average annual EBITDA of Clover Good Hope for the financial years preceding the put option
B – EBITDA multiple. If Clover's EBITDA multiple is 7 or lower the EBITDA multiple will be 6. If Clover's EBITDA multiple is above 7 then the EBITDA multiple will be 7
C – Actual average net financing cost of Clover Good Hope for the two financial years preceding the put option
The value of the put option was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The same assumptions were utilised in calculation the discounted cash flow as those used for the purchase price allocation as per note 3.1. The valuation resulted in a position not favourable to the holder of the put option and accordingly no liability has been recognised by the Group.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		14.2 Other financial liabilities		
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedging instruments:		
86	–	Foreign exchange contracts		
–	1 761	Diesel forward purchase contract		
5 225	3 625	Clover Industries shares forward purchases		
		Financial liabilities at fair value through OCI		
		Derivatives designated as hedging instruments:		
22 500	–	Cash flow hedge - Diesel hedge		
27 811	5 386	**Total financial instruments at fair value**		
27 811	5 386	**Total other financial liabilities**		
25 612	2 670	Total current		
2 199	2 716	Total non-current		

Foreign exchange contracts

Foreign exchange contracts through profit or loss are those foreign exchange forward contracts that are not designated in hedge relationship as they are intended to reduce the level of foreign currency risk for expected sales and purchases.

Clover Industries shares forward purchase

The Group had entered into a forward contract to purchase 2 132 695 Clover Industries shares, this transaction was entered into to hedge a portion of the share appreciation rights issued to management.

The fair value of the shares forward purchases was determined by Investec Bank Limited. The fair value was determined by calculation the future settlement price after the following inputs were taken into consideration, a dividend of 3,11% (2015: 2,16%), a credit spread of 2,75% (2015: 2,75%), a spot rate of R 18,51 (2015: R17,60) and a swap interest rate reflecting the term of each tranche of the hedge.

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	2016		2015	
Expiry date	Number of forwards	Forward price per share (Rand)	Number of forwards	Forward price per share (Rand)
01 October 2015			308 500	19.80
01 June 2016			158 937	20.87
03 October 2016	**308 500**	**21.40**	308 500	21.40
01 June 2017	**158 936**	**22.40**	158 936	22.40
02 October 2017	**308 500**	**23.20**	308 500	23.20
03 June 2019	**476 810**	**26.48**	476 810	26.48
30 June 2017	**158 937**	**22.29**	158 937	22.29
30 June 2017	**253 575**	**22.46**	253 575	22.46
01 June 2017	**158 937**	**22.35**		
30 June 2017	**308 500**	**22.35**		
Total	**2 132 695**		2 132 695	

Diesel hedge

The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. Due to the recent fluctuations in the commodities market specifically relating to the international price of oil and the effect it had on the price of diesel locally the Group entered into a diesel hedge with RMB in the form of a long-futures contract. as a result this is the first financial year the Group apply hedge accounting. The futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges of offset the effect of the prices changes in diesel.

During the financial year the Group hedged 1 650 000 litres of ICE Gasoil per month at a average price of R 6,20 per litre. As at 30 June 2016 the Group has hedged its diesel usage until the end of February 2017 at 1 650 000 litres per month. The contracted ICE Gasoil prices are R 6.13 per litre for the first three months and R 5,10 for the last five months. Hedging the price volatility of forecast diesel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The fair values are based on the quoted price from RMB for an item with the same expiry date and a similar value, taking into account the ruling ICE Gasoil price at year end and the forecasted change in the ICE Gasoil prices until expiry of the instrument. The realised loss portion of the Ice Gasoil long-futures contract recognised in other operating expenses in the statement of profit or loss for the year was R 25,8 million (R 18,6 million net of tax), the unrealised profit portion of R 3,3 million (R 2,4 million net of tax) is reflected in other comprehensive income and will affect the profit or loss in the next financial year, depending on the move in the ICE Gasoil price.

14.3 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;
Level 1: quoted prices in active market for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2016, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	GROUP			
	30 June 2016 R'000	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
Assets measured at fair value				
Derivatives not designated as hedging instruments:				
Call option to acquire remaining shares in Clover Frankies (Pty) Ltd	**3 297**	**–**	**–**	**3 297**
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	**560**	**–**	**–**	**560**
Investment in cell captive	**1 800**	**–**	**1 800**	**–**
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	**86**	**–**	**86**	**–**
Clover Industries shares forward purchases	**5 225**	**–**	**5 225**	**–**
Derivatives designated as hedging instruments:				
Diesel hedge	**22 500**	**–**	**22 500**	**–**
During the reporting period ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements.				

	30 June 2015 R'000	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Diesel forward purchase contract	1 761	–	1 761	–
Clover Industries shares forward purchases	3 625	–	3 625	–
There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the year ended June 2016				

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Fair value measurement and valuation techniques for level 2 financial instruments

Type of financial instrument Fair value 2016	Fair value R'000	Valuation technique	Significant inputs
Financial assets at fair value through profit or loss	**5 657**		
Call option to acquire remaining shares in Clover Frankies (Pty) Ltd	**3 297**	DCF	Free cash flow forecast Market interest rate
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	**560**	DCF	Free cash flow forecast Market interest rate
Investment in cell captive	**1 800**	NAV	Cash and cash equivalents Investment in unit trusts Insurance fund liabilities
Financial liabilities at fair value through profit or loss	**5 311**		
Foreign exchange contracts	**86**	DCF	Yield curves Market interest rate Market foreign exchange rate
Clover Industries shares forward purchase	**5 225**	DCF	Share price Yield curves
Financial liabilities at fair value through OCI	**22 500**		
Diesel hedges	**22 500**	DCF	Market forward ICE gasoil price Yield curves Market foreign exchange rate

Fair value 2015	Fair value R'000	Valuation technique	Significant inputs
Financial liabilities at fair value through profit or loss	5 386		
Diesel forward purchase contract	1 761	DCF	Market forward ICE gasoil price Yield curves Market foreign exchange rate
Clover Industries shares forward purchases	3 625	DCF	Share price Yield curves

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FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Reconciliation of fair value measurement of level 3 financial assets		
		Call option to acquire remaining shares in Clover Frankies (Pty) Ltd		
445	–	Initial recognition through OCI		
2 852	–	Remeasurement recognised through statement of profit or loss		
3 297	–	Balance at the end of the year		
		Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
560	–	Initial recognition through OCI		
		Remeasurement recognised through statement of profit or loss		
560	–	Balance at the end of the year		

15 DEFERRED TAXATION

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
(155 557)	(170 104)	Balance at the beginning of the year	77	77
218	14 547	Movements during the year:		
(6 997)	(3 002)	Charge to profit or loss		
368	1 833	Prior year over provision		
(62)	(47)	Foreign currency translation effect		
(938)	–	Charge to other comprehensive income		
9 193	24 940	Credit to the statement of changes in equity		
(1 346)	(9 177)	Acquisition of subsidiaries		
(155 339)	(155 557)	Balance at the end of the year	77	77

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GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		The balance is constituted as follows:		
		Deferred tax assets		
920	694	Doubtful debts provision	**77**	77
5 029	5 818	Credit note accrual		
1 420	1 382	Leases straight-lined		
60 314	61 570	Employee related expenses that are only deductible when paid		
6 582	9 194	Income received in advance		
272	–	Inventory provision		
18 018	7 416	Other accruals		
55 939	40 709	Assessed loss carried forward		
717	624	Foreign tax credits		
7 773	1 854	Cash flow hedges		
156 984	129 261	**Total deferred tax assets**	**77**	77
		Deferred tax liabilities		
(306 491)	(277 314)	Property, plant and equipment		
(1 524)	(3 873)	Prepayments		
(2 798)	(1 615)	Consumable stores		
(1 398)	(1 320)	Pension fund asset		
(112)	(696)	Other		
(312 323)	(284 818)	**Total deferred tax liabilities**		
(155 339)	(155 557)	**Net deferred tax (liability)/asset**	**77**	77
		Reflected in the Statement of Financial Position as follows:		
37 019	32 696	Deferred tax assets	**77**	77
(192 358)	(188 253)	Deferred tax liabilities		
(155 339)	(155 557)	**Net deferred tax (liability)/asset**	**77**	77

In assessing the availability of sufficient future taxable profit for utilisation against unused tax losses, cognisance was taken of the Group's vision, goals and strategies. The Board is of the opinion that future taxable profits would be adequate to utilise the unused tax losses.

The Statement of Financial Position disclosure for deferred tax assets is the total amount for all Group companies with net deferred tax assets. Likewise the deferred tax liability represents the total of all companies with net deferred tax liabilities. Note 15, however, groups all deferred tax assets and liabilities in the Group, irrespective of the net position of individual Group companies.

No deferred tax asset has been created on the tax loss of entities which are loss-making since inception of business-to-date to the value of R14 million (2015: R69 million). In addition no deferred tax asset has been created on tax losses amounting to R0,4 million (2015: Rnil million) which have no expiry date.

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FOR THE YEAR ENDED 30 JUNE 2016

16 INVENTORIES

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
5 800	5 800	Delivery agreements		
156 746	127 986	Raw materials		
112 506	100 422	Work-in-progress		
107 697	91 517	Consumable stores		
534 160	614 456	Finished goods		
916 909	940 181	Total inventories		

The amount of the write-down of inventories recognised as an expense is R13,2 million (2015: R20,7 million). This expense is included in the cost of sales line item as a cost of inventories.

17 TRADE AND OTHER RECEIVABLES

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
1 227 372	1 137 640	Trade receivables	4 129	4 170
27 335	21 683	Trade receivables from principals		
73 284	64 723	Other receivables and advance payments	50 286	489
2 612	15 644	Loans to Executive Directors and other Executives	2 612	15 644
		Inter-company loan: Clover SA	546 844	502 298
		Loan: CIL Share Purchase Plan Trust	9	9
(3 847)	(2 525)	Allowance for impairment	(275)	(275)
(18 533)	(21 586)	Credit note accrual		
1 308 223	1 215 579	Total trade and other receivables	603 605	522 335

Clover SA securitised its trade debtors, excluding debtors generated from export sales, through a special-purpose entity, Clover Capital. Clover Capital is consolidated into the results of the Group.

The loans to Directors and other Executives were made to finance ordinary shares in CIL issued to them on 31 May 2010. The terms of the loans are as follows: they will bear interest at 90% of the prime rate of Absa Bank, interest will be capitalised on a monthly basis, repayable by management on the sale of the ordinary shares or within two months of leaving the employment of Clover or within six months in the case of death. All proceeds of the ordinary shares are ceded to CIL as security for the loans. The loan agreements have been amended to make provision for a final repayment date of the respective loans linked to the normal retirement date for each of the Executives. See note 28.3 for further details.

See note 29.5 for age analysis on trade receivables and on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Trade receivables are non-interest-bearing and the payment terms are 30 days after the end of the month in which the goods were delivered.

As at 30 June 2016, trade receivables of an initial value of R3,9 million (2015: R2,5 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
2 525	3 849	Balance at the beginning of the year	**275**	275
1 671	–	Charge for the year		
(349)	(1 324)	Impairment loss written off		
3 847	2 525	Balance at the end of the year	**275**	275

18 CASH AND SHORT-TERM DEPOSITS

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At 30 June 2016, the Group had available R256 million (2015: R30 million) of unutilised committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the consolidated cash flow statements, cash and short-term deposits comprise the following:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Cash at bank and on hand		
266	255	On hand		
113 918	82 154	Outstanding deposits		
12 621	979	Call deposits	**11 530**	590
477 266	392 048	Cash in banks	**10 341**	39 425
604 071	475 436	Total cash and short-term deposits	**21 871**	40 015

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FOR THE YEAR ENDED 30 JUNE 2016

19 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares

GROUP 2016 R'000 Number of shares	GROUP 2015 R'000 Number of shares		COMPANY 2016 R'000 Number of shares	COMPANY 2015 R'000 Number of shares
		Authorised		
		2 billion (2015: 2 billion) ordinary shares with a par value of 5 cents (2015: 5 cents) each		
		Shares issued		
187 731 138	182 478 589	Ordinary shares in issue at the beginning of the year	**187 731 138**	182 478 589
		Share appreciation rights exercised:		
–	5 252 549	Issued on 17 March 2015	**–**	5 252 549
717 326	–	Issued on 1 December 2015	**717 326**	–
1 775 256	–	Issued on 2 March 2016	**1 775 256**	–
90 630	–	Issued on 22 June 2016	**90 630**	–
190 314 350	187 731 138	**Ordinary shares in issue at the end of the year**	**190 314 350**	187 731 138

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Ordinary share capital		
9 516	9 387	190,3 million (2015: 187,7 million) ordinary shares of 5 cents (2015: 5 cents) each	**9 516**	9 387
		Ordinary share premium		
882 774	838 363	Ordinary share premium on 190,3 million (2015: 187,7 million) ordinary shares	**882 774**	838 363
892 290	847 750	**Total ordinary share capital and ordinary share premium**	**892 290**	847 750
		Shares were issued as follows during the year		
		Ordinary shares:		
129	263	Ordinary shares of 0,5 cents (2015: 0,5 cents) each	**129**	263
44 411	103 949	Ordinary share premium of R17,19 (2015: R19,79) per share	**44 411**	103 948
44 540	104 212	**Total ordinary share capital raised during the year**	**44 540**	104 211

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FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		20 OTHER CAPITAL RESERVES		
		Share-based payments reserve		
72 880	73 268	Balance at the beginning of the year	**10 252**	28 720
12 697	18 080	Share based expense	**–**	–
(11 709)	(18 468)	Share appreciation rights exercised	**(8 083)**	(18 468)
73 868	72 880	**Balance at the end of the year**	**2 169**	10 252
		Call options		
		Balance at the beginning of the year		
1 005	–	Initial recognition of call options		
1 005	–	**Balance at the end of the year**		
74 873	72 880	**Total other capital reserves at the end of the year**	**2 169**	10 252
		21 OTHER COMPONENTS OF EQUITY		
		21.1 Foreign currency translation reserve		
(2 314)	(5 582)	Balance at the beginning of the year		
(1 905)	3 268	Foreign exchange translation differences		
28 366	–	Reclassified to statement of profit or loss		
26 461	3 268	Net foreign exchange translation movement		
24 147	(2 314)	**Balance at the end of the year**		
		21.2 Cash flow hedge reserve		
		Balance at the beginning of the year		
(22 500)	–	ICE Gasoil forward contracts fair value adjustment		
25 850	–	Reclassified to statement of profit or loss		
3 350	–	Net other comprehensive income movement		
(938)	–	Income tax effect		
2 412	–	**Net cash flow hedge movement**		
2 412	–	**Balance at the end of the year**		

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GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		22 INTEREST-BEARINGS LOANS AND BORROWINGS		
		22.1 Secured liabilities		
900 000	900 000	(a) Secured by securitisation of trade debtors (refer to note 17). The first tranche of R250 million is repayable on 30 June 2017, and is charged a floating interest rate of 160 bps above three-month Jibar. The second tranche of R400 million is repayable 30 June 2018, and is charged a fixed interest rate of 9,28% (2015: 9.28%). The third tranche of R250 million is repayable on 30 June 2019, and is charged a floating interest rate of 220 bps above three-month Jibar. The funding is raised in the form of debentures issued to financial institutions and investment funds with specific redemption dates.		
31 790	36 247	(b) Secured by plant and equipment with a book value of R25,8 million (2015: R31,9 million). Repayable in monthly instalments. Payments due within the next year are R5,0 million (2015: R5,1 million). Variable interest rate portion: 8,5% - 10.5% (2015: 8,5% - 10,5%). Maturity: between July 2016 and March 2022. Fixed interest rate portion 9.0% and 10,5% (2015: 9,0% and 10,5%).		
931 790	936 247	**Total secured liabilities**		
		22.2 Unsecured liabilities		
30 386	–	(a) Credit financing agreements entered into with IBM Global Financing to fund the acquisition of certain software and consulting costs. Interest is charged at 3% with the final instalment due on 1 September 2017.		
–	688	(b) Unsecured loan from Merchant West, interest is charged at 7,57% (2015: 6.96%), and is repayable in quarterly instalments with a final payment on 1 October 2015		
7 188	1 938	(c) Bank overdraft Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate: 9,25% – 10,5% (2015: 9,0% - 9.25%)		
55 036	316 304	(d) Call loans Variable interest rate: 7,0% – 9,0% (2015: 6,75% – 7,8%)		
250 070	–	(e) Debentures issued to financial institutions and investment funds with fixed redemption date, interest is charged at Jibar plus 2.85% and is repayable on 1 October 2018.		
342 680	318 930	**Total unsecured liabilities**		
1 274 470	1 255 177	**Total secured and unsecured liabilities**		
		Current portion transferred to current liabilities:		
255 247	254 646	• Secured liabilities		
87 768	318 930	• Unsecured liabilities		
343 015	573 576	Total current portion transferred to current liabilities		
931 455	681 601	Total non-current interest-bearing borrowings		
1 274 470	1 255 177	Total current and non-current interest-bearing loans and borrowings		

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		23 EMPLOYEE-RELATED OBLIGATIONS		
		23.1 Long-service bonus		
		The projected-credit method is used for the calculation of the long-service bonus provision.		
		Payments are recognised as utilisations.		
		The determination of the long-service bonus is based on the following assumptions:		
7 901	6 976	Active members		
6.3%	6.8%	Salary escalation ratio		
8.9%	7.8%	Discounting rate		
65	65	Normal retirement age		
24 868	26 376	Balance at the beginning of the year		
5 690	9 198	Amounts provided		
(8 712)	(10 706)	Amounts utilised		
21 846	24 868	**Total long-service bonus provision**		
		Refer to note 33 for further detail on the long-service bonus provision.		
		23.2 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 and leave days taken are recognised as utilisations.		
64 461	61 251	Balance at the beginning of the year		
13 054	10 413	Amounts provided		
(9 210)	(7 203)	Amounts utilised		
68 305	64 461	**Total leave pay provision**		
		23.3 Total employee-related obligations		
73 474	74 901	Long-term portion		
16 677	14 428	Short-term portion transferred to current liabilities		
90 151	89 329	**Total long-term and short-term employee-related obligations**		

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		24 TRADE AND OTHER PAYABLES		
1 115 717	1 072 019	Trade payables	**8 703**	8 392
218 950	230 972	Other payables	**1 389**	1 335
–	346	Interest payable	**–**	346
47 976	48 507	Payable to joint ventures		
1 382 643	1 351 844	**Total trade and other payables**	**10 092**	10 073
19 311	21 459	Non-current portion included in other payables transferred to non-current liabilities		
1 363 332	1 330 385	Current portion	**10 092**	10 073
1 382 643	1 351 844	**Total trade and other payables**	**10 092**	10 073

The terms for trade payables and other short term payables range from seven days after date of invoice to 45 days after month-end. Interest is payable on a monthly basis. Payables to joint ventures range from 30 days to 45 days after the end of the month in which the transaction took place.

Non-current payables range from one to three years after the date of accrual

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		25 NOTES TO THE STATEMENT OF CASH FLOWS		
		Tax paid		
40 330	33 877	Amount receivable/(due) at the beginning of the year	**2 157**	1 328
(107 161)	(99 801)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	**(9 925)**	(10 434)
9 893	(40 330)	Amount due/(receivable) at the end of the year	**(928)**	(2 157)
(56 938)	(106 254)	**Total tax paid**	**(8 696)**	(11 263)

26 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

26.1 Defined-benefit fund

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
5 018	9 277	Value of fund assets		
(24)	(4 452)	Value of fund liabilities		
4 994	4 825	Net surplus (recognised in other receivables)		
		Funding level		
		All of the fund's assets are indirectly invested in a quoted market by the utilisation of unit trusts.		
n/a	8,8%	Expected rate of return		
n/a	8,8%	Discount rate		
n/a	8,1%	Future salary increases		
n/a	6,80	Expected average remaining working life in years		

The fund has converted all members to the Group's defined contribution pension fund. As per the fund rules the net surplus of the fund will be available to the Group to be utilised as a reduction of future company contributions towards the defined contribution pensions fund. Number of members on 30 June 2016: 0 (30 June 2015: 4). The fund closed for new entrants on 1 July 1994.

During the previous financial year the Board of Clover and the Trustees of the Clover Pension fund approved the move of the Clover Pension fund to the Sanlam Umbrella fund, with effect from 1 July 2015. As part of this transfer, all defined benefit members will become defined contribution members. As per the fund rules the net surplus of the fund will be available to the Group to be utilised as a reduction of future Company contributions towards the defined contribution pension fund. Accordingly a prepayment asset was raised in the previous financial year amounting to R4,8 million. The Group policy is still to fund any deficit in accordance with the Pension Fund Act of 1956 and published regulations issued by the Registrar of Financial Services from time to time. The fund is subject to the same Act which requires an actuarial valuation every three years.

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26.2 Defined-contribution funds

26.2.1 Clover SA pension fund

This is a defined-contribution fund. The value of this fund determines the benefits which accrue to members. The Group has no obligation other than its normal contributions. Number of members on 30 June 2016: 1 112 (30 June 2015: 1 102).

26.2.2 Clover SA provident fund

This is a defined-contribution fund. The value of the fund determines the benefits which accrue to members. The Group has no obligation other than its normal contributions. Number of members on 30 June 2016:6 759 (2015: 6 143).

26.3 Amounts recognised in profit or loss

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Contributions for the Group for the current year:		
–	105	Defined-benefit fund		
38 999	34 985	Pension fund		
65 587	53 749	Provident fund		
104 586	88 839	**Total contributions recognised in profit or loss**		

27 COMMITMENTS AND CONTINGENCIES

27.1 Operating lease commitments – Group as lessee

The Group entered into an outsourcing agreement whereby the Group is provided with distribution and milk collection vehicles. The Group also entered into commercial leases on motor vehicles and machinery. These leases have an average life of between three and ten years, with renewal options included on some of the contracts. There are no restrictions placed upon the lessee by entering into these lease contracts.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Future minimum lease payments are as follows:		
299 627	289 823	Within one year		
977 720	847 451	After one year but not more than five years		
383 296	535 302	More than five years		
1 660 643	1 672 576	**Total lease payments payable**		

27.2 Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus offices and manufacturing buildings. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Future minimum rentals receivable under non-cancellable operating leases are as follows:		
2 400	7 609	Within one year		
7 366	8 607	After one year, but not more than five years		
9 766	16 216	**Total lease payments receivable**		

27.3 Finance leases and hire purchase agreements

The Group has finance leases and hire purchase contracts for various items of plant, machinery and vehicles. These leases have no terms of renewal, purchase options or escalation clauses.

Future minimum lease payments with the present value of the net minimum lease payments are as follows:

GROUP 2016 Minimum payments R'000	GROUP 2016 Present value of payments R'000		GROUP 2015 Minimum payments R'000	GROUP 2015 Present value of payments R'000
30 073	25 894	Within one year	8 248	5 196
45 098	36 282	After one year but not more than five years	41 488	31 739
75 171	62 176	Total minimum lease payments	49 736	36 935
(12 995)		Less: Amounts representing finance charges	(12 801)	–
62 176	62 176	Present value of minimum lease payments	36 935	36 935

27.4 Capital commitments

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
191 498	146 225	Capital expenditure authorised and contracted for		
68 963	29 305	Capital expenditure authorised but not contracted for		
260 461	175 530	Total capital commitments		

Commitments will be spent within the next three to four years. The capital expenditure will be funded from Group funds. Included in the prior year capital expenditure authorised and contracted for is R150 million for the acquisition of Dairybelle.

28 RELATED PARTY DISCLOSURE

Transactions with related parties are made at market-related prices. Outstanding balances at the year-end are unsecured. No interest is paid on current accounts. There have been no guarantees provided or received for any related party receivables or payables except for a sub-ordination agreement with Clover Namibia and Clover West Africa. During the year under review, the loan from Clover SA to Clover West Africa was written-off and a reversal of the prior year impairments on the loan to Clover Namibia of R3.8 million (2015: R5,5 million). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28.1 With regard to operating activities with subsidiaries and joint ventures, the following transactions took place during the year:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		(a) Fees earned by CIL for services rendered to Group Companies		
		Clover SA – Subsidiary	**44 424**	49 369
		Total fees earned by CIL for services rendered to Group Companies	**44 424**	49 369
		(b) Amounts due to CIL from Group Companies		
		Clover SA – Subsidiary	**546 838**	502 298
		Total amounts due to CIL from Group Companies	**546 838**	502 298
		(c) CIL received the following dividends during the year from Group Companies		
		Clover SA – Subsidiary	**100 000**	50 000
		Total dividends received by CIL from Group Companies	**100 000**	50 000

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GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		28.2 With regard to business done with Non-Executive Directors or legal entities that are related to them, the following transactions took place:		
		Milk purchased from the following Non-executive Directors or companies in which they are connected by Clover SA:		
104 643	118 495	WI Büchner		
44 632	42 870	NA Smith		
15 362	11 888	PR Griffin		
164 637	173 253	**Total milk purchased from Non-Executive Directors**		
		Refer to note 32 for more information regarding compensation of Directors and key management personnel		
		28.3 Loans advanced to Directors and senior management outstanding		
		Executive Director		
–	13 019	JH Vorster	**–**	13 019
		Other Executives		
2 612	2 625	JHF Botes (Dr)	**2 612**	2 625
2 612	15 644	**Total**	**2 612**	15 644

Refer to note 17 for more details around the terms of the loans.

29 FINANCIAL INSTRUMENTS

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

29.1 Financial Risk management

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

– credit risk

– liquidity risk

– market risk: foreign currency, interest rate and share price risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee, is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee is assisted in its oversight role by Clover Risk Management, assisted by Deloitte Risk Management. Risk Management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

a. Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Credit risk primarily relates to potential exposure on bank and cash balances, investments, derivatives and trade receivables. The Group limits its exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group is exposed to credit risk in the form of trade receivables. The maximum exposure is the carrying amount as disclosed in note 29.5. Historically, Group bad debts have been negligible and the management of debtors payment terms have been very successful. Trade receivables comprise a large number of debtors, but with significant concentration in value on the country's major retail and wholesale chains, credit is extended in terms of the Group's credit policies. In the opinion of the Board there was no significant credit risk at year-end which had not been adequately provided for.

The Group limits its exposure to credit risk by only investing in reputable institutions with high credit ratings.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 71,6% (2015: 79,56%) of the Group's credit sales is attributable to sales transactions with the major national chain stores of good credit standing. However, geographically there is no concentration of credit risk.

The responsibility for effective credit management rests with the Chief Financial Officer. The granting of credit is governed by a policy for the approval and authorisation levels for new credit applications and revision of credit limits.

The credit policy requires that each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Any variations in authorisation levels must be approved in terms of the credit policy. The review includes obtaining and evaluating trade references, bank codes, financial statements and trade history. Depending on the customer profile and credit limit required, further information on Directors and a credit bureau report will be obtained. With the exception of the major national chain stores, where credit risks are assessed as low, credit limits are established for each customer, which represents the maximum open amounts.

Most of the Group's customers have been transacting with the Group for many years and the Group has had a steady customer base. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are chain stores, general trade or wholesalers.

Additional credit is withheld from customers, excluding the major national chain stores, that have defaulted on their payments, until the situation has been resolved.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

As a general rule, sureties must be obtained for all new accounts, unless the Group waives its rights in this regard, backed by a low credit risk assessment.

b. Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Refer to note 29.4 for detailed analysis of liquidity exposure.

The Group manages liquidity risk by monitoring actual and budgeted cash flows and ensuring that adequate borrowing facilities are maintained.

The Group ensures that it has sufficient cash on demand to meet expected operational demands, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Group maintains the lines of credit as can be viewed in note 22.

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases, funding through securitisation of debtors book and hire purchase contracts. The Group's policy is that not more than 25% (2015: 25%) of long-term borrowings should mature in the next 12-month period. In less than one year, the Group's long-term debt of 20% (2015: 20,3%) will mature at year-end based on the carrying value of borrowings reflected in the financial statements.

Trade creditors form an important part of the short-term financing of the Group's working capital. Careful management and control of trade creditors is applied to ensure maximum use of what is viewed as interest-free debt.

The following guarantees were in place:

Guarantees	2016 R'm	2015 R'm
Municipalities	**15.69**	15.60
Other*	**18.59**	0.42
	34.28	16.02

**Primarily relates to major supplier in relation to the import of equipment which has been subsequently settled.*

c. Market risk management

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

The Group buys and sells derivatives in the ordinary course of business in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Policy.

(i) Foreign currency risk management

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. Currencies primarily exposed to from time to time are the Euro, US Dollar, Botswana Pula, British Pound and the Nigerian Naira. Certain exchange rate exposures are hedged through the use of forward exchange contracts. No forward exchange contracts were in place at year-end.

The Group hedges amounts greater than R2 million (2015: R2 million) denominated in a foreign currency. Forward exchange contracts are used to hedge currency risk, when applicable, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates of the Naira and the Pula. The Group's exposure to foreign currency changes for all other currencies is not material.

GROUP 2016				GROUP 2015		
Change in rate	Effect on profit before tax	Effect on Equity		Change in rate	Effect on profit before tax	Effect on Equity
	R'000	R'000			R'000	R'000
			Foreign subsidiaries – equity			
+10%			Rand – strengthening	+10%		
		(25 035)	Loss on Pulas			(17 134)
		160	Profit on Naira			5 066
-10%			Rand – weakening	-10%		
		25 035	Profit on Pulas			17 134
		(160)	Loss on Naira			(5 066)

(ii) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings with fixed and variable rates. The risk is managed by maintaining an appropriate mix of fixed and floating rates.

GROUP 2016 R'000		GROUP 2015 R'000
	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	
400 000	Fixed-rate instruments	400 000
874 470	Variable-rate instruments	855 177
1 274 470		1 255 177
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2015: 100 basis points) in interest rates at the reporting date would affect profit before taxation by the amount shown below. This analysis assumes that other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.	
	Increase of 100 basis points	
(8 745)	Decrease in profit before tax	(8 552)
	Decrease of 100 basis points	
8 745	Increase in profit before tax	8 552

GROUP 2016 R'000		GROUP 2015 R'000
	(iii) Share price risk management	
	The Group is affected by the movement in its share price due to the share appreciation rights issued to management. The Group entered into forward share purchases to hedge 2 132 695 of the share appreciation right issued to management. Refer to note 14 for more details.	
	Forward share purchases sensitivity	
	An increase/decrease of 10% (2015: 10%) in the share price at the reporting date would have affected profit before taxation by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10% in share price	
3 972	Increase in profit before tax	3 754
	Decrease of 10 % in share price	
(3 972)	Decrease in profit before tax	(3 754)
	(iv) Fuel price risk management	
	The Group is effected by the volatility of the diesel price. Its operating activities require the ongoing purchase of diesel for logistic purposes.	
	Based on an 12-month forecast about the required diesel supply, the Group hedged the purchase price of diesel using a futures contract linked to the Rand Ice Gas Oil Price. The Group hedged 13 200 000 litres of diesel, which is equivalent to 8 months' diesel usage. Subsequent to year-end the Group extended its hedging period until 30 June 2017, at 1 650 000 per month.	
	Cash flow hedge sensitivity	
	An increase/decrease of 10% in the diesel price at the reporting date would have affected other comprehensive income, by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior year.	
	Increase of 10% in diesel price	
7 607	Increase in other comprehensive income	–
	Decrease of 10% in diesel price	
(7 607)	Decrease in other comprehensive income	–
	Diesel hedges sensitivity	
	An increase/decrease of 10% in the diesel price at the reporting date would have affected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior year.	
	Increase of 10% in diesel price	
–	Increase in profit before tax	21 344
	Decrease of 10% in diesel price	
–	Decrease in profit before tax	(21 344)
	(v) Clover Frankies - Call and put options	
	Call option Clover Frankies	
	Frankies granted Clover the irrevocable right to purchase Frankies' 49% of the issued share capital in Clover Frankies ("Call shares"). The call option may be exercised by Clover any time after 30 June 2019. Refer to note 14 for more information regarding the call option.	
	Call option sensitivity	
	An increase/decrease of 10 percent in the terminal growth rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in terminal growth rate	
780	Increase in profit before tax	–
	Decrease of 10 percent in terminal growth rate	
(780)	Decrease in profit before tax	–

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GROUP 2016 R'000		GROUP 2015 R'000
	An increase/decrease of 10 percent in the discount rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in discount rate	
(1 358)	Decrease in profit before tax	–
	Decrease of 10 percent in the discount rate	
2 000	Increase in profit before tax	–
	Put option Clover Frankies	
	Clover granted Frankies the irrevocable right to sell Frankies' 49% of the issued share capital in Clover Frankies ("put shares"). The put option may be exercised by Frankies any time after 30 June 2019. Refer to note 14 for more information regarding the put option. The sensitivity analysis indicates that there is no effect on profit before tax when the terminal growth rate or discount rate is adjusted by 10% upwards or downwards	
	(vi) Clover Good Hope - Call and put options	
	Call option Clover Good Hope	
	Good Hope granted Clover the irrevocable right to purchase Good Hope's 49% of the issued share capital in Clover Good Hope ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the fifth anniversary of the effective date. Refer to note 14 for more information regarding the call option.	
	Call option sensitivity	
	An increase/decrease of 10 percent in the terminal growth rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in terminal growth rate	
1 526	Increase in profit before tax	–
	Decrease of 10 percent in terminal growth rate	
(560)	Decrease in profit before tax (limited to current option value)	–
	An increase/decrease of 10 percent in the discount rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in discount rate	
(560)	Decrease in profit before tax (limited to current option value)	–
	Decrease of 10 percent in the discount rate	
2 806	Increase in profit before tax	–
	Put option Clover Good Hope	
	Clover granted Good Hope the irrevocable right to sell Good Hope's 49% of the issued share capital in Clover Good Hope ("Put shares"). The put option may be exercised by Good Hope within three months after each 12 month period from the third anniversary of the effective date. Refer to note 14 for more information regarding the put option. The sensitivity analysis indicates that there is no effect on profit before tax when the terminal growth rate is adjusted by 10% upwards or downwards.	
	Put option sensitivity	
	An increase/decrease of 10 percent in the discount rate at the reporting date would have effected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in discount rate	
(689)	Decrease in profit before tax	–
	Decrease of 10 percent in the discount rate	
–	Increase in profit before tax	–

GROUP		GROUP
2016 R'000		2015 R'000

29.2 Capital management

Capital consists of ordinary share capital, as well as ordinary share premium

A combination of retained earnings, senior debt, term asset finance, commodity finance and general banking facilities are used to fund the business. The Bulk of the Group's debtors forms part of a securisation programme. This programme came into effect during 2001. Senior debt raised by the programme currently amounts to R900 million (2015: R900 million). The securisation provides access to senior debt equal to 74,5% (2015: 74,5%) of the debtors' book.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings. The Group's target is to achieve a return on shareholders' equity of at least 20% in the medium-to long-term. A return of 12,9% (2015: 14,5%) of the debtors' book. In comparison the weighted average interest expense on interest-bearing borrowings was 9,72% (2015: 7,8%).

29.3 Fair value

The carrying amount of financial assets and liabilities are a reasonable approximation of fair value due to the short-term maturities of these financial instruments.

These financial instruments are short term in nature and includes trade receivables, trade payables, cash and cash equivalents.

Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and repayment periods as at year-end, the carrying amounts of the borrowings are not materially different from the calculated fair value. The credit rating remained unchanged at zaAA, as rated by Khanda Credit.

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29.4 Liquidity risk profile

Maturity profile of financial instruments

The maturity profile of the financial instruments is summarised as follows for the Group:

	GROUP 2016 0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Secured loans	**26 144**	**9 564**	**13 477**	**20 234**	**4 992**	**74 411**
Secured by securitisation of trade debtors	**41 661**	**291 109**	**460 695**	**23 575**	**255 942**	**1 072 982**
Unsecured loans	**67 741**	**12 496**	**25 200**	**256 352**	**–**	**361 789**
Guarantees	**18 257**	**–**	**–**	**–**	**16 023**	**34 280**
Bank overdrafts	**7 188**	**–**	**–**	**–**	**–**	**7 188**
Financial liabilities	**25 612**	**–**	**2 199**	**–**	**–**	**27 811**
Trade and other payables	**1 321 244**	**42 088**	**9 152**	**10 158**	**–**	**1 382 642**
Total financial liabilities	**1 507 847**	**355 257**	**510 723**	**310 319**	**276 957**	**2 961 103**

	GROUP 2015 0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Secured loans	3 812	3 732	7 502	23 455	11 235	49 736
Secured by securitisation of trade debtors	37 212	36 903	557 851	437 323	–	1 069 289
Unsecured loans	317 008	–	–	–	–	317 008
Guarantees	–	16 023	–	–	–	16 023
Bank overdrafts	2 338	–	–	–	–	2 338
Financial liabilities	598	2 118	2 670	–	–	5 386
Trade and other payables	1 284 506	45 878	10 730	10 730	–	1 351 844
Total financial liabilities	1 645 474	104 654	578 753	471 508	11 235	2 811 624

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The maturity profile of the financial instruments is summarised as follows for the Company:

	COMPANY 2016					
	0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Unsecured loans	–	–	–	256 352	–	256 352
Trade and other payables	10 092	–	–	–	–	10 092
Total financial liabilities	10 092	–	–	256 352	–	266 444

	COMPANY 2015					
	0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Unsecured loans	–	–	–	–	–	–
Trade and other payables	10 073	–	–	–	–	10 073
Total financial liabilities	10 073	–	–	–	–	10 073

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GROUP Carrying Value 2016 R'000	GROUP Carrying value 2015 R'000		COMPANY Carrying Value 2016 R'000	COMPANY Carrying Value 2015 R'000
		29.5 Credit risk		
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
1 227 372	1 137 640	Trade receivables		
97 035	95 469	Other receivables	603 600	522 334
604 071	475 436	Cash and short-term deposits	21 871	40 015
1 928 478	1 708 545	**Total financial assets**	625 471	562 349
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
878 273	904 841	Retail chain stores		
134 852	68 246	Wholesale chain stores		
214 247	164 553	Industrial/Catering/General trade		
1 227 372	1 137 640	**Total**		
		The ageing of trade receivables at the reporting date is as follows:		
1 128 812	1 059 421	Neither past due nor impaired*		
84 201	56 454	Past due, but not impaired 0–30 days		
10 069	12 157	Past due but not impaired 31–120 days		
4 290	9 608	Past due but not impaired 120 days		
1 227 372	1 137 640	**Total**		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
2 525	3 849	Balance at the beginning of the year	275	275
1 671	–	Increases in impairments		
(349)	(1 324)	Impairment loss written off		
3 847	2 525	**Balance at the end of the year**	275	275

* *The balance of these receivables mainly relate to well-known retail and wholesale chain stores and is considered to be of a high credit quality as is evident from the relative low impairment balance and zaAA credit ratings based on evaluations performed by independent credit valuation agencies.*

The allowance for impairment accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

The impairment loss written off relates to customers defaulting on payments and being handed over to lawyers for recovery.

30 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Share-based payment investment in Clover SA	**–**	8 084
		Total investment in subsidiary	**326 735**	334 819
		Share of investment in a joint venture		
–	(253)	Clover Futurelife		
31 651	31 878	Clover Fonterra		
31 651	31 625			

Subsidiary and joint venture Name of company	Name of incorporation	Nature of business	Effective interest in capital 2016 %	Effective interest in capital 2015 %	Gross Investment in subsidiaries and joint ventures[1] 2016 R'000	Gross Investment in subsidiaries and joint ventures[1] 2015 R'000	Profit/(loss) after taxation[3] 2016 R'000	Profit/(loss) after taxation[3] 2015 R'000
Clover SA[2]	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**327 183**	334 818	**299 074**	282 443
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	**100**	100	**444 958**	361 458	**(14 389)**	(3 231)
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**75 492**	39 488
Clover MilkyWay	South Africa	Dairy manufacturing and sales	**100**	100	**50 050**	50 050	**(8 861)**	615
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**(1 208)**	561
Lactolab	South Africa	Testing of dairy products	**100**	100	**5 500**	5 500	**716**	1 317
Clover Fonterra[#]	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**31 651**	31 878	**14 015**	11 192
Clover Frankies	South Africa	Marketing, sales, distribution and production of CSD's	**51**	–	**10 928**	–	**518**	–
Clover Good Hope	South Africa	Manufactures, distributes, sells and markets a range of soy based milk alternatives	**51**	–	**7 068**	–	**1 380**	–
Clover West Africa[4]	Nigeria	Marketing of non-alcoholic beverage products	**100**	100	**468**	468	**71 273**	(8 139)
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	*****	*	**5 167**	5 641
Clover Waters	South Africa	Marketing, sales, distribution and production of water and iced tea	**70**	70	**76 669**	69 392	**(1 935)**	(15 939)
Clover Futurelife[$]	South Africa	Manufactures, distributes, sells and markets a range of functional food products	**50**	50	*****	(253)	**253**	(253)

[#] *Joint venture.*
[*] *Amounts less than R1 000.*
[$] *The company has not yet commenced trading.*
[1] *Held by Clover SA.*
[2] *Held by CIL.*
[3] *Before inter company eliminations.*
[4] *Included in the profit is the write-off of the loan received from Clover SA of R61.1 million. However this amount was eliminated at Group level.*

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GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Frankies		
		Subsidiary's statement of financial position		
9 265		Current assets including cash and cash equivalents of R1,6 million and inventory R4,3 million		
12 233		Non-current assets including property, plant and equipment of R0,36 million and intangibles R11,8 million		
(597)		Non-current liabilities including deferred tax R0,6 million		
(6 925)		Current liabilities including trade and other payables of R6,9 million		
(13 976)		Equity (Net asset value)		
51%		Portion of the Group's ownership		
7 128		Net asset value of the investment		
		Subsidiary's revenue and profit		
20 568		Revenue		
(9 864)		Cost of sales		
(8 976)		Sales, marketing, distribution and administrative expenses		
(262)		Net finance cost		
1 466		Profit before taxation		
(450)		Income tax expense		
1 016		**Profit for the year**		
51%		Portion of the Group's ownership		
518		Group's share of profit for the year		
–		Dividend received		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Good Hope		
		Subsidiary's statement of financial position		
27 302		Current assets including cash and cash equivalents of R3,6 million and inventory R8,7 million		
7 329		Non-current assets including property, plant and equipment of Rnil million and intangibles R7,3 million		
(657)		Non-current liabilities including deferred tax R0,6 million		
(26 265)		Current liabilities including trade and other payables of R26 million		
(7 709)		Equity (Net asset value)		
51%		Portion of the Group's ownership		
3 932		Net asset value of the investment		
		Subsidiary's revenue and profit		
16 206		Revenue		
(13 480)		Cost of sales		
(1 293)		Sales, marketing, distribution and administrative expenses		
1 721		Other operating income		
(65)		Net finance cost		
3 089		Profit before taxation		
(383)		Income tax expense		
2 706		**Profit for the year**		
51%		Portion of the Group's ownership		
1 380		Group's share of profit for the year		
–		Dividend received		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Clover Waters		
		Subsidiary's statement of financial position		
58 049	83 513	Current assets including cash and cash equivalents Rnil (2015: Rnil) and inventory R27,95 million (2015: R28,3 million)		
132 674	89 149	Non-current assets including property, plant and equipment R97,8 million (2015: R52,8 million)		
(9 866)	(5 887)	Non-current liabilities including deferred tax R2,7 million (2015: R3,9 million)		
(138 729)	(121 882)	Current liabilities including trade and other payables of R138,2 million (2015: R121,4 million)		
(42 128)	(44 893)	Equity (Net asset value)		
70%	70%	Portion of the Group's ownership		
29 490	31 425	Net asset value of the investment		
		Subsidiary's revenue and profit		
306 672	255 730	Revenue		
(195 972)	(174 730)	Cost of sales		
(87 740)	(85 231)	Sales, marketing, distribution and administrative expenses		
(21 011)	(14 578)	Other operating expenses		
(5 992)	(3 500)	Net finance cost		
(4 043)	(22 309)	Loss before taxation		
1 279	6 370	Income tax		
(2 764)	(15 939)	**Loss for the year**		
70%	70%	Portion of the Group's ownership		
(1 935)	(11 157)	Group's share of loss for the year		
–	–	Dividend received		

Refer to note 4 for the joint ventures namely Clover Fonterra Ingredients and Clover Futurelife.

31 SHARE-BASED PAYMENTS

31.1 Equity-settled share appreciation rights scheme

– Clover Share Appreciation Rights Plan (2010) (ordinary shares in CIL)

On 31 May 2010 the ordinary and preference shareholders approved the Clover Share Appreciation Rights Plan (SAR) as well as the placement of 16 million unissued ordinary shares under the control of the Directors to fulfil the Group's potential future obligations in terms of the plan. The main rules of the scheme are as follows:

The Group's obligations in terms of this plan can at the election of the Group be settled in cash or by the issue of ordinary shares.

New SAR may be exercised at the election of the participants, at any time after they have vested, provided that the participant concerned is still in the employment of Clover. On exercise employees will be awarded shares to the value equal to the difference between the fair market value of ordinary shares on the date of issue of the new SAR in question and the fair market value of the ordinary shares on the date of exercise.

Further details on the scheme are available in the detailed circular issued to shareholders on 7 May 2010 and the Report on Remuneration on page 85 to 97.

The SAR granted are expensed over their vesting period in terms of IFRS 2. The estimated fair value of these SAR was calculated using the Hull-White Trinomial Lattice valuation model.

The following inputs were used for the calculation of the fair value:

Initial allocation – Expected volatility of 30,3%, risk free rate of 8,90% and a dividend yield of 2,34%.

Third allocation – Expected volatility of 19,9%, risk free rate of 8,55% and a dividend yield of 3,33%.

Allocation to new executive committee member – Expected volatility of 17,4%, risk free rate of 7,94% and a dividend yield of 2,00%.

Fourth allocation – Expected volatility of 17,4%, risk free rate of 7,94% and a dividend yield of 2,00%

Fifth allocation – Expected volatility of 24,3%, risk free rate of 6,67% and dividend yield of 1,74%.

Sixth allocation – Expected volatility of 21,4%, risk free rate of 7,01% and dividend yield of 1,80%.

Allocation to new executive committee member – Expected volatility of 22,7%, risk free rate of 7,45% and a dividend yield of 2,14%.

Seventh allocation – Expected volatility of 26,9%, risk free rate of 7,37% and dividend yield of 1,92%.

Expected volatility is calculated based on the average share price per day and the intra-day share price movements since listing.

Eighth allocation – Expected volatility of 33,0%, risk free rate of 8,19% and a dividend yield of 2,95%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2016

Share appreciation rights

Description	Grant date	Weighted average remaining contractual life (years)	Exercise price	SAR granted not yet exercised	Estimated weighted average fair value per right at grant date (Adjusted for 2 for 1 share split)	Vetsing period
Clover's Share Appreciation Rights Plan (2010) – Initial allocation	31 May 2010	Until employment terminates	R4,67	1 808 459 (2015: 4 970 158)	R2,11	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015
Clover's Share Appreciation Rights Plan (2010) – Third allocation	1 July 2011	Three years	R11,00	57 778 (2015: 57 778)	R3,11	Full allocation vested on 1 July 2014
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member ER Bosch	1 June 2012	Four years	R13,50	953 620 (2015: 953 620)	R4,03	One-third on 1 June 2015, one-third on 1 June 2016 and a final third on 1 June 2017
Clover's Share Appreciation Rights Plan (2010) – Fourth allocation	1 July 2012	Four years	R13,73	1 474 962 (2015: 2 737 742)	R3,70	Full allocation vested on 1 July 2015
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member MM Palmeiro	1 October 2012	Four years	R14,15	925 500 (2015: 925 500)	R3,95	One-third on 1 October 2015, a third on 1 October 2016 and a final third on 1 October 2017
Clover's Share Appreciation Rights Plan (2010) – Fifth allocation	1 July 2013	Five years	R16,83	2 588 288 (2015: 3 041 063)	R4,97	Full allocation vests on 1 July 2016
Clover's Share Appreciation Rights Plan (2010) – Sixth allocation	20 June 2014	Six years	R17,31	2 325 208 (2015: 3 134 141)	R4,83	Full allocation vests on 30 June 2017
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member J van Heerden	26 September 2014	Four years	R17,55	501 425 (2015: 501 425)	R5,25	One third on 26 September 2017, one third on 26 September 2018 and a final third on 26 September 2019
Clover's Share Appreciation Rights Plan (2010) – Seventh allocation	30 June 2015	Six years	R17,34	2 779 769 (2015: 3 656 212)	R5,38	Full allocation vests on 30 June 2018
Clover's Share Appreciation Rights Plan (2010) – Eighth allocation	30 June 2016	Five years	R18,44	2 679 262 (2015: Nil)	R5,58	Full allocation vests on 30 June 2019

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		Provision against income		
12 697	18 080	Share-based payment expense		

There were no changes made to the share appreciation rights or the executives' interests therein after 30 June 2016 up to the approval of the annual financial statements.

32 DIRECTORS' REMUNERATION AND INTERESTS

32.1 Directors' remuneration

	2016							
	Basic salary R'000	Fees for services as Director R'000	Individual performance bonus R'000	Profit share bonus R'000	Retirement and medical contributions R'000	Re-imbursive expenses R' 000	Other benefits* R'000	Total R'000
Executive Directors								
JH Vorster	5 500	–	1 654	4 279	1 292	–	1 407	14 132
LJ Botha (resigned 2 January 2016)	3 767	–	636	–	465	–	362	5 230
CP Lerm (Dr) (retired 30 June 2016)	3 296	–	1 120	1 878	715	–	860	7 869
ER Bosch (appointed 2 January 2016 as director)	1 669	–	568	953	378	–	65	3 633
Total remuneration of Executive Directors	14 232	–	3 978	7 110	2 850	–	2 694	30 864
Non-Executive Directors								
WI Büchner	–	1 191	–	–	–	–	–	1 191
TA Wixley	–	899	–	–	–	–	–	899
SF Booysen (Dr)	–	818	–	–	–	39	–	857
JNS Du Plessis	–	520	–	–	–	36	–	556
NA Smith	–	371	–	–	–	–	–	371
N Mokhesi	–	432	–	–	–	–	–	432
B Ngonyama	–	472	–	–	–	–	–	472
PR Griffin	–	321	–	–	–	–	–	321
Total remuneration of Non-Executive Directors	–	5 024	–	–	–	75	–	5 099
Total Directors' remuneration	14 232	5 024	3 978	7 110	2 850	75	2 694	35 963
Other executives (prescribed officers)								
H Lubbe	3 285	–	1 118	1 877	701	–	167	7 148
JHF Botes (Dr)	3 300	–	1 121	1 882	700	–	166	7 169
ER Bosch (became a director on 2 January 2016)	1 669	–	567	952	378	–	64	3 630
MM Palmeiro	2 708	–	1 432	1 902	591	–	755	7 388
J van Heerden	2 382	–	608	1 020	452	–	237	4 699
Total remuneration of other executives	13 344	–	4 846	7 633	2 822	–	1 389	30 034

Other benefits include long service award payouts, leave payouts on retirement, housing allowances for expatriates, travel and accommodation expenses.

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FOR THE YEAR ENDED 30 JUNE 2016

2015	Basic salary R'000	Fees for services as director R'000	Individual performance bonus R'000	Profit share bonus R'000	Retirement and medical contributions R'000	Re-imbursive expenses R' 000	Other benefits* R'000	Total R'000
Executive directors								
JH Vorster	5 129	–	1 615	6 446	1 376	–	277	14 843
LJ Botha	3 512	–	1 210	3 406	874	–	168	9 170
CP Lerm (Dr)	3 079	–	1 059	2 996	762	–	157	8 053
Total remuneration of Executive Directors	11 720	–	3 884	12 848	3 012	–	602	32 066
Non-Executive Directors								
WI Büchner	–	1 111	–	–	–	–	–	1 111
TA Wixley	–	897	–	–	–	–	–	897
SF Booysen (Dr)	–	743	–	–	–	–	–	743
JNS Du Plessis	–	512	–	–	–	54	–	566
NA Smith	–	330	–	–	–	5	–	335
N Mokhesi	–	359	–	–	–	–	–	359
B Ngonyama	–	432	–	–	–	–	–	432
PR Griffin	–	299	–	–	–	–	–	299
Total remuneration of Non-Executive Directors	–	4 683	–	–	–	59	–	4 742
Total Directors' remuneration	11 720	4 683	3 884	12 848	3 012	59	602	36 808
Other executives (prescribed officers)								
H Lubbe	3 063	–	1 091	2 995	782	–	162	8 093
JHF Botes (Dr)	3 077	–	1 094	3 002	780	–	161	8 114
ER Bosch (became a director on 2 January 2016)	3 068	–	1 039	3 002	830	–	129	8 068
MM Palmeiro	2 525	–	1 259	2 235	626	–	739	7 384
J van Heerden	1 785	–	475	915	391	–	121	3 687
Total remuneration of other executives	13 518	–	4 958	12 149	3 409	–	1 312	35 346

**Other benefits include long service award payouts, leave payouts on retirement, housing allowances for expatriates, travel and accommodation expenses.*

	2016 R' 000	2015 R' 000
Share appreciation rights exercised and settled by the issue of shares		
Executive directors		
JH Vorster	**19 892**	53 652
LJ Botha	**11 234**	31 610
CP Lerm (Dr)	**13 414**	12 423
Executives (Prescribed officers)		
JHF Botes (Dr)	**–**	9 856
	44 540	107 541

All share appreciation rights exercised by Executives as part of the MPCRE (refer to page 96: - legacy scheme SARS issues) were settled in shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32.2 Interest of Directors and other executives in share appreciation rights

The interest of Executive and Non-Executive Directors in the shares of the Company provided for in the form of share appreciation rights are set out in the table below:

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2015	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2016	Number of rights that have vested as at 30 June 2016	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	First	4 587 200	1 529 067		1 529 067	–		16.57	4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	1 036 716	1 036 716		340 000	**696 716**	696 716	18.72	13.73	All on 1 July 2015.
	Fifth	879 589	879 589			**879 589**			16.83	All on 1 July 2016.
	Sixth	906 510	906 510			**906 510**			17.31	All on 30 June 2017.
	Seventh	975 927	975 927			**975 927**			17.34	All on 30 June 2018.
	Eighth	919 753		919 753		**919 753**			18.44	All on 30 June 2019.
CP Lerm (Dr) (retired 30 June 2016)	First	2 454 758	818 252		818 252	–		18.70	4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	389 123	389 123		389 123	–		18.70	13.73	All on 1 July 2015.
	Fifth	332 135	332 135			**332 135**			16.83	All on 1 July 2016.
	Sixth	342 300	342 300		342 300	–		Cancelled	17.31	All on 30 June 2017.
	Seventh	371 109	371 109		371 109	–		Cancelled	17.34	All on 30 June 2018.
LJ Botha (resigned 2 January 2016)	First	2 443 140	814 380		814 380	–		16.59	4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	533 657	533 657		533 657	–		16.59	13.73	All on 1 July 2015.
	Fifth	452 775	452 775		452 775	–		Cancelled	16.83	All on 1 July 2016.
	Sixth	466 633	466 633		466 633	–		Cancelled	17.31	All on 30 June 2017.
	Seventh	505 334	505 334		505 334	–		Cancelled	17.34	All on 30 June 2018.
ER Bosch (appointed 2 January 2016 as director)	Allocation of newly appointed	953 620	953 620			**953 620**	635 747		13.50	One-third on 1 June 2015, a third on 1 June 2016 and final third on 1 June 2017.
	Fifth	332 135	332 135			**332 135**			16.83	All on 1 July 2016.
	Sixth	342 301	342 301			**342 301**			17.31	All on 30 June 2017.
	Seventh	371 988	371 988			**371 988**			17.34	All on 30 June 2018.
	Eighth	362 256		362 256		**362 256**			18.44	All on 30 June 2019.
Total Executive Directors		19 958 959	12 353 551	1 282 009	6 562 630	**7 072 930**	1 332 463			

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	Allocation of rights	Number of rights at allcation date	Number of rights as at 30 June 2015	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2016	Number of rights that have vested as at 30 June 2016	Share price on date exercised	Grant price	Date from which exercisable
Other executives (prescribed officers)										
H Lubbe	First	2 027 236	1 351 491			1 351 491	1 351 491		4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Third	57 778	57 778			57 778	57 778		11.00	All on 1 July 2014.
	Fourth	389 123	389 123			389 123	389 123		13.73	All on 1 July 2015.
	Fifth	332 135	332 135			332 135			16.83	All on 1 July 2016.
	Sixth	342 301	342 301			342 301			17.31	All on 30 June 2017.
	Seventh	370 992	370 992			370 992			17.34	All on 30 June 2018.
	Eighth	349 625		349 625		349 625			18.44	All on 30 June 2019.
JHF Botes (Dr)	First	1 370 904	456 968			456 968	456 968		4.67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	Fourth	389 123	389 123			389 123	389 123		13.73	All on 1 July 2015.
	Fifth	332 135	332 135			332 135			16.83	All on 1 July 2016.
	Sixth	342 301	342 301			342 301			17.31	All on 30 June 2017.
	Seventh	372 023	372 023			372 023			17.34	All on 30 June 2018.
	Eighth	350 598		350 598		350 598			18.44	All on 30 June 2019.
MM Palmeiro	Allocation of newly appointed	925 500	925 500			925 500	308 500		14.15	One-third on 1 October 2015, a third on 1 October 2016 and final third on 1 October 2017.
	Fifth	380 159	380 159			380 159			16.83	All on 1 July 2016.
	Sixth	391 795	391 795			391 795			17.31	All on 30 June 2017.
	Seventh	417 246	417 246			417 246			17.34	All on 30 June 2018.
	Eighth	415 808		415 808		415 808			18.44	All on 30 June 2019.
J van Heerden	Allocation of newly appointed	501 425	501 425			501 425			17.55	One third on 26 September 2017, a third on 26 September 2018 and final third on 26 September 2019.
	Seventh	271 593	271 593			271 593			17.34	All on 30 June 2018.
	Eighth	281 222		281 222		281 222			18.44	All on 30 June 2019.
Total other executives		10 611 022	7 624 088	1 397 253	–	9 021 341	2 952 983			
Total		30 569 981	19 977 639	2 679 262	6 562 630	16 094 271	4 285 446			

Under the SAR Scheme, the aggregate number of ordinary shares which may be acquired by the Executives may not exceed 16 million ordinary shares. At 30 June 2016, a total of 11 202 483 (30 June 2015: 8 619 271 ordinary shares) have been issued to Executives, with the balance of 4 797 517 ordinary shares remaining available for issue.

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FOR THE YEAR ENDED 30 JUNE 2016

32.3 Interest of Directors and other executives of the Company in ordinary share capital

Number of shares at 30 June 2016				Number of shares at 30 June 2015		
Direct	Indirect	Associates		Direct	Indirect	Associates
			Executive Directors			
5 254 846	4 500 000	398 315	JH Vorster	8 346 599	–	398 315
3 574 220	–	–	CP Lerm (Dr) (retired 30 June 2016)	3 294 122	–	–
–	–	–	LJ Botha (resigned 2 January 2016)	2 318 014	–	–
8 829 066	4 500 000	398 315		13 958 735	–	398 315
			Non-Executive Directors			
–	480 400	–	WI Büchner*	–	628 400	–
–	888 814	–	NA Smith	–	997 586	–
47 619	–	–	TA Wixley	47 619	–	–
15 245	–	–	PR Griffin	53 245	–	–
62 864	1 369 214	–		100 864	1 625 986	–
8 891 930	5 869 214	398 315	**Total Directors' interests in ordinary share capital**	14 059 599	1 625 986	398 315
			Other executives (prescribed officers)			
342 222	–	–	H Lubbe	459 712	–	–
951 998	–	–	JHF Botes (Dr)	951 998	–	–
1 294 220	–	–	**Total interest of other Executives in ordinary share capital**	1 411 710	–	–

There have been no changes in Directors' interests in the share capital of the Company between the end of the financial year and the date of the approval of the annual financial statements.

** This Director is a trustee of the Clover Milk Producer Trust that holds 23 100 000 (2015: 22 553 000) ordinary shares in the Company.*

33 Long-service bonus

33.1 Introduction

The Group rewards employees with long service by remunerating them with a lump sum after a specific number of service years. Assumptions and valuation methods are as follows:

33.2 Background

The long-service bonuses which employees receive differ between employees whose employment date were before 1 January 2001 and employees whose employment date was after 1 January 2001.

The benefit is as follows:

Employees with an employment date before 1 January 2001

Employees receive a bonus of three times their monthly basic salary after 15 years service and one time their monthly basic salary every five years thereafter.

Employees with an employment date after 1 January 2001

Employees receive a bonus of 10% of their monthly basic salary after 10 years' service, 15% after 15 years' service, 20% after 20 years' service, 25% after 25 years' service, etc.

33.3 Valuation method

The projected unit credit method is used in the calculations. The values of the past service liabilities and the future service liabilities are given separately. The past service liability is the value of the accumulated liability as at the calculation date in respect of service already rendered. The future service liability is the value of the liability from service after the calculation date until the next date the employee is entitled to receive a bonus payment. The total liability is evenly distributed over the period since service inception until the date when the benefit is payable.

33.4 Valuation results

Past service liability

The total past service liability in respect of long-service bonuses is set out as follows:

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
19 420	22 963	Employees with employment date before 01/01/2001		
2 426	1 905	Employees with employment date after 01/01/2001		
21 846	24 868	Total past service liability		

The valuation results as at 30 June 2015 are based on best estimate assumptions. The valuation is very sensitive to the real return rate assumed. For every 1% variance in the assumed rate of return, the liability varies by approximately R1 million. The results as at 30 June 2014 are based on the previous best estimates.

33.5 Past service liability build-up

The build-up of the total past service liability for the past year, using the best estimate assumptions are as follows:

GROUP 2016 %	GROUP 2015 %		COMPANY 2016 %	COMPANY 2015 %
8.42	9.00	a) The following discount rate per annum was used for the calculation of interest cost		
7.46	8.20	b) The following salary escalation rate per annum and merit increases were used		
		c) For current service cost an assumption is made that there are no withdrawals during the financial year		
		d) For benefits paid it is assumed that all benefits were paid as estimated by Clover		

GROUP 2016 R'000	GROUP 2015 R'000		COMPANY 2016 R'000	COMPANY 2015 R'000
		The increase in the past service liability is summarised as follows:		
		Past services liability build-up		
24 869	26 376	Opening balance		
1 782	2 394	*Plus:* Interest cost		
1 099	1 252	Current service cost		
(8 785)	(10 653)	*Less:* Benefits paid		
2 882	5 500	Actuarial loss		
21 847	24 869	**Closing balance**		

34 EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to the year-end that would require disclosure or amendment of these financial statements.

ABBREVIATIONS

The following abbreviations are used in the financial statements

Company names

Clover Beverages Limited:	Clover Beverages
Clover Botswana (Pty) Limited (incorporated in Botswana):	Clover Botswana
Clover Capital (Pty) Limited:	Clover Capital
Clover Fonterra Ingredients (Pty) Limited:	CFI/Clover Fonterra
Clover Industries Limited:	CIL
Clover Industries Limited and subsidiaries:	The Group/Clover
Clover Manhattan (Pty) Limited:	Clover Manhattan
Clover Manhattan Unincorporated Joint Venture:	Clover Manhattan J.V.
Clover S.A. (Pty) Limited:	Clover SA
Clover Swaziland (Pty) Limited (incorporated in Swaziland):	Clover Swaziland
Danone Southern Africa (Pty) Limited (formerly Danone Clover (Pty) Limited):	Danone Clover/Danone SA
Fonterra Limited:	Fonterra
The Real Beverage Company (Pty) Limited:	RBC
Clover West Africa Limited:	Clover West Africa
Clover Dairy (Namibia) (Pty) Limited:	Clover Namibia
Clover Waters (Pty) Limited:	Clover Waters
Clover MilkyWay (Pty) Limited:	Clover MilkyWay
Clover Futurelife (Pty) Limited:	Clover Futurelife
Clover Frankies (Pty) Limited:	Clover Frankies
Clover Good Hope (Pty) Limited:	Clover Good Hope

The following abbreviations are used in the financial statements

Other

Branded Consumer Goods:	BCG
Broad-based Black Economic Empowerment:	B-BBEE
Capital Gains Tax:	CGT
Department of Trade and Industry:	DTI
Depreciated Replacement Cost:	DRC
Discounted cash flow:	DCF
Essentials of Management and Leadership:	EML
Further Education and Training:	FET
Further Education and Training Certificate:	FETC
Good Manufacturing Practices:	GMP
Hazard Analysis Critical Control Points:	HACCP
International Accounting Standards:	IAS
International Organisation for Standardisation:	ISO
International Financial Reporting Standards:	IFRS
Johannesburg Stock Exchange:	JSE
Margin on Material:	MOM
Net asset value:	NAV
Net Current Replacement Cost:	NCRC
Nomination Committee:	Nomco
Property, plant and equipment:	PP&E
Quality Council for Trade and Occupations:	QCTO
Rand Merchant Bank:	RMB
Remuneration Committee:	Remco
Share appreciation rights:	SAR
Supplier Ethical Data Exchange:	SEDEX

DEFINITIONS

Dividend per ordinary share
Dividend paid to ordinary shareholders is the actual dividend per share declared and paid.

Earnings and diluted earnings per ordinary share
Earnings per ordinary share
Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares net of the weighted average number of treasury shares in issue at the end of the year.

Diluted earnings per ordinary share
Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares, adjusted for share appreciation rights issued, net of the weighted average number of treasury shares at the end of the year.

Net assets
Total assets less total liabilities.

Cash flow
Cash flow from operating activities.

Cash flow per ordinary share
Cash flow divided by the weighted average number of ordinary shares in issue at the end of the year.

Net asset turnover
Turnover divided by average net assets less average cash on hand.

Return on net assets
Operating profit as a percentage of average assets less average current liabilities excluding current interest-bearing loans and borrowings.

Return on equity holders' funds
Profit attributable to shareholders as a percentage of average shareholders' funds, before minority interest.

Gearing percentage
Interest-bearing loans and borrowings reduced by cash funds, as a percentage of total shareholders' interest, including minority interest.

Current ratio
Current assets divided by current liabilities.

Activities pertaining to cash flow
Operating activities

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

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

Investing activities
Activities relating to the acquisition, holding and disposal of long-term assets.

Cash and cash equivalents
Cash on hand and in current bank accounts.

Restructuring cost
Restructuring cost consists of costs incurred in order to streamline operations of the Group.

Normalised earnings
Normalised earnings consists of earnings for the period adjusted for the after tax effect of capital profits/losses from the sale/acquisition of property, plant and equipment or businesses, restructuring cost and costs relating to the capital structure of the company.

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ADMINISTRATION

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Bankers
The Absa Group
First National Bank
Investec Bank

Company registration number
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