



NON ALCOHOLIC BEVERAGES TROPIKA AND KRUSH

CLOVER'S
MARKET SHARE
IN ICED TEA AT
30 June 2017

15,1%

CLOVER'S MARKET
SHARE IN DAIRY
FRUIT MIX AT
30 June 2017

83,9%



THE MOM MARGIN
ON NON ALCOHOLIC
BEVERAGES WAS
54,4%

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 28 November 2016. Shareholders will again be asked to approve the appointment of the members of the Audit and Risk Committee for the 2017/2018 financial year at the Annual General Meeting scheduled for 28 November 2017. 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 pages 22.

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 Companies Act of South Africa, 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 Derek Engelbrecht as the designated auditor to the shareholders for appointment as auditor for the financial year ended 30 June 2017, 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 2017.

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;
- 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;

Audit and risk committee report (continued)

- 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.

Key Audit Matters

The external auditors report includes two key audit matters namely, Rebates and Credit Note Provisions and Deferred tax assets on assessed losses. Specifically, the underlying valuation processes are complex and involve the use of estimates, judgements and assumptions and thus have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years. The auditor's findings have been discussed in detail and the Audit Committee is satisfied with the results as disclosed in the financial statements

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 2017 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 and the JSE listing requirements. 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 2017 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

11 September 2017

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 2018. 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.

The consolidated and separate Annual Financial Statements, set out on pages 154 to 242, which have been prepared on the going-concern basis, were approved by the Board of Directors on 11 September 2017 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

11 September 2017

Independent Auditor's Report TO THE SHAREHOLDERS OF CLOVER INDUSTRIES LIMITED

Report on the Audit of the Consolidated and Separate Annual Financial Statements Opinion

We have audited the consolidated and separate financial statements of Clover Industries Limited and its subsidiaries (the Group), set out on pages 154 to 242, which comprise the consolidated and separate statements of financial position as at 30 June 2017, 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 notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2008 and JSE Listing Requirements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) that is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) together with other ethical requirements that are relevant to our audit of the consolidated financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How this matter was addressed in our audit
<p>Rebates and Credit Note Provisions</p> <p>As described in the Accounting Policies in note 2.4.1 to the Annual Financial Statements, the Group raises deductions from revenue in the form of trade terms (rebates) and credit notes.</p> <p>Rebates from trade term agreements are accounted for at year end based on the estimated outcome for sales to date for agreements which only conclude on a date after year end.</p> <p>Trade term agreements are typically concluded with large customers at a product level, and include a fixed component, a variable component as well as a growth hurdle component. The various types of trade term agreements differ in their targets, percentages applied, and product categories and relate to different periods, for each customer.</p> <p>In addition, there is judgment as to whether the growth incentives will be reached for each agreement as sales patterns differ for each customer and when taking into account that the growth incentives are typically negotiated over a calendar year, which doesn't coincide with the financial reporting period.</p> <p>The determination of the rebates accounted for at year end requires the disaggregation of large volumes of information at a product level to consider the evidence for the assumptions referred to above. This requires a high degree of audit effort due to the large volume of data, high number of agreements at a product level for various customers and the fact that the agreements are not co-terminus with the company's year end</p> <p>In addition to rebates, the Group has a large volume of credit notes which arise from short deliveries, product returns and price variances.</p> <p>Significant audit effort is required to assess the appropriateness of the provision for credit notes based on product mix analysis and historical trends taking into the short/limited shelf life of many of the Group's perishable products.</p>	<p>Our audit responses included testing the effectiveness of the Group's controls pertaining to the accuracy and completeness of rebates and authorisation of credit notes issued to customers.</p> <p>With respect to rebates recognised as an expense during the year, as well as the rebate provision:</p> <ul style="list-style-type: none"> On a sample basis we inspected the rebate terms in the agreement and agreed them to inputs used in the calculation; On a sample basis we vouched payments and deductions to supporting documentation; We agreed the sales volumes recorded in the stand-alone trade terms system to the sales data warehouse; We agreed the sales volumes in the sales data warehouse to the sales volumes recorded in the general ledger We independently recalculated the rebate provision as at year-end and compared to the recorded provision; On a sample basis we selected material manual journals, and vouched it to supporting documentation. With respect to the credit note provision: We tested the arithmetical accuracy of the calculation and agreed the amount calculated to the amount recognised in the accounting records; We assessed management's estimates to accrue for credit notes at year end; We compared the assumptions to historical credit notes issued and to current trends; and We assessed sales transactions taking place at and before year end date as well as credit notes issued after the year end date to assess whether revenue was recognised in the correct period.

Independent Auditor's Report (continued)

Key audit matter	How this matter was addressed in our audit
<p>Deferred tax assets on assessed losses</p> <p>As disclosed in note 2.4.2 and note 15, the Group has recognised deferred tax assets related to estimated and assessed losses related to certain statutory entities. In order to recognise the deferred tax assets, management has made certain judgements and assumptions in relation to the future taxable income of the entities, including appropriate commercial and tactical plans, thereby concluding on the recoverability of those individual assets.</p> <p>The assumptions primarily relate to various approved strategies in relation to optimising current product range / mix, the introduction of new products, strategic pricing and marketing support initiatives, the reformulation of recipes, as well as efficiencies arising from the historical investment in supply chain assets and distribution network,</p> <p>Significant audit attention is required to assess and vouch how the assumptions adjust the historic cash flows to determine the estimate future cash flows. We also consider the degree of uncertainty of those changes and the entity's ability to execute on those plans given the challenging macro-economic environment.</p>	<p>We reviewed and challenged management's assumptions used in projecting future taxable profits, consistency of these forecasts with the budgets and the likelihood of generating future taxable profits to support the recognition of deferred tax assets.</p> <p>We compared key inputs used within the forecasts to externally available data such as economic forecasts and the historical data and performance. In addition we assessed the sensitivity of the outcomes to reasonably possible changes in assumptions.</p> <p>Lastly, we assessed whether the Group's disclosures of the application of judgement in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the Group's deferred tax position.</p>

Other Information

The group's directors are responsible for the other information. The other information comprises the information included in Group's Integrated Annual Report for the year ended 30 June 2017 that includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate as required by the Companies Act, but does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the accompanying consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The company directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs and the requirements of the Companies Act, 2008, 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

Independent Auditor's Report (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 23 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Derek Engelbrecht
Registered Auditor
Chartered Accountant (SA)

11 September 2017

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 2017.

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:

	2017 R'm	2016 R'm
Revenue	10 058,6	9 818,7
Total comprehensive income attributable to equity holders of the parent Company	141,3	379,8

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 31 to the financial statements and business combinations and interests in joint ventures in notes 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 Pride (Pty) Ltd ("Clover Pride"). AECI Limited ("AECI") sold its subsidiary's business to Clover Pride for a consideration of R58 million, effective 1 April 2017 and in return holds an equity stake in Clover Pride of 49% of the issued share capital (see note 3.1). The business involves the manufacturing and importing of olive oils, extra virgin olive oils, balsamic vinegars and related products. Clover will provide all services including merchandising, marketing, sales and distribution to the new entity whilst Clover Pride will continue to distribute, market and sell products under the Olive Pride brand. 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 third anniversary of the effective date (see notes 14.1 and 23).

In addition, CSA has acquired the remaining 49% of the issued share capital of Clover Frankies Proprietary Limited ("Clover Frankies") effective 31 March 2017 for a cash consideration of R4.4 million. The business includes carbonated soft drinks (CSD) manufacturing, marketing, distribution, inventory and intellectual property. Refer to note 3.2 for more details on the acquisition of a non-controlling interest in a subsidiary.

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 28 November 2016 and is valid until 28 November 2017. Such authority is subject to the Companies Act and the Listings Requirements of the JSE. The Listings Requirements of the JSE limit repurchases during any one year to a maximum of 20% of the issued ordinary shares at the time.

On 1 September 2016 the Company issued 38 397 (2016: 2 583 212) ordinary Clover Industries shares to a retired member of senior management to settle part of its obligation under the Clover Share Appreciation Rights Plan ("SAR").

As part of the Company's interim dividend declaration, the company gave shareholders the option to select between a cash dividend or scrip distribution share. In terms of the scrip distribution, 482 617 new ordinary shares were issued on 24 April 2017 to shareholders who did not elect to receive a cash dividend in respect of all their shares.

Except for the above no shares were issued or repurchased during the year ending 30 June 2017.

Dividends

Dividends declared and paid by CIL during the year:

	2017 R'000	2016 R'000
Ordinary dividends Declared and paid	114 802	108 755

The Board declared an interim dividend of R46,1 million (2016: R46,1 million) or 24,21 cents (2016: 24,21 cents) per ordinary share during February 2017. The cash paid in in relation to the interim dividend amounted to R36,9 million and R9,2 million by the issue of 482 617 scrip distribution shares.

During the consideration of the interim dividend for 1H17 the board decided to maintain the interim dividend in line with the prior year's interim dividend and declared a dividend of 24,21 cents per share, although the interim headline earnings were 13.5% lower than the prior interim period's results.

Although the Board communicated in the past that it will follow a progressive dividend policy whereby dividends are as minimum maintained or grown by at least the growth in the headline earnings per share, the Board has resolved not to declare a final dividend due to the current weak economic circumstance and the Group's growth funding requirements.

Directors and Company Secretary

Particulars of the present Directors and Company Secretary are listed on pages 22 to 23 and page 148.

Share-based compensation

On 30 June 2017, 3 108 839 SARs were issued to executives at an issue price of R16,75. 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.

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.

Directors' report (continued)

For further information on the Group's risk management process please refer to the Report on Governance, Risk and Compliance on pages 55 to 71.

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 R316,9 million (2016: R366,7 million) and R5,7 million (2016: R56,4 million) on intangible assets.

Events after the reporting period

As communicated on the SENS Clover transferred the non-value added dairy business to its wholly owned subsidiary, Dairy Farmers of South Africa (Pty) Ltd. ("DFSA"), under a written transfer of business agreement with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover, shares in DFSA. The board of directors of Clover announced that the issue and allotment of the B shares in DFSA to the milk producers has been implemented with effect from 1 July 2017 and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

Except for the above 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 28 November 2016:

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 2016 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

11 September 2017

Consolidated statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
9 401 842	9 102 469	Sales of products		
641 499	684 496	Rendering of services	4 418	–
11 907	22 769	Sale of raw milk		
–	–	Dividends received	80 000	100 000
3 351	8 983	Rental income		
10 058 599	9 818 717	Revenue	84 418	100 000
(7 333 041)	(7 025 497)	Cost of sales		
2 725 558	2 793 220	Gross profit	84 418	100 000
60 040	73 688	Other operating income	47 394	44 945
(2 089 364)	(1 944 333)	Selling and distribution costs		
(284 721)	(300 461)	Administrative expenses	(12 627)	(12 937)
(48 098)	(8 493)	Restructuring expenses		
(48 936)	(49 171)	Other operating expenses		
314 479	564 450	Operating profit	119 185	132 008
12 647	10 139	Finance income	5 097	3 438
(145 765)	(122 964)	Finance cost	(13)	(14)
18 486	14 268	Share of profit in joint ventures after tax		
199 847	465 893	Profit before tax	124 269	135 432
(41 105)	(113 992)	Taxation	(13 544)	(9 925)
158 742	351 901	Profit for the year	110 725	125 507

Consolidated statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
158 742	351 901	Profit for the year (carried forward from previous page)	110 725	125 507
(14 510)	26 461	Other comprehensive income to be reclassified to profit or loss in subsequent periods		
		Exchange differences on translations of foreign operations, net of tax	21.1	
(14 510)	(1 905)	Exchange differences on translations of foreign operations		
-	28 366	Reclassified to profit or loss		
-	-	Income tax effect		
(2 412)	2 412	Net gain on cash flow hedges, net of tax	21.2	
(9 294)	(22 500)	Cash flow hedge fair value adjustment		
5 944	25 850	Reclassified to profit or loss		
938	(938)	Income tax effect		
(16 922)	28 873	Net other comprehensive income to be reclassified to profit or loss in subsequent periods		
141 820	380 774	Total comprehensive income for the year, net of tax	110 725	125 507
		Profit attributable to:		
158 258	350 906	Equity holders of the parent	110 725	125 507
484	995	Non-controlling interests		
158 742	351 901		110 725	125 507
		Total comprehensive income attributed to:		
141 336	379 779	Equity holders of the parent	110 725	125 507
484	995	Non-controlling interests		
141 820	380 774		110 725	125 507
		Earnings per share (cents)		
83.1	185.9	Basic profit for the year attributable to ordinary equity holders of the parent	8	
82.3	181.8	Diluted profit for the year attributable to ordinary equity holders of the parent	8	

Consolidated statements of financial position

AS AT 30 JUNE 2017

GROUP			COMPANY	
2017	2016		2017	2016
R'000	R'000		R'000	R'000
		Assets		
		Non-current assets		
2 427 444	2 323 216	Property, plant and equipment	11	232
9	15	Investment properties	12	233
650 663	612 191	Intangible assets	13	
		Investment in subsidiaries	31	326 735
38 946	31 651	Investment in joint ventures	31	
3 165	5 657	Other non-current financial assets	14.1	
45 496	37 019	Deferred tax assets	15	77
3 165 723	3 009 749			327 044
		Current assets		
964 630	916 909	Inventories	16	
1 341 311	1 308 223	Trade and other receivables	17	563 233
19 844	16 184	Prepayments		603 605
7 165	–	Income tax receivable	26	–
544 863	604 071	Cash and short-term deposits	18	63 241
2 877 813	2 845 387			626 474
4 607	10 907		10	626 404
6 048 143	5 866 043			953 518
		Assets classified as held-for-sale		
		Total assets		
		Equity and liabilities		
		Equity		
9 542	9 516	Issued share capital	19	9 542
892 692	882 774	Share premium	19	892 692
78 642	74 873	Other capital reserves	20	2 169
9 637	24 147	Foreign currency translation reserve	21.1	
–	2 412	Cash flow hedge reserve	21.2	
1 904 349	1 871 690	Retained earnings		35 670
2 894 862	2 865 412	Equity attributable to equity holders of the parent		940 073
(15 179)	23 305	Non-controlling interests		943 357
2 879 683	2 888 717	Total equity		940 073
		Liabilities		
		Non-current liabilities		
767 621	931 455	Interest-bearing loans and borrowings	22	
57 088	–	Non-controlling interest put liability	23	
82 595	73 474	Employee-related obligations	24	
221 065	192 358	Deferred tax liability	15	
25 492	19 311	Trade and other payables	25	
9 683	2 199	Other non-current financial liabilities	14.2	
1 163 544	1 218 797			
		Current liabilities		
1 274 700	1 363 332	Trade and other payables	25	10 013
714 304	343 015	Interest-bearing loans and borrowings	22	10 092
6 141	25 612	Other current financial liabilities	14.2	
–	9 893	Income tax payable	26	3 432
9 771	16 677	Employee-related obligations	24	–
2 004 916	1 758 529			13 445
3 168 460	2 977 326	Total liabilities		13 445
6 048 143	5 866 043	Total equity and liabilities		953 518

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

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 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				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	129	44 411	(11 709)			(23 638)	9 193		9 193
Share-based payment expense recognised			12 697				12 697		12 697
Initial recognition of call options			1 005				1 005		1 005
Non-controlling interest arising from business combinations								8 800	8 800
Dividends forfeited						155	155		155
Dividends declared and paid						(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
Profit for the year						158 258	158 258	484	158 742
Other comprehensive income				(2 412)	(14 510)		(16 922)	–	(16 922)
Total comprehensive income				(2 412)	(14 510)	158 258	141 336	484	141 820
Share appreciation rights exercised	19-20	2	729	(1 651)		639	(281)		(281)
Non-cash distribution	19	24	9 189			(9 213)	–		–
Non-controlling interest put option movement	23							(57 088)	(57 088)
Acquisition of non-controlling interest	3.2					(2 730)	(2 730)	(5 624)	(8 354)
Share-based payment expense recognised	32		5 865				5 865		5 865
Call option in Frankies reclassified	20		(445)			445	–		–
Non-controlling interest arising from business combinations	3.1							24 234	24 234
Dividends forfeited						62	62		62
Dividends declared and paid	9					(114 802)	(114 802)		(114 802)
Dividends of subsidiaries								(490)	(490)
Balance at 30 June 2017	9 542	892 692	78 642	–	9 637	1 904 349	2 894 862	(15 179)	2 879 683

Consolidated statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

		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 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
Profit for the year					110 725	110 725
Other comprehensive income					–	–
Total comprehensive income					110 725	110 725
Ordinary shares issued		24	9 189		(9 213)	–
Share appreciation rights exercised	19	2	729			731
Dividends forfeited					62	62
Dividends declared and paid					(114 802)	(114 802)
Balance at 30 June 2017		9 542	892 692	2 169	35 670	940 073

Consolidated statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017	2016		2017	2016
R'000	R'000		R'000	R'000
199 847	465 893	Operating activities		
		Profit before tax	124 269	135 432
199 847	465 893	Profit before tax	124 269	135 432
		Adjustments to reconcile profit before tax to net cash flow		
		<i>Adjustment for non-cash items:</i>		
183 366	166 941	Depreciation of property, plant and equipment	1	1
22 816	21 680	Amortisation of intangible assets		
6	8	Depreciation of investment properties		
(1 422)	–	Fair value adjustments on call options		
4 100	–	Software licences written off		
(9 270)	–	Profit on the sale of Lactolab		
336	–	Deconsolidation of Lactolab		
(33 404)	(20 869)	Profit on disposal and scrapping of assets		(521)
(15 889)	21 036	Unrealised loss on financial instruments		
(9 321)	(9 075)	Unrealised foreign exchange gain	6.2	
11 232	(27 833)	Realised foreign exchange loss/(gain)	6.2-6.3	
–	(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	
(7 295)	38	Share of profit of joint venture – net of dividend paid	4	
2 213	1 120	Movement in provisions		
5 865	12 697	Share appreciation rights expense recognised over vesting period	32	
		<i>Other adjustments:</i>		
145 765	122 964	Finance cost	6.6	13
(12 647)	(10 139)	Finance income	6.5	(5 097)
–	–	Dividends received		(100 000)
–	–	Share appreciation rights expense settled in cash		
–	(4 490)	Government grants		
(47 115)	(56 938)	Taxes paid	26	(9 184)
		<i>Working capital adjustments</i>		
(43 578)	24 269	(Increase)/Decrease in inventories		
(36 747)	(91 298)	(Increase)/Decrease in trade and other receivables		(8 835)
(81 902)	30 799	(Decrease)/Increase in trade and other payables		(79)
276 956	673 448	Net cash flows from operating activities		21 088
				36 237

Consolidated statements of cash flows

(continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
276 956	673 448		21 088	36 237
58 941	45 533		–	950
(11 232)	27 833			
12 647	10 139		5 097	3 438
–	(2 550)			
–	(6 610)			
10 275	–			
(29 639)	–			
3 854	–		130 000	50 000
–	–			
–	16 097			
(316 883)	(366 665)			
(5 671)	(56 406)			
(277 708)	(332 629)		135 097	54 388
(145 765)	(122 964)			
(115 230)	(108 755)		(13)	(14)
(4 440)	–		(114 802)	(108 755)
(3 854)	–			
(285 668)	(254 646)			
496 975	273 939			
(57 982)	(212 426)		(114 815)	(108 769)
(58 734)	128 393		41 370	(18 144)
(474)	242			
604 071	475 436		21 871	40 015
544 863	604 071		63 241	21 871

Net cash flows from operating activities

Investing activities

Proceeds from sale of property, plant and equipment and other assets	
Realised foreign exchange (loss)/gain	
Interest received	
Acquisition of controlling interest in Clover Good Hope Proprietary Limited	
Acquisition of controlling interest in Clover Frankies Proprietary Limited	
Disposal of controlling interest in Lactolab Proprietary Limited	
Acquisition of controlling interest in Clover Pride Proprietary Limited	
Cancellation of a finance lease	
Dividends received	
Government grants received recognised against property, plant and equipment and expenses	
Capital expenditure: tangible assets	
Capital expenditure: intangible assets	

Net cash flows (used in)/from investing activities

Financing activities

Interest paid	
Dividends paid	
Non-controlling interest acquired in Clover Frankies Proprietary Limited	
Cancellation of a finance lease	
Repayment of borrowings	
Proceeds from borrowings	

Net cash flows (used in)/from financing activities

Net (decrease)/increase in cash and cash equivalents

Net foreign exchange difference

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

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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 2017 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 coterminous year-ends. The consolidated financial statements of Clover Industries Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 11 September 2017. 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 2.4. 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.
- In the stand-alone financial statements of the holding company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

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.

Annual financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

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 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.

In the stand-alone financial statements of the holding company, there are no investments in joint ventures. However joint ventures are accounted for at cost less impairment in the stand-alone financial statements of the subsidiary of the holding company.

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 2017, the following standards and interpretations were in issue but not yet effective:

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture</i>	Effective date deferred indefinitely
IAS 7 <i>Disclosure Initiative – Amendments to IAS 7</i>	1 January 2017
IAS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12</i>	1 January 2017
IFRS 2 <i>Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2</i>	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IFRS 12 <i>Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12</i>	1 January 2017
IFRIC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters</i>	1 January 2018
-IAS 28 <i>Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment – by – investment choice</i>	1 January 2018
IFRIC Interpretation 23 <i>Uncertainty over Income Tax treatments</i>	1 January 2019
IFRS 17 <i>Insurance Contracts</i>	1 January 2021

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

The Directors are of the opinion that the above new standards and amendments to existing standards issued but not yet effective are not expected to have a significant impact on the Group and Company except for IFRS9, IFRS 15, IFRS 16 as listed below:

- **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 credit loss (ECL) 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 ECL model applies to debt instruments accounted for at amortised cost. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses.

The Group is of the view that due to the limited types and short life span of financial instruments entered into by the Group, only the disclosure is expected to be impacted on items like the provision for bad debts for which it already provides detailed disclosures on the credit risk associated with the underlying trade receivables. The incurred loss model under IAS 39 over time has shown that the level of risk taken by the Group is minimal and generally losses actually written off would be less than 0.5% of the total Trade Receivables balance whereas the provision will typically also be less than 0.5%. To put this into perspective, 0.5% of the Group's trade receivables ranges between R5.5 million and R6.2 million. The low level of risk is further substantiated by the fact that independent credit valuation agencies rate the underlying customers to be of a high quality (zaAA credit ratings).

- **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.

Far more prescriptive guidance has been introduced by the new Revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be delinked.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Extensive disclosures are also required by the new Standard.

The Group and Company has decided that it will apply the modified retrospective (cumulative catch-up) transition method in its adoption of the standard and hence the effect will only be fully disclosed in the 30 June 2019 financial statements while the comparative figures for the 30 June 2018 financial statements will not be adjusted.

The Group has done a preliminary assessment of 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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Management has established a work group to expand on the assessment and planning of the implementation of IFRS 15. The mandate of the work group is to determine the following information:

- Detailed description and explanation on how key IFRS 15 concepts will be implemented along with the different revenue streams (e.g. identification of performance obligations, determination and allocation of the transaction price and how performance obligations are satisfied and revenue is recognised).
- Setting of a timeline for implementing IFRS 15 within the prescribed timeframe;
- Reasonably estimable, quantification of the possible impact of the application of IFRS 15 (e.g. either in relation to the amount or timing of the revenue recognised in relation to the different revenue streams).
- Additional qualitative information enabling users to understand the magnitude of the expected impact on the financial statements of the issuer.

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.

• 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 currently considering the use of any of the transition practical expedients, i.e. the modified retrospective (cumulative catch-up transition) method or the full retrospective application and, for example, the practical expedient for completed contracts (e.g. approach to provide comparative information at the date of initial application, planning of implementation and disclosure of information).

The new standard is effective for annual periods beginning on or after 1 January 2019 and will accordingly be fully adopted in the Group's 30 June 2020 financial statements.

All identified operating leases that have met the requirements of IFRS 16 to be reclassified to a finance lease, will be included on the statement of financial position.

2.3 New Standards, New Interpretations and Amendments to Standards adopted in the current period

On 1 January 2016, the Group adopted the following new standards, new Interpretations and amendments to standards.

	Effective for accounting period beginning on or after
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
IFRS 11 <i>Joint Arrangements: Accounting for Acquisitions of Interests</i>	1 January 2016
IAS 16 and IAS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
IAS 16 and IAS 41 <i>Agriculture: Bearer Plants</i>	1 January 2016
IAS 27: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
IAS 1 <i>Disclosure Initiative</i>	1 January 2016
IFRS 10, IFRS 12 and IAS 28 <i>Investment Entities: Applying the Consolidation Exception</i> Annual Improvements Cycle - 2012-2014	1 January 2016
IFRS 5 <i>Non-current Assets held for sale and discontinued operations – Changes in methods of disposal</i>	1 January 2016
IFRS 7 <i>Financial Instruments: Disclosures – Servicing Contracts</i>	1 January 2016
IFRS 7 <i>Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements</i>	1 January 2016
IAS 19 <i>Employee benefits – Discount rate: regional market issue</i>	1 January 2016
IAS 34 <i>Interim financial reporting – Disclosures of information "elsewhere in the interim financial report"</i>	1 January 2016

All the amendments and annual improvements above did not have an impact on the entity.

2.4 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.

2.4.1 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

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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 and 50,1% of Clover Futurelife respectively through Clover SA. The Group has classified the interests in Clover Fonterra and Clover Futurelife as joint ventures despite the fact that the Group owns more than 50% of the issued share capital. Refer to note 4.

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 lessee

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments, net of any incentives received from the lessor under an operating lease, are recognised in profit or loss over the lease term on a straight-line basis and the leased assets are not recognised on the Group's statement of financial position.

Rebates

The Group enters into agreements with many of its customers providing for rebates based upon achievement of specified volumes of sales. For certain agreements, the rebates increase as a proportion of sales as higher quantities or values of sales are made relative to the prior period. Customer rebates affect the recorded value of revenue and trade receivables.

A number of agreements are non-coterminous with the Group's financial year, requiring judgment over the level of future sales. At the balance sheet date the Directors make judgments on the amount of rebate that will become payable by the Group under these agreements based upon prices, volumes and product mix.

2.4.2 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 Trinomial Lattice model. This also requires determining the most appropriate inputs to the valuation model and making assumptions about them. Refer to note 32.

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.

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 30 for further disclosures.

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.

Non-controlling interest put options are put options over non-controlling interests accounted for using the present access method. Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognised as financial liabilities.

Under this method, the non-controlling interest is not derecognised when the financial liability in respect of the put option is recognised, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest.

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Non-controlling interest put options are initially recognised at the present value of expected future cash flows and subsequently re-measured at the present value of expected future cash flows with any changes in value (accretion and interest) through equity. Refer to note 23.

2.5 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 asset. 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.

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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. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

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.

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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 subsequently 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 10 years

g. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met, only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell, other than financial assets and deferred tax assets which continue to be measured in accordance with their relevant accounting standards.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

h. 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.

i. 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.

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j. 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.

k. 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. 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.

Following initial recognition they are amortised on a straight-line basis over a period:

Right of use assets: 5 years

Trademarks and customer lists: 10 to 15 years

Research expenses

Research expenses are recognised in profit or loss as incurred.

l. 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.

m. 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.

n. 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 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.

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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.

o. 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 merchandising 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 non-investment properties it owns, the Group enters into rental agreements from time to time. Income in this regard is recognised as revenue.

p. 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, rebates, agent commission, border levies, etc.).

q. 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.

r. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

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-off 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.

s. 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. Refer to note 5

t. 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 Trinomial 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.

u. Borrowing costs

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.

v. 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 30. 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:

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FOR THE YEAR ENDED 30 JUNE 2017

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 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.

w. 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.

x. 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.

y. 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.

Any change in non-controlling interest which doesn't result in a loss of control is recognised in equity with no gains/losses in profit or loss.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

	2017 R'000	2016 R'000
3.2 Acquisition of non-controlling interest in Clover Frankies Proprietary Limited		
With effect from 31 March 2017 Clover SA bought the remaining 49% issued ordinary shares of Clover Frankies from Frankies Olde Soft Drinks cc ("Seller") for a cash consideration of R4.44 million. From this date Clover effectively holds 100% of the shares in Clover Frankies.		
Clover Frankies previously acquired the Frankies Carbonated Soft Drinks (CSD) and ice lollies business ("the business") from the seller. The business involves the manufacturing, distribution, selling and marketing of CSDs and ice lollies utilising the trademarks it acquired under the original business acquisition.		
No goodwill may be recognised because of this transaction as Clover already had a controlling interest, holding 51% of the issued ordinary shares in Clover Frankies prior to this transaction.		
The call and put option related to the initial acquisition was subsequently cancelled.		
The carrying amounts of the identifiable assets and liabilities of Clover Frankies as at the effective date were:		
Assets		
Plant and Equipment	245	
Intangible assets	11 534	
Inventory	1 749	
Trade Receivables	2 567	
Cash and cash equivalents	1 417	
	17 512	
Liabilities		
Deferred tax liability	75	
Trade and other payables	5 958	
	6 033	
	11 479	
Total identifiable net assets at non-controlling interest acquisition date	11 479	
Non - controlling interest at carrying amount	5 624	
Equity movement due to acquisition of non-controlling interest	2 730	
Call option directly attributable to the acquisition of the non-controlling interest	(3 914)	
Purchase consideration settled in cash	4 440	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

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			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
		Current assets including cash and cash equivalents of Rnil million (2016: R2,4 million) and inventory R96,3 million (2016: R94,4 million)		
136 103	128 387	Non-current assets including deferred tax of R1,9 million (2016: R1,6 million)		
1 840	1 554	Current liabilities including trade and other payables of R61,5 million (2016: R62,3 million)		
(61 579)	(67 880)	Equity (Net asset value)		
76 364	62 061			
51%	51%	Portion of the Group's ownership		
38 946	31 651	Carrying amount of the investment		
		Joint venture's revenue and profit		
515 117	360 476	Revenue		
(432 673)	(293 082)	Cost of sales		
(32 125)	(29 154)	Sales, marketing, distribution and administrative expenses		
140	115	Other operating income		
(116)	(187)	Net finance cost		
50 343	38 168	Profit before taxation		
(14 096)	(10 687)	Income tax expense		
36 247	27 481	Profit for the year		
51%	51%	Portion of the Group's ownership		
18 486	14 015	Group's share of profit for the year after tax		
(11 191)	(14 242)	Dividend received		
7 295	(227)	Net movement		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

4 INTEREST IN JOINT VENTURES (continued)

Clover Industries indirectly holds a 50.1% interest in Clover Futurelife through Clover SA. Clover Futurelife commenced its operations on 1 January 2017 and is involved in the manufacturing, distribution, selling and marketing of a range of functional food products using trademarks under licence from Clover and Futurelife Health Products Proprietary Limited ("Futurelife"). The Group has classified the interest in Clover Futurelife 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			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Clover Futurelife		
		Joint venture's statement of financial position		
5 237	–	Current assets including cash and cash equivalents of R0,5 million and inventory of R0,8 million		
18		Non-current assets		
(5 268)	–	Current liabilities including trade and other payables of R5,2 million		
(13)	–	Equity		
50.1%	50.1%	Portion of Group's ownership		
–	–	Carrying amount of investment (Limited to R0)		
		Joint venture's revenue and profit		
9 994		Revenue		
(5 017)		Cost of sales		
(5 052)		Sales, marketing, distribution and administrative expenses		
–	506	Other operating income		
57		Net finance income		
(18)	506	Loss before tax		
5		Income tax expense		
(13)	506	Loss for the period		
50.1%	50.1%	Portion of the Group's ownership		
–	253	Group's share of loss for the year (Limited to R0)		
18 486	14 268	Total interest in profits from joint ventures		
38 946	31 651	Total Group share of profit after tax		
		Total investments in joint ventures		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

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.
- The soya and oil products consist of soya, olive oil and olives.

30 June 2017 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	Olive oil & Soya R'000	CIL Group R'000
External revenue							
Sale of products	4 643 600	1 312 575	216 424	2 369 071	794 403	65 769	9 401 842
Sale of raw milk	11 907	–	–	–	–	–	11 907
Charges against sales	(97 683)	(41 381)	(7 363)	(41 967)	(22 438)	(1 260)	(212 092)
Cost of material and packaging	(2 540 697)	(837 497)	(129 164)	(1 032 004)	(545 007)	(34 795)	(5 119 164)
Milk collection cost	(252 269)	(40 517)	(8 632)	(6 358)	(6 684)	–	(314 460)
Margin on material	1 764 858	393 180	71 265	1 288 742	220 274	29 714	3 768 033
Reconciliation of margin on material to operating profit							
Margin on material							3 768 033
Revenue from rendering of services							641 499
Rental income							3 351
Direct and indirect manufacturing cost							(1 250 415)
Primary distribution cost							(436 910)
Gross profit							2 725 558
Net other costs							(2 362 981)
Restructuring cost							(48 098)
Operating profit							314 479
Net financing cost							(133 118)
Tax expense							(41 105)
Depreciation and amortisation							(206 264)
Assets and liabilities							
Assets							6 048 143
Liabilities							3 168 460

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

5 SEGMENT REPORTING (continued)

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	Olive oil & Soya 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							3 751 427
Margin on material							684 496
Revenue from rendering of services							8 983
Rental income							(1 206 199)
Direct and indirect manufacturing 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							5 866 043
Assets							2 977 326
Liabilities							

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

5 SEGMENT REPORTING (continued)

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 2017 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	8 703 640	505 944	192 258	9 401 842
Sale of raw milk	11 907	–	–	11 907
Charges against sales	(197 839)	(8 896)	(5 357)	(212 092)
Cost of material and packaging	(4 664 983)	(302 663)	(151 518)	(5 119 164)
Milk collection cost	(314 217)	(243)	–	(314 460)
Margin on material	3 538 508	194 142	35 383	3 768 033
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
Sales made to major customers			2017 R'000	2016 R'000
Customer 1*			2 135 975	2 017 715
Customer 2*			2 095 287	1 818 456
Customer 3*			1 194 880	1 190 187

* Revenue is generated by the Group from these customers within all of the different product segments as listed in the Table: Segment report per product group above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017 R'000	2016 R'000
(11 071)	(11 258)
(224)	276
(403)	(376)
(11 698)	(11 358)
(79 055)	(70 987)
(6)	(8)
(21 944)	(20 158)
(101 005)	(91 153)
10 601	7 901
948	495
1 098	1 743
12 647	10 139
(26 366)	(18 158)
(89 117)	(82 050)
(25 520)	(16 153)
(4 762)	(6 603)
(145 765)	(122 964)
(46 779)	(8 493)
(1 319)	-
(48 098)	(8 493)

Auditors' remuneration

Audit fees current year
Prior year (under)/over provision
Other fees

Total auditors' remuneration

Depreciation, amortisation and impairment

Depreciation of property, plant and equipment
Depreciation of investment properties
Amortisation of trademarks, patents and licences

Total depreciation and amortisation included in selling, distribution, restructuring and administrative expenses

6.5 Finance income

Bank interest
Interest received on call deposits
Other

Total finance income

6.6 Finance cost

Bank loans and overdrafts
Debtors' securitisation
Debentures
Other

Total finance cost

6.7 Restructuring expenses

Restructuring expenses has been determined after taking into account the following expenses:
Retrenchment expenses
Other

Total restructuring expenses

COMPANY	
2017 R'000	2016 R'000
(1 842)	(1 914)
(1 842)	(1 914)
(1)	(1)
(1)	(1)
4 852	2 700
245	738
5 097	3 438
-	-
(13)	(14)
(13)	(14)
-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017 R'000	2016 R'000
(14 975)	(87 139)
2 808	1 531
(12 906)	(4 098)
3 105	784
(590)	–
970	–
(5 794)	(1 552)
(12 457)	(20 185)
239	(18)
(1 505)	(2 899)
–	(416)
(41 105)	(113 992)
348 112	200 268
%	%
28.00	28.00
(7.58)	(2.97)
2.72	2.16
(0.98)	(0.73)
3.62	0.50
0.15	(1.49)
(1.65)	(0.87)
(3.07)	(0.40)
(2.59)	(0.84)
(0.49)	–
0.23	–
–	1.62
(0.23)	(0.70)
2.44	0.19
20.57	24.47

7 TAXATION

7.1 The major components of the tax expenses are:

Local income tax

Current income tax

- current year
- previous year

Deferred income tax

- current year
- previous year
- deferred tax asset limitation
- rate change

Withholding tax on foreign income

Foreign taxation

Current income tax

- current year
- previous year

Deferred taxation

- current year
- previous year

Total income tax expense

Estimated taxation losses available for reduction of future taxable income

7.2 Reconciliation of income tax rate

Standard income tax rate

Adjusted for:

Non taxable income^a

Non deductible expenses[#]

Special deductions[%]

Special inclusions[§]

Tax losses/(profits) of foreign subsidiaries not deductible/(taxable)

Effect of foreign jurisdictions tax at lower rates

Prior year adjustments

Share of joint venture profit equity accounted

Rate change

Deferred tax asset limitation

Release of foreign currency translation reserve in abandonment of foreign operation

Tax deduction realised on share appreciation rights exercised

Foreign withholding taxes in foreign jurisdictions and utilisation of foreign tax credits

Effective income tax rate

^a Group: Accounting capital profits; employment tax incentive; Company: Exempt dividends received;

[#] Professional and legal fees; non-deductible depreciation; share-based payment expense.

[%] Learnership allowances;

[§] Capital gains realised on assets disposed

COMPANY	
2017 R'000	2016 R'000
(12 399)	(9 957)
(1 145)	32
–	32
–	(32)
(13 544)	(9 925)
28.00	%
(18.03)	28.00
–	(20.68)
	0.01
0.92	–
10.89	7.33

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017	2016
Number of shares	Number of shares
190 433 237	188 733 409
1 924 836	4 288 569
192 358 073	193 021 978
R'000	R'000
158 258	350 906
Cents per share	Cents per share
83.1	185.9
82.3	181.8

8 EARNINGS AND HEADLINE EARNINGS PER SHARE

8.1 Diluted weighted average number of ordinary shares

Weighted average number of issued ordinary shares

Increase in number of shares as a result of unexercised share appreciation rights

Diluted weighted average number of ordinary shares

8.2 Profit for the year

Profit for the year attributable to equity holders of the parent company

8.3 Earnings per share

Basic

Attributable to equity holders of the parent

Diluted

Attributable to equity holders of the parent

COMPANY	
2017	2016
Number of shares	Number of shares
R'000	R'000
Cents per share	Cents per share

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017 R'000	2016 R'000

158 258	350 906
(33 404)	(20 869)
–	(1 721)
–	28 366
(9 270)	–
4 641	(87)
1 392	–
121 617	356 595

Cents per share	Cents per share
63.9	188.9
63.2	184.7

GROUP	
2017 R'000	2016 R'000

9 213	–
114 802	108 755

Cents per share	Cents per share
65.15	57.61

8.4 Headline earnings per share

Headline earnings attributable to equity holders of the parent company

Profit for the year attributable to equity holders of the parent company

Gross remeasurements excluded from headline earnings

Profit on sale of property, plant and equipment and gains on other assets

Bargain purchase at acquisition (Clover Good Hope)

Release of foreign currency translation reserve in abandonment of foreign operation

Profit on the sale of an investment in subsidiary

Taxation effects of remeasurements

Profit on sale of property, plant and equipment and gains on other assets

Profit on the sale of an investment in subsidiary

Headline earnings attributable to equity holders of the parent company

Headline earnings per share

Basic

Attributable to equity holders of the parent

Diluted

Attributable to equity holders of the parent

9 DIVIDENDS DECLARED AND PAID

During the year equity dividends were declared as follows:

Value of scrip issue to shareholders that did not elect to receive a cash dividend

Cash paid to ordinary shareholders

To ordinary shareholders (which elected to receive cash)

COMPANY	
2017 R'000	2016 R'000

--	--

Cents per share	Cents per share

COMPANY	
2017 R'000	2016 R'000

9 213	–
114 802	108 755

Cents per share	Cents per share
65.15	57.61

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017 R'000	2016 R'000
10 907	429
2 225	–
8 682	429
10 506	23 390
(15 114)	(12 912)
(1 692)	–
4 607	10 907
264	2 225
4 343	8 682

10 ASSETS CLASSIFIED AS HELD-FOR-SALE

Net book value at the beginning of the year made up as follows:

- Plant and equipment
- Freehold land and buildings

Transfers from Property, Plant and Equipment
Disposals
Disposal of subsidiary

Net book value at the end of the year made up as follows:

- Plant and equipment
- Freehold land and buildings

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 Group was successful in selling one the properties held by RBC situated in Stikland, Cape Town. An offer to purchase was received for the second property situated at Stikland but the suspensive conditions were not met during the year. The Group received a new offer to purchase on the second property and the suspensive conditions have been fulfilled. Transfer is expected to take place soon after year end. The balance at year end represents the Stikland property (including movable items forming part of the sale).

COMPANY	
2017 R'000	2016 R'000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

11 PROPERTY, PLANT AND EQUIPMENT

Cost

Balance at 1 July 2016

Capital expenditure

Capitalised

Acquisition through business combinations

Transfer to assets classified as held-for-sale

Disposals and scrappings

Reclassification between asset classes

Foreign exchange translations

Balance at 30 June 2017

Accumulated depreciation and impairment

Balance at 1 July 2016

Depreciation for the year

Transfer to assets classified as held-for-sale

Disposals and scrappings

Reclassification between asset classes

Foreign exchange translations

Balance at 30 June 2017

Net book value as at 30 June 2017

Group						Company
2017						2017
Freehold land and buildings	Leasehold properties	Plant, equipment and vehicles	Capital work-in-progress	Total		Freehold land and buildings
R'000	R'000	R'000	R'000	R'000		R'000
972 914	39 015	2 101 829	329 918	3 443 676		250
–	–	–	317 385	317 385		–
70 748	10 980	316 575	(398 303)	–		–
–	–	502	(502)	–		–
(14 491)	–	(8 310)	–	(22 801)		–
–	–	(58 705)	–	(58 705)		–
(2 162)	5 232	(3 070)	–	–		–
–	(2 001)	(4 400)	(467)	(6 868)		–
1 027 009	53 226	2 344 421	248 031	3 672 687		250
(228 813)	(8 639)	(883 008)	–	(1 120 460)		(17)
(26 673)	(5 444)	(151 184)	–	(183 301)		(1)
7 646	–	4 649	–	12 295		–
–	–	44 524	–	44 524		–
433	(392)	(41)	–	–		–
–	324	1 375	–	1 699		–
(247 407)	(14 151)	(983 685)	–	(1 245 243)		(18)
779 602	39 075	1 360 736	248 031	2 427 444		232

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 2017 was R19.9 million (2016: R25,8 million). Additions during the year were R Nil (2016: R Nil) 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.

In the prior year government grants were 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. No government grants have been received in the current year.

Assets with an original cost price of R76,8 million (2016: R51,4 million) are still in use, although it has been fully depreciated.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

	Group					Company
	2016					2016
	Freehold land and buildings R'000	Leasehold properties R'000	Plant, equipment and vehicles R'000	Capital work-in-progress R'000	Total R'000	Freehold land and buildings R'000
Cost						
Balance at 1 July 2015	853 344	31 030	1 947 093	327 408	3 158 875	250
Capital expenditure				365 133	365 133	–
Capitalised	154 426	5 152	204 441	(364 019)	–	–
Government grants received	–	–	(2 003)	2 003	–	–
Transfer to assets classified as held-for-sale	(34 359)	–	(13 993)	–	(48 352)	–
Acquisition through business combinations	–	–	463	(463)	–	–
Disposals and scrappings	(497)	–	(40 151)	–	(40 648)	–
Foreign exchange translations	–	2 833	5 979	(144)	8 668	–
Balance at 30 June 2016	972 914	39 015	2 101 829	329 918	3 443 676	250
Accumulated depreciation and impairment						
Balance at 1 July 2015	(217 156)	(5 145)	(783 123)	–	(1 005 424)	(16)
Depreciation for the year	(25 264)	(3 076)	(138 601)	–	(166 941)	(1)
Transfer to assets classified as held-for-sale	13 195	–	11 767	–	24 962	–
Disposals and scrappings	412	–	28 545	–	28 957	–
Foreign exchange translations	–	(418)	(1 596)	–	(2 014)	–
Balance at 30 June 2016	(228 813)	(8 639)	(883 008)	–	(1 120 460)	(17)
Net book value as at 30 June 2016	744 101	30 376	1 218 821	329 918	2 323 216	233

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017 R'000	2016 R'000
270	270
270	270
(255)	(247)
(6)	(8)
(261)	(255)
15	23
9	15
284	292
(188)	(16)
96	276

12 INVESTMENT PROPERTIES

Cost

Balance at the beginning of the year

Balance at the end of the year

Accumulated depreciation

Balance at the beginning of the year

Depreciation for the year

Balance at the end of the year

Carrying amounts

Balance at the beginning of the year

Balance at the end of the year

Rental income derived from investment properties

Direct operating expenses generating rental income

Net profit arising from investment properties carried at net book value

The fair value of the property is R1,4 million (2016: 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 R181 000 (2016: R149 000) and a rental capitalisation into perpetuity factor of 13% (2016: 13%) and is considered to be a Level 3 fair value disclosure.

COMPANY	
2017 R'000	2016 R'000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

13 INTANGIBLE ASSETS

Cost

Balance at 1 July 2016	380 745	142 505	125 758	9 579	48 745	707 332
Capital Expenditure	–	–	–	–	1 571	1 571
Capitalised	–	–	1 631	–	(1 631)	–
Additions through business combinations	21 579	38 216	–	–	–	59 795
Disposals and scrapings	–	–	(2 066)	–	–	(2 066)

Balance at 30 June 2017

Accumulated amortisation and impairment

Balance at 1 July 2016	(1 311)	(25 687)	(65 204)	(2 939)	–	(95 141)
Amortisation for the year	–	(11 189)	(9 711)	(1 916)	–	(22 816)
Disposals and scrapings	–	–	1 988	–	–	1 988

Balance at 30 June 2017

Net book value as at 30 June 2017

Group						
2017						
Goodwill	Trademarks, patents and customer lists	Software licences	Right-of-use	Capital work-in-progress – software	Total	
R'000	R'000	R'000	R'000	R'000	R'000	
380 745	142 505	125 758	9 579	48 745	707 332	
–	–	–	–	1 571	1 571	
–	–	1 631	–	(1 631)	–	
21 579	38 216	–	–	–	59 795	
–	–	(2 066)	–	–	(2 066)	
402 324	180 721	125 323	9 579	48 685	766 632	
					–	
(1 311)	(25 687)	(65 204)	(2 939)	–	(95 141)	
–	(11 189)	(9 711)	(1 916)	–	(22 816)	
–	–	1 988	–	–	1 988	
(1 311)	(36 876)	(72 927)	(4 855)	–	(115 969)	
401 013	143 845	52 396	4 724	48 685	650 663	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

13 INTANGIBLE ASSETS (continued)

Cost

Balance at 1 July 2015
Capital Expenditure
Capitalised
Additions through business combinations
Disposals and scrappings
Government grants received

Balance at 30 June 2016

Accumulated amortisation and impairment

Balance at 1 July 2015
Amortisation for the year
Disposals and scrappings

Balance at 30 June 2016

Net book value as at 30 June 2016

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%-10% (2016: 5%-6%) and adjusted for non-cash items; movements in working capital; and a before tax discount rate of 19.27% (2016: 19.92%).

Goodwill has been allocated to Clover Industries Group excluding Clover Frankies and then to Clover Frankies and Clover Pride respectively 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. The respective calculated recoverable amounts 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 in the prior year 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.

Group						
	2016					Total R'000
	Goodwill R'000	Trademarks, patents and customer lists R'000	Software licences R'000	Right-of-use R'000	Capital work- in-progress – software R'000	
Balance at 1 July 2015	375 205	128 478	130 215	9 579	7 722	651 199
Capital Expenditure	–	–	–	–	66 367	66 367
Capitalised	–	–	15 383	–	(15 381)	2
Additions through business combinations	5 540	14 027	–	–	(19 567)	–
Disposals and scrappings	–	–	(10 236)	–	–	(10 236)
Government grants received	–	–	(9 604)	–	9 604	–
Balance at 30 June 2016	380 745	142 505	125 758	9 579	48 745	707 332
Balance at 1 July 2015	(1 311)	(15 753)	(65 554)	(1 024)	–	(83 642)
Amortisation for the year	–	(9 933)	(9 831)	(1 916)	–	(21 680)
Disposals and scrappings	–	–	10 181	–	–	10 181
Balance at 30 June 2016	(1 311)	(25 686)	(65 204)	(2 940)	–	(95 141)
Net book value as at 30 June 2016	379 434	116 819	60 554	6 639	48 745	612 191

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

13 INTANGIBLE ASSETS (continued)

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

Clover Industries*
 Clover Frankies
 Clover Pride

Clover Industries Group

**Clover Industries Limited does not hold any goodwill at a company level*

Group	
2017 R'000	2016 R'000
373 894	373 894
5 540	5 540
21 579	–
401 013	379 434

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017 R'000	2016 R'000
2 309	1 800
–	3 297
856	560
3 165	5 657
3 165	5 657
	–
3 165	5 657

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

14.1 Other financial assets

Financial assets at fair value through profit or loss

Investment in Guardrisk Cell Captive

Derivatives not designated as hedges

Call option to acquire remaining shares in Clover Frankies

Call option to acquire remaining shares in Clover Good Hope

Total financial instruments at fair value

Total other financial assets

Total current

Total non-current

COMPANY	
2017 R'000	2016 R'000

Call option to acquire remaining shares in Clover Frankies

The option value has been derecognised against the investment in Clover Frankies - Refer to note 3.2.

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 way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

$((A - C) \times B) \times 49\%$

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 discounted cash flow valuation of the call option was based on the following inputs; estimated annual free cash flow of R7,3 million; free cash flow growth per annum of between 6% to 10% and a discount rate of 18%

Call option to acquire remaining shares in Clover Pride

AECI granted Clover the irrevocable right to purchase AECI's 49% of the issued share capital in Clover Pride ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the third anniversary of the effective date. The purchase price of the call shares will be determined by way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

$(A \times B - C + D - E) \times 49\%$

A – 6.21 (EBITDA multiple)

B – Average normalised EBITDA

C – Clover Pride's debts

D – Working capital on hand

E – Normal working capital

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

GROUP	
2017 R'000	2016 R'000
638	86
13 521	5 225
1 665	22 500
15 824	27 811
15 824	27 811
6 141	25 612
9 683	2 199

14.2 Other financial liabilities

Financial liabilities at fair value through profit or loss

Derivatives not designated as hedging instruments:

Foreign exchange contracts

Clover Industries shares forward purchases

Financial liabilities at fair value through OCI

Derivatives designated as hedging instruments:

Cash flow hedge – Diesel hedge

Total financial instruments at fair value

Total other financial liabilities

Total current

Total non-current

COMPANY	
2017 R'000	2016 R'000

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 3,92% (2016: 3,11%), a credit spread of 2,75% (2016: 2,75%), a spot rate of R16,55 (2016: R18,51) and a swap interest rate reflecting the term of each tranche of the hedge.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Expiry date	2017		2016	
	Number of forwards	Forward price per share (Rand)	Number of forwards	Forward price per share (Rand)
3 October 2016			308 500	21.40
1 June 2017			158 936	22.40
30 June 2017			158 937	22.29
30 June 2017			253 575	22.46
1 June 2017			158 937	22.35
30 June 2017			308 500	22.35
2 October 2017	308 500	23.20	308 500	23.20
29 June 2018	308 500	23.97		
31 July 2018	519 442	24.29		
3 June 2019	476 810	26.48	476 810	26.48
28 June 2019	519 443	25.72		
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. 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.

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 5,9 million (R 4,2million net of tax) (2016: R 25,8 million (R 18,6 million net of tax)), the unrealised profit portion of R Nil (2016: 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.

During the financial year the Group hedged 1 500 000 litres of ICE Gasoil per month at a average price of R 5,61 per litre. As at 30 June 2017 all the Group diesel hedged had expired.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 2017, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	GROUP			
	30 June 2017 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 Good Hope (Pty) Ltd	856	–	–	856
Investment in cell captive	2 309	–	2 309	–
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	638	–	638	–
Clover Industries shares forward purchases	13 521	–	13 521	–
Derivatives designated as hedging instruments:				
Diesel hedge	1 665	–	1 665	–
During the reporting period ended 30 June 2017, there were no transfers between Level 1 and Level 2 fair value measurements.				
	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.				

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair value measurement and valuation techniques for level 2 and level 3 financial instruments

Type of financial instrument Fair value 2017	Fair value R'000	Valuation technique	Significant inputs
Financial assets at fair value through profit or loss	3 165		
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	856	DCF	Free cash flow forecast Market interest rate
Investment in cell captive	2 309	NAV	Cash and cash equivalents Investment in unit trusts Insurance fund liabilities
Financial liabilities at fair value through profit or loss	14 159		
Foreign exchange contracts	638	DCF	Yield curves Market interest rate Market foreign exchange rate
Clover Industries shares forward purchase	13 521	DCF	Share price Yield curves
Financial liabilities at fair value through OCI	1 665		
Diesel hedges	1 665	DCF	Market forward ICE gasoil price Yield curves Market foreign exchange rate

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Reconciliation of fair value measurement of level 3 financial assets		
		Call option to acquire remaining shares in Clover Frankies (Pty) Ltd		
3 297		Balance at the beginning of the year		
–	445	Initial recognition through OCI		
617	2 852	Remeasurement recognised through statement of profit or loss		
(3 914)		Derecognised against investment in Clover Frankies (note 3.2)		
–	3 297	Balance at the end of the year	–	
		Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
560		Balance at the beginning of the year		
–	560	Initial recognition through OCI		
296		Remeasurement recognised through statement of profit or loss		
856	560	Balance at the end of the year	–	

Refer to Note 30.1 (ii) to 30.1 (vi) for further disclosure.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017	2016		2017	2016
R'000	R'000		R'000	R'000
15 DEFERRED TAXATION				
(155 339)	(155 557)	Balance at the beginning of the year	77	77
(20 230)	218	Movements during the year:		
(14 411)	(6 997)	Charge to profit or loss		
(590)	–	Deferred tax limitation		
3 105	368	Prior year over provision		
970	–	Change in rate		
520	(62)	Foreign currency translation effect		
938	(938)	Charge from/(to) other comprehensive income		
79	9 193	Credit to the statement of changes in equity		
(10 841)	(1 346)	Acquisition of subsidiaries		
(175 569)	(155 339)	Balance at the end of the year	77	77
The balance is constituted as follows:				
Deferred tax assets				
1 668	920	Doubtful debts provision	77	77
3 356	5 029	Credit note accrual		
1 138	1 420	Leases straight-lined		
47 205	60 314	Employee related expenses that are only deductible when paid		
5 400	6 582	Income received in advance		
–	272	Inventory provision		
21 138	18 018	Other accruals		
96 882	55 939	Assessed loss carried forward		
1 636	717	Foreign tax credits		
4 578	7 773	Cash flow hedges		
183 001	156 984	Total deferred tax assets	77	77
Deferred tax liabilities				
(351 872)	(306 491)	Property, plant and equipment		
(2 069)	(1 524)	Prepayments		
(3 150)	(2 798)	Consumable stores		
(1 358)	(1 398)	Pension fund asset		
(121)	(112)	Other		
(358 570)	(312 323)	Total deferred tax liabilities		
(175 569)	(155 339)	Net deferred tax (liability)/asset	77	77

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

15 DEFERRED TAXATION (continued)

GROUP	
2017 R'000	2016 R'000
45 496	37 019
(221 065)	(192 358)
(175 569)	155 339

Reflected in the Statement of Financial Position as follows:

Deferred tax assets
Deferred tax liabilities

Net deferred tax (liability)/asset

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.

GROUP	
2017 R'000	2016 R'000
–	5 800
170 659	156 746
99 221	112 506
115 403	107 697
579 347	534 160
964 630	916 909

16 INVENTORIES

Delivery agreements
Raw materials
Work-in-progress
Consumable stores
Finished goods

Total inventories

The amount of the write-down of inventories recognised as an expense is R22.4 million (2016: R13,2 million). This expense is included in the cost of sales line item as a cost of inventories.

COMPANY	
2017 R'000	2016 R'000
77	77
77	77

COMPANY	
2017 R'000	2016 R'000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
1 182 775	1 227 372	17 TRADE AND OTHER RECEIVABLES	13 061	4 129
36 515	27 335	Trade receivables	275	50 286
139 262	73 284	Trade receivables from principals	2 585	2 612
2 585	2 612	Other receivables and advance payments	547 578	546 844
		Loans to Executive Directors and other Executives	9	9
		Inter-company loan: Clover SA	(275)	(275)
		Loan: CIL Share Purchase Plan Trust		
(6 517)	(3 847)	Allowance for impairment		
(13 309)	(18 533)	Credit note accrual		
1 341 311	1 308 223	Total trade and other receivables	563 233	603 605
3 847	2 525	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.	275	275
4 978	1 671	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 29.3 for further details.		
(2 308)	(349)	See note 30.5 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.		
6 517	3 847	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 2017, trade receivables of an initial value of R6,5 million (2016: R3,9 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.		
		Balance at the beginning of the year		
		Charge for the year		
		Impairment loss written off		
		Balance at the end of the year		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
2017	2016
Number of shares	Number of shares

19 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares

Authorised

2 billion (2016: 2 billion) ordinary shares with a par value of 5 cents (2016: 5 cents) each

Shares issued

190 314 350	187 731 138
–	717 326
–	1 775 256
–	90 630
38 397	–
482 617	–

Ordinary shares in issue at the beginning of the year

Share appreciation rights exercised:

Issued on 1 December 2015

Issued on 2 March 2016

Issued on 22 June 2016

Issued on 15 September 2016

Issued on 24 April 2017

190 835 364	190 314 350
--------------------	-------------

Ordinary shares in issue at the end of the year

2017	2016
R'000	R'000

Ordinary share capital

190,8 million (2016: 190,3 million) ordinary shares of 5 cents (2016: 5 cents) each

Ordinary share premium

Ordinary share premium on 190,8 million (2016: 190,3 million) ordinary shares

9 542	9 516
892 692	882 774
902 234	892 290

Total ordinary share capital and ordinary share premium

Shares were issued as follows during the year

Ordinary shares:

Ordinary shares of 0,5 cents (2016: 0,5 cents) each

Ordinary share premium of R19,04 (2016: R17,19) per share

26	129
9 918	44 411
9 944	44 540

Total ordinary share capital raised during the year

COMPANY	
2017	2016
Number of shares	Number of shares

190 314 350	187 731 138
–	717 326
–	1 775 256
–	90 630
38 397	–
482 617	–

190 835 364	190 314 350
--------------------	-------------

2017	2016
R'000	R'000

9 542	9 516
892 692	882 774
902 234	892 290

26	129
9 918	44 411
9 944	44 540

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
20 OTHER CAPITAL RESERVES				
Share-based payments reserve				
73 868	72 880	Balance at the beginning of the year	2 169	10 252
5 865	12 697	Share based expense	–	–
(1 651)	(11 709)	Share appreciation rights exercised	–	(8 083)
78 082	73 868	Balance at the end of the year	2 169	2 169
Call options				
1 005	–	Balance at the beginning of the year		
–	1 005	Initial recognition of call options		
(445)	–	Transfer to retained earnings		
560	1 005	Balance at the end of the year		
78 642	74 873	Total other capital reserves at the end of the year	2 169	2 169
21 OTHER COMPONENTS OF EQUITY				
21.1 Foreign currency translation reserve				
24 147	(2 314)	Balance at the beginning of the year		
(14 510)	(1 905)	Foreign exchange translation differences		
–	28 366	Reclassified to statement of profit or loss		
(14 510)	26 461	Net foreign exchange translation movement		
9 637	24 147	Balance at the end of the year		
21.2 Cash flow hedge reserve				
3 350	–	Balance at the beginning of the year		
(9 294)	(22 500)	ICE Gasoil forward contracts fair value adjustment		
5 944	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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		23 NON-CONTROLLING INTEREST PUT OPTIONS LIABILITIES		
		The Group has entered into transactions with non-controlling interest equity holders whereby they are able to put their shareholding to the Group for a limited time period.		
57 088		Non-controlling interest put options		
57 088		Total non-controlling interest put options		
–		Current portion reflected under current liabilities		
57 088		Non-current portion reflected under non-current liabilities		
		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 way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula. $((A - C) \times B) \times 49\%$ <p>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</p> The value of the put option was calculated by estimating the future EBITDA as per the contract and discounted given the remaining time period until the option becomes exercisable. The EBITDA estimates for purposes of the valuation of the put option was based on the following inputs; estimated annual free cash flow of R7,3 million; free cash flow growth per annum of between 6% to 10% and a discount rate of 18%. The fair value of the put was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The resultant fair value based on this calculation is Rnil. This value is considered a level 3 valuation. Refer to note 30.1 for more details regarding the sensitivity of the valuation inputs.		
		Put option to acquire remaining shares in Clover Pride		
		Clover granted AECl the irrevocable right to sell AECl's 49% of the issued share capital in Clover Pride ("Call shares"). The put option may be exercised by AECl 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 way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula. $(A \times B - C + D - E) \times 49\%$ <p>A – 5.5 (EBITDA multiple) B – Average normalised EBITDA C – Clover Pride's debts D – Working capital on hand E – Normal working capital</p> The value of the put option was calculated by estimating the future EBITDA as per the contract and discounted given the remaining time period until the option becomes exercisable. The EBITDA estimates for purposes of the valuation of the put option was based on the same assumptions utilised in calculating the discounted cash flow as used for the purchase price allocation as per note 3.1. The fair value of the put was calculated by comparing the expected price as per the contract to a price calculated by using a discounted cash flow model. The resultant fair value based on this calculation is Rnil. This value is considered a level 3 valuation. Refer to note 30.1 for more details regarding the sensitivity of the valuation inputs.		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
25 TRADE AND OTHER PAYABLES				
1 056 019	1 115 717	Trade payables	8 240	8 703
174 635	218 950	Other payables	1 773	1 389
69 538	47 976	Payable to joint ventures		
1 300 192	1 382 643	Total trade and other payables	10 013	10 092
25 492	19 311	Non-current portion included in other payables transferred to non-current liabilities		
1 274 700	1 363 332	Current portion	10 013	10 092
1 300 192	1 382 643	Total trade and other payables	10 013	10 092
<p>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.</p> <p>Non-current payables range from one to three years after the date of accrual</p>				
26 NOTES TO THE STATEMENT OF CASH FLOWS				
Tax paid				
(9 893)	40 330	Amount receivable/(due) at the beginning of the year	928	2 157
(30 057)	(107 161)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	(13 544)	(9 925)
(7 165)	9 893	Amount due/(receivable) at the end of the year	3 432	(928)
(47 115)	(56 938)	Total tax paid	(9 184)	(8 696)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
27 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS				
27.1 Defined-contribution funds				
27.1.1 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 2017: 1 082 (30 June 2016: 1 112).				
27.1.2 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 2017: 6 572 (2016: 6 759).				
27.2 Amounts recognised in profit or loss				
Contributions for the Group for the current year:				
40 170	38 999	Pension fund		
69 536	65 587	Provident fund		
109 706	104 586	Total contributions recognised in profit or loss		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP		COMPANY	
2017 R'000	2016 R'000	2017 R'000	2016 R'000
28 COMMITMENTS AND CONTINGENCIES			
28.1 Operating lease commitments - Group as lessee			
<p>The Group entered into an outsourcing agreement whereby the Group is provided with 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.</p>			
Future minimum lease payments are as follows:			
Within one year			
After one year but not more than five years			
More than five years			
158 053	88 021		
217 014	110 929		
23 305	179 326		
398 372	378 276		
Total lease payments payable			
28.2 Future contractual distribution and milk collection cost			
<p>The Group entered into a multiyear outsourcing arrangement in respect of distribution and milk collection vehicles. In terms of the outsourcing arrangement the supplier shall acquire and supply vehicles based on functional specifications by the Group. The functional specifications don't result in the vehicles becoming so customised to the extent that they cannot be repurposed, and used in other parts of the supplier's fleet or sold. In addition, the supplier has the right to substitute any vehicle in the fleet at its sole discretion as long as it meets the functional specification as agreed in the service level agreement.</p>			
<p>Management concluded that the right to substitute the vehicle, and the economic incentive to do so, will result in a substantive right by the supplier, and accordingly the outsourcing arrangement does not meet the definition of a lease.</p>			
Future minimum contractual payments are as follows:			
Within one year			
After one year but not more than five years			
More than five years			
205 477	211 606		
762 505	866 791		
158	203 970		
968 140	1 282 367		
Total contractual payments payable			

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

29 RELATED PARTY DISCLOSURE (continued)

GROUP	
2017 R'000	2016 R'000
146 949	104 643
49 358	44 632
7 284	15 362
203 591	164 637
2 585	2 612
2 585	2 612

29.2 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:

WI Büchner

NA Smith

PR Griffin (Resigned 30 November 2016)

Total milk purchased from Non-Executive Directors

Refer to note 33 for more information regarding compensation of Directors and key management personnel

29.3 Loans advanced to senior management outstanding

Other Executives

JHF Botes (Dr)

Total

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

COMPANY	
2017 R'000	2016 R'000
2 585	2 612
2 585	2 612

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 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.

30.1 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 30.5. 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 76.7% (2016: 71.6%) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

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 30.4 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% (2016: 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 27.3% (2016: 20%) 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	2017 R'000	2016 R'000
Municipalities	15 642	15 694
Other*	329	18 586
	15 971	34 280

*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 (2016: 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

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 2017			GROUP 2016		
Change in rate	Effect on profit before tax R'000	Effect on Equity R'000	Change in rate	Effect on profit before tax R'000	Effect on Equity R'000
+10%		(21 556)	+10%		(25 035)
		32			160
-10%		21 556	-10%		25 035
		(32)			(160)

Foreign subsidiaries – equity
Rand – strengthening
Loss on Pulas
Profit on Naira
Rand – weakening
Profit on Pulas
Loss on Naira

(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		GROUP
2017 R'000		2016 R'000
400 000	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	400 000
1 081 925	Fixed-rate instruments	874 470
1 481 925	Variable-rate instruments	1 274 470
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2016: 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.	
(10 819)	Increase of 100 basis points Decrease in profit before tax	(8 745)
10 819	Decrease of 100 basis points Increase in profit before tax	8 745

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

GROUP		GROUP
2017 R'000		2016 R'000
	<p>(iii) Share price risk management</p> <p>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.</p> <p>Forward share purchases sensitivity</p> <p>An increase/decrease of 10% (2016: 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.</p> <p>Increase of 10% in share price</p> <p>Increase in profit before tax</p> <p>Decrease of 10 % in share price</p> <p>Decrease in profit before tax</p>	
3 484		3 972
(3 464)		(3 926)
	<p>(iv) Fuel price risk management</p> <p>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.</p> <p>Cash flow hedge sensitivity</p> <p>An increase/decrease of 10% (2016: 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.</p> <p>Increase of 10% in diesel price</p> <p>Increase in other comprehensive income</p> <p>Decrease of 10% in diesel price</p> <p>Decrease in other comprehensive income</p>	
-		7 607
-		(7 607)
	<p>(v) Clover Frankies - Call and put options</p> <p>Call option Clover Frankies</p> <p>Frankies granted Clover the irrevocable right to purchase Frankies' 49% of the issued share capital in Clover Frankies ("Call shares"). The call option was exercisable by Clover any time after 30 June 2019. However the option was effectively cancelled when Clover acquired the remaining 49% shares in the current year. Refer to note 14 for more information regarding the call option.</p> <p>Call option sensitivity</p> <p>An increase/decrease of 10% (2016: 10%) 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.</p> <p>Increase of 10% in terminal growth rate</p> <p>Increase in profit before tax</p> <p>Decrease of 10% in terminal growth rate</p> <p>Decrease in profit before tax</p>	
-		780
-		(780)
	<p>An increase/decrease of 10% (2016: 10%) 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.</p>	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

GROUP		GROUP
2017 R'000		2016 R'000
–	Increase of 10% in discount rate Decrease in profit before tax	(1 358)
–	Decrease of 10% in the discount rate Increase in profit before tax	2 000
	(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 % 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.	
1 195	Increase of 10% in terminal growth rate Increase in profit before tax	1 526
(856)	Decrease of 10% in terminal growth rate Decrease in profit before tax (limited to current option value)	(560)
	An increase/decrease of 10 % 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.	
(856)	Increase of 10 % in discount rate Decrease in profit before tax (limited to current option value)	(560)
4 547	Decrease of 10 % in the discount rate Increase in profit before tax	2 806
	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 23 for more information regarding the put option.	
	Put option sensitivity	
	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.	
	An increase/decrease of 10% 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.	
(2 480)	Increase of 10 % in discount rate Decrease in profit before tax	(689)
–	Decrease of 10 % in the discount rate No effect	–

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

GROUP		GROUP
2017 R'000		2016 R'000
	<p>(vii) Clover Pride - Call and put options</p> <p>Call option Clover Pride AECI granted Clover the irrevocable right to purchase AECI's 49% of the issued share capital in Clover Pride ("Call shares"). The call option may be exercised by Clover 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 call option.</p> <p>Call option sensitivity An increase/decrease of 10 % 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.</p> <p>Increase of 10% in terminal growth rate Increase in profit before tax</p> <p>Decrease of 10% in terminal growth rate Decrease in profit before tax (limited to current option value)</p> <p>An increase/decrease of 10 % 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.</p> <p>Increase of 10 % in discount rate No effect on net profit before tax</p> <p>Decrease of 10 % in the discount rate Increase in profit before tax</p> <p>Put option Clover Pride Clover granted AECI the irrevocable right to sell AECI's 49% of the issued share capital in Clover Pride ("Put shares"). The put option may be exercised by AECI within three months after each 12 month period from the third anniversary of the effective date. Refer to note 23 for more information regarding the put option.</p> <p>Put option sensitivity 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. An increase/decrease of 10% 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.</p> <p>Increase of 10 % in discount rate Decrease in profit before tax</p> <p>Decrease of 10 % in the discount rate No effect on net profit before tax</p>	
1 433		
-		
-		-
5 619		-
(1 148)		-
		-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

GROUP	GROUP
2017 R'000	2016 R'000
<p>30.2 Capital management</p> <p>Capital consists of ordinary share capital, as well as ordinary share premium</p> <p>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 securitisation programme. This programme came into effect during 2001. Senior debt raised by the programme currently amounts to R900 million (2016: R900 million). The securitisation provides access to senior debt equal to 74,5% (2016: 74,5%) of the debtors' book.</p> <p>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 5,4% (2016: 12,9%) of the debtors' book. In comparison the weighted average interest expense on interest-bearing borrowings was 10,6% (2016: 9,7%).</p> <p>30.3 Fair value</p> <p>The carrying amount of financial assets and liabilities carried at amortised cost are a reasonable approximation of fair value due to the short-term maturities of these financial instruments, other than the put liabilities disclosed in note 23.</p> <p>These financial instruments are short term in nature and includes trade receivables, trade payables, cash and cash equivalents.</p> <p>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.</p>	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

GROUP						
2017						
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	
7 987	3 370	7 790	14 284	–	33 431	30.4 Liquidity risk profile
42 256	441 900	46 834	529 055	–	1 060 045	Maturity profile of financial instruments
314 875	12 633	258 585	–	–	586 093	The following tables summarises the maturity profile of Clover's financial liabilities at 30 June 2017 and 30 June 2016, based on contractual undiscounted payments.
–	–	–	–	15 971	15 971	Financial liabilities
1 763	–	–	–	–	1 763	Secured loans
6 141	–	9 683	–	–	15 824	Secured by securitisation of trade debtors
1 230 532	44 168	17 995	7 497	–	1 300 192	Unsecured loans
1 603 554	502 071	340 887	550 836	15 971	3 013 319	Guarantees
						Bank overdrafts
						Financial liabilities
						Trade and other payables
						Total financial liabilities
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	
26 144	9 564	13 477	20 234	4 992	74 411	Financial liabilities
41 661	291 109	460 695	23 575	255 942	1 072 982	Secured loans
67 741	12 496	25 200	256 352	–	361 789	Secured by securitisation of trade debtors
18 257	–	–	–	16 023	34 280	Unsecured loans
7 188	–	–	–	–	7 188	Guarantees
25 612	–	2 199	–	–	27 811	Bank overdrafts
1 321 244	42 088	9 152	10 158	–	1 382 642	Financial liabilities
1 507 847	355 257	510 723	310 319	276 957	2 961 103	Trade and other payables
						Total financial liabilities

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

30 FINANCIAL INSTRUMENTS (continued)

COMPANY						
2017						
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	
10 013					10 013	Financial liabilities Trade and other payables
10 013	–	–	–	–	10 013	Total financial liabilities
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	
10 092	–	–	–	–	10 092	Financial liabilities Trade and other payables
10 092	–	–	–	–	10 092	Total financial liabilities

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	
Carrying Value	Carrying value
2017 R'000	2016 R'000
1 182 775	1 227 372
178 380	97 035
544 863	604 071
1 906 018	1 928 478
906 736	878 273
123 878	134 852
152 161	214 247
1 182 775	1 227 372
1 127 639	1 128 812
41 753	84 201
5 940	10 069
7 443	4 290
1 182 775	1 227 372
3 847	2 525
4 978	1 671
(2 308)	(349)
6 517	3 847

30.5 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

Financial assets per class

Trade receivables
Other receivables
Cash and short-term deposits

Total financial assets

Trade receivables

The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:

Retail chain stores
Wholesale chain stores
Industrial/Catering/General trade

Total

The ageing of trade receivables at the reporting date is as follows:

Neither past due nor impaired*
Past due, but not impaired 0–30 days
Past due but not impaired 31–120 days
Past due but not impaired 120 days

Total

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at the beginning of the year
Increases in impairments
Impairment loss written off

Balance at the end of the year

* 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.

COMPANY	
Carrying Value	Carrying Value
2017 R'000	2016 R'000
563 233	603 605
63 241	21 871
626 474	625 476
275	275
275	275

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

Subsidiary and joint venture Name of company	Country of incorporation	Nature of business	Effective interest in capital		Gross Investment in subsidiaries and joint ventures ¹		Profit/(loss) after taxation ³	
			2017 %	2016 %	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Clover SA ²	South Africa	Dairy manufacturing, distribution, sales	100	100	326 735	326 735	171 180	299 074
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	100	100	466 958	444 958	(45 019)	(14 389)
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	100	100	23 111	23 111	44 425	75 492
Clover MilkyWay	South Africa	Dairy manufacturing and sales	100	100	80 000	50 050	(5 317)	(8 861)
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	100	100	1	1	1 306	(1 208)
Clover Fonterra [#]	South Africa	Marketing, selling and distribution of dairy and related ingredient products	51	51	38 946	31 651	18 486	14 015
Clover Frankies	South Africa	Marketing, sales, distribution and production of CSD's	100	51	19 854	10 928	(3 851)	518
Clover Good Hope	South Africa	Manufactures, distributes, sells and markets a range of soy based milk alternatives	51	51	14 822	7 068	1 829	1 380
Clover West Africa	Nigeria	Marketing of non-alcoholic beverage products	100	100	468	468	(1 027)	71 273
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	100	100	*	*	2 494	5 167
Clover Waters	South Africa	Marketing, sales, distribution and production of water and iced tea	70	70	146 985	76 669	(3 536)	(1 935)
Clover Futurelife	South Africa	Manufactures, distributes, sells and markets a range of functional food products	50.1	50.1	*	*	(7)	253
Clover Pride (Pty) Ltd	South Africa	Manufactures, distributes, sells and markets a range of food products	51	-	31 768	-	1 007	-
Dairy Farmers of South Africa (Pty) Ltd	South Africa	Milk collection and dairy sales	100	-	405 311	-	(4 483)	-

[#] Joint venture.

* Amounts less than R1 000.

¹ Held by Clover SA.

² Held by CIL.

³ Before inter company eliminations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Clover Frankies		
		Subsidiary's statement of financial position		
		Current assets including cash and cash equivalents of R0,23 million (2016: R1,6 million) and inventory R1.3 million (2016: R4,3 million)		
3 605	9 265	Non-current assets including property, plant and equipment of R0,2 million (2016: R0,36 million) and intangibles (2016: R11,4 million)		
11 627	12 233	Non-current liabilities including deferred tax Rnil million (2016: R0,6 million)		
–	(597)	Current liabilities including trade and other payables of R6,1 million (2016: R6,9 million)		
(6 107)	(6 925)	Equity (Net asset value)		
(9 125)	(13 976)			
100%	51%	Portion of the Group's ownership		
9 125	7 128	Net asset value of the investment		
		Subsidiary's revenue and profit		
18 932	20 568	Revenue		
(14 290)	(9 864)	Cost of sales		
(8 615)	(8 976)	Sales, marketing, distribution and administrative expenses		
(475)	(262)	Net finance cost		
(4 448)	1 466	Profit before taxation		
597	(450)	Income tax expense		
(3 851)	1 016	Profit for the year		
100%	51%	Portion of the Group's ownership		
(3 117)	518	Group's share of (loss)/profit for the year		
5 624		Acquisition of non-controlling interest in subsidiary - Refer to note 3.2 for more details		
(510)	–	Dividend received		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Clover Good Hope		
		Subsidiary's statement of financial position		
		Current assets including cash and cash equivalents of R9,7 million (2016: R3,6 million) and inventory of R7,7 million (2016: R8,7 million)		
29 878	27 302	Non-current assets including property, plant and equipment of Rnil million (2016: Rnil million) and intangibles of R7,0 million (2016: R7,3 million)		
6 959	7 329	Non-current liabilities including deferred tax R0,5 million		
(508)	(657)	Current liabilities including trade and other payables of R25 million		
(25 034)	(26 265)	Equity (Net asset value)		
(11 295)	(7 709)			
51%	51%	Portion of the Group's ownership		
5 760	3 932	Net asset value of the investment		
		Subsidiary's revenue and profit		
90 405	16 206	Revenue		
(73 663)	(13 480)	Cost of sales		
(10 372)	(1 293)	Sales, marketing, distribution and administrative expenses		
(283)	1 721	Other operating (expenses)/income		
(1 090)	(65)	Net finance cost		
4 997	3 089	Profit before taxation		
(1 411)	(383)	Income tax expense		
3 586	2 706			
51%	51%	Portion of the Group's ownership		
1 829	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 2017

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
53 894	58 049	Clover Waters		
150 236	132 674	Subsidiary's statement of financial position		
–	(9 866)	Current assets including cash and cash equivalents R2,6 million (2016: Rnil) and inventory R24,5 million (2016: R27,95 million)		
(166 916)	(138 729)	Non-current assets including property, plant and equipment R112 million (2016: R97,8 million) and deferred tax asset of R4.9 million (2016: Rnil million)		
(37 214)	(42 128)	Non-current liabilities including deferred tax Rnil million (2016: R2,7 million)		
		Current liabilities including trade and other payables of R138,2 million (2016: R138,2 million)		
		Equity (Net asset value)		
70%	70%	Portion of the Group's ownership		
26 050	29 490	Net asset value of the investment		
252 564	306 672	Subsidiary's revenue and profit		
(163 763)	(195 972)	Revenue		
(74 626)	(87 740)	Cost of sales		
(14 140)	(21 011)	Sales, marketing, distribution and administrative expenses		
(12 605)	(5 992)	Other operating expenses		
		Net finance cost		
(12 570)	(4 043)	Loss before taxation		
7 518	1 279	Income tax		
(5 052)	(2 764)	Loss for the year		
70%	70%	Portion of the Group's ownership		
(3 536)	(1 935)	Group's share of loss for the year		
–	–	Dividend received		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

31 INVESTMENT IN SUBSIDIARY AND JOINT VENTURE (continued)

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
		Clover Pride (inclusive of the purchase price allocation per note 3.1)		
		Subsidiary's statement of financial position		
		Current assets including cash and cash equivalents of R0,4 million and inventory R13,9 million		
23 096		Non-current assets including property, plant and equipment of R0,5 million and intangibles R59,0 million		
59 493		Non-current liabilities including deferred tax R0,1 million		
(117)		Current liabilities including trade and other payables of R20,4 million		
(20 563)		Equity (Net asset value)		
(61 909)				
51%		Portion of the Group's ownership		
31 574		Net asset value of the investment		
		Subsidiary's revenue and profit		
22 358		Revenue		
(15 016)		Cost of sales		
(3 562)		Sales, marketing, distribution and administrative expenses		
(797)		Other operating (expense)/income		
(241)		Net finance cost		
2 742		Profit before taxation		
(767)		Income tax expense		
1 975		Profit for the year		
51%		Portion of the Group's ownership		
1 007		Group's share of profit for the year		
–		Dividend received		

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

32 SHARE-BASED PAYMENTS

32.1 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 77 to 88.

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%.

Ninth allocation – Expected volatility of 26,7%, risk free rate of 7,98% and a dividend yield of 3,48%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

32 SHARE-BASED PAYMENTS (continued)

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)	Vesting period
Clover's Share Appreciation Rights Plan (2010) – Initial allocation	31 May 2010	Till employment terminates	R4,67	1 808 459 (2016: 1 808 459)	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	Two years	R11,00	57 778 (2016: 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	Three years	R13,50	953 620 (2016: 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	Three years	R13,73	1 474 962 (2016: 1 474 962)	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	Three years	R14,15	925 500 (2016: 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	Four years	R16,83	2 256 153 (2016: 2 588 288)	R4,97	Full allocation vests on 1 July 2016
Clover's Share Appreciation Rights Plan (2010) – Sixth allocation	20 June 2014	Five years	R17,31	697 562 (2016: 2 325 208)	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	Three years	R17,55	501 425 (2016: 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	Five years	R17,34	2 779 769 (2016: 2 779 769)	R5,38	Full allocation vests on 30 June 2018
Clover's Share Appreciation Rights Plan (2010) – Eighth allocation	30 June 2016	Four years	R18,44	2 679 262 (2016: 2 679 262)	R5,58	Full allocation vests on 30 June 2019
Clovers Share Appreciation Rights Plan (2010) - Ninth allocation	30 June 2017	Five years	R16,75	3 108 839	R 4.40	Full allocation vest on 30 June 2020

GROUP			COMPANY	
2017 R'000	2016 R'000		2017 R'000	2016 R'000
5 865	12 697	Provision against income		
		Share-based payment expense		

There were no changes made to the share appreciation rights or the executives' interests therein after 30 June 2017 up to the approval of the annual financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

33 DIRECTORS' REMUNERATION AND INTERESTS

33.1 Directors' remuneration

	2017							
	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-imbursing expenses R'000	Other benefits* R'000	Total R'000
Executive Directors								
JH Vorster	5 500	–	–	–	628	–	283	6 411
ER Bosch	3 397	–	–	–	452	–	132	3 981
Total remuneration of Executive Directors	8 897	–	–	–	1 080	–	415	10 392
Non-Executive Directors								
WI Büchner	–	1 191	–	–	–	–	–	1 191
TA Wixley (resigned 28 November 2016)	–	374	–	–	–	–	–	374
SF Booysen (Dr)	–	840	–	–	–	–	–	840
JNS Du Plessis (resigned 11 January 2017)	–	249	–	–	–	8	–	257
NA Smith	–	414	–	–	–	–	–	414
N Mokhesi	–	637	–	–	–	–	–	637
B Ngonyama	–	539	–	–	–	–	–	539
PR Griffin (resigned 28 November 2016)	–	134	–	–	–	18	–	152
Total remuneration of Non-Executive Directors	–	4 378	–	–	–	26	–	4 404
Total Directors' remuneration	8 897	4 378	–	–	1 080	26	415	14 796
Other executives (prescribed officers)								
H Lubbe	3 285	–	–	–	409	–	170	3 864
JHF Botes (Dr)	3 300	–	–	–	430	–	169	3 899
MM Palmeiro	2 708	–	–	–	340	–	760	3 808
J van Heerden	2 635	–	–	–	324	–	241	3 200
Total remuneration of other executives	11 928	–	–	–	1 503	–	1 340	14 771

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	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	3 767	–	636	–	465	–	362	5 230
CP Lerm (Dr)	3 296	–	1 120	1 878	715	–	860	7 869
ER Bosch	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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	2017 R'000	2016 R'000
Share appreciation rights exercised and settled by the issue of shares		
Executive directors		
JH Vorster	–	19 892
LJ Botha (Resigned 2 January 2016)	–	11 234
CP Lerm (Dr)*	332 135	13 414
Executives (Prescribed officers)		
	332 135	44 540

All share appreciation rights exercised by Executives as part of the MPCRE (refer to page 87: – legacy scheme SARS issues) were settled in shares.

* Retired 30 June 2016

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

33.2 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 2016	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2017	Number of rights that have vested as at 30 June 2017	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	Fourth	1 036 716	696 716			696 716	696 716	18.72	13.73	All on 1 July 2015.
	Fifth	879 589	879 589			879 589	879 589		16.83	All on 1 July 2016.
	Sixth	906 510	906 510		634 557^	271 953	271 953		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.
	Ninth	1 087 427			1 087 427	1 087 427			16.75	All on 30 June 2020.
CP Lerm (Dr) (retired 30 June 2016)	Fifth	332 135	332 135		332 135*	–		19.03	16.83	All on 1 July 2016.
ER Bosch	Allocation of newly appointed	953 620	953 620			953 620	953 620		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	332 135		16.83	All on 1 July 2016.
	Sixth	342 301	342 301		239 611^	102 690	102 690		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.
	Ninth	426 302			426 302	426 302			16.75	
Total Executive Directors		8 926 659	7 072 930	1 513 729	1 206 303	7 380 356	3 236 703			

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2016	Share appreciation rights granted during the year	Number of rights exercised*/cancelled^	Number of rights as at 30 June 2017	Number of rights that have vested as at 30 June 2017	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	332 135	16.83		All on 1 July 2016.
	Sixth	342 301	342 301		239 611^	102 690	102 690	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.
	Ninth	413 886		413 886		413 886		16.75		All on 30 June 2020.
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	332 135	16.83		All on 1 July 2016.
	Sixth	342 301	342 301		239 611^	102 690	102 690	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.
	Ninth	417 645		417 645		417 645		16.75		All on 30 June 2020.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2016	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^	Number of rights as at 30 June 2017	Number of rights that have vested as at 30 June 2017	Share price on date exercised	Grant price	Date from which exercisable
MM Palmeiro	Allocation of newly appointed	925 500	925 500			925 500	617 000	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	380 159	16.83		All on 1 July 2016.
	Sixth	391 795	391 795		274 257^	117 538	117 538	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.
	Ninth	423 249		423 249		423 249		16.75		All on 30 June 2020.
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.
	Ninth	340 330		340 330		340 330		16.75		All on 30 June 2020.
Total other executives		12 206 132	9 021 341	1 595 110	753 478^	9 862 973	4 628 831			
Total		21 132 791	16 094 271	3 108 839	1 959 781	17 243 329	7 865 534			

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 2017, a total of 11 240 883 (30 June 2016: 11 202 483 ordinary shares) have been issued to Executives, with the balance of 4 759 117 ordinary shares remaining available for issue.

* Exercised

^ Cancelled

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

33 DIRECTORS' REMUNERATION AND INTERESTS (continued)

Number of shares at 30 June 2017		
Direct	Indirect	Associates
4 583 334	4 500 000	403 364
–	–	–
4 583 334	4 500 000	403 364
–	591 492	–
–	900 085	–
48 222	–	–
15 245	–	–
63 467	1 491 577	–
4 646 801	5 991 577	403 364
242 222	–	–
951 998	–	–
1 194 220	–	–

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

Executive Directors

JH Vorster
CP Lerm (Dr) (retired 30 June 2016)

Non-Executive Directors

WI Büchner*
NA Smith
TA Wixley^
PR Griffin^

Total Directors' interests in ordinary share capital

Other executives (prescribed officers)

H Lubbe
JHF Botes (Dr)

Total interest of other Executives in ordinary share capital

Number of shares at 30 June 2016		
Direct	Indirect	Associates
5 254 846	4 500 000	398 315
3 574 220	–	–
8 829 066	4 500 000	398 315
–	480 400	–
–	888 814	–
47 619	–	–
15 245	–	–
62 864	1 369 214	–
8 891 930	5 869 214	398 315
342 222	–	–
951 998	–	–
1 294 220	–	–

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 23 700 000 (2016: 23 100 000) ordinary shares in the Company.

^ Resigned 28 November 2016

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2017

34 LONG-SERVICE BONUS (continued)

GROUP	
2017	2016
%	%
7.50	8.42
6.30	7.46
R'000	R'000
21 847	24 869
1 870	1 782
1 083	1 099
(5 032)	(8 785)
1 658	2 882
21 426	21 847

34.5 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:

- The following discount rate per annum was used for the calculation of interest cost
- The following salary escalation rate per annum and merit increases were used
- For current service cost an assumption is made that there are no withdrawals during the financial year
- For benefits paid it is assumed that all benefits were paid as estimated by Clover

The increase in the past service liability is summarised as follows:

Past services liability build-up

Opening balance
<i>Plus:</i> Interest cost
Current service cost
<i>Less:</i> Benefits paid
Actuarial loss

Closing balance

COMPANY	
2017	2016
%	%
R'000	R'000

35 EVENTS AFTER THE REPORTING PERIOD

As communicated on the SENS Clover transferred the non-value added dairy business to its wholly owned subsidiary, Dairy Farmers of South Africa (Pty) Ltd. ("DFSA"), under a written transfer of business agreement with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover, shares in DFSA. The board of directors of Clover announced that the issue and allotment of the B shares in DFSA to the milk producers has been implemented with effect from 1 July 2017 and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

Except for the above no significant events occurred subsequent to the year-end that would require disclosure or amendment to 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
Clover Pride (Pty) Limited:	Clover Pride
Dairy Farmers of South Africa (Pty) Limited:	DFSA

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.

ANNEXURE TO THE RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

PRO FORMA REGARDING THE EFFECT OF THE OPERATIONAL RESTRUCTURING OF DFSA ON THE CONSOLIDATED RESULTS OF CLOVER INDUSTRIES LIMITED (“Clover”)

Introduction

On the 1st of July 2017 Clover concluded a corporate action that will have an impact on the 2018 financial year.

A recent strategic review of our product portfolio highlighted new trends in the milk business model where owner-producers supply the trade directly, as opposed to traditional intermediary companies like Clover. This means that commodity products like Fresh, Ultra High Temperature (‘UHT’) and Ultra Pasteurised (‘UP’) milk (‘non-value-added drinking milk’) has drifted outside of our core product portfolio.

Since our strategic focus is on value-added product categories, it made strategic sense to transfer the supply and demand side of the volume driven business to a new entity and invest our future funds in products and businesses that will suit our future business model better, whilst remaining a substantial service provider to non-value added drinking milk industry.

As communicated on the Stock Exchange News Service on 6 July 2017 and earlier, Clover has formed a wholly owned subsidiary (called Dairy Farmers of South Africa (Pty) Ltd (‘DFSA’)). Clover transferred the non-value added dairy business and sold the related finished goods, packaging material and ingredients inventory, to DFSA with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover A shares (which constituted the entire issued share capital of DFSA at the time) for a nominal amount, and a loan account for the inventory.

With effect from 1 July 2017, DFSA issued and allotted B shares in to the milk producers for a nominal amount and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

With effect from 1 July 2017 Clover relinquished its control of DFSA and will for accounting purposes treat it as an investment in an associate going forward.

DFSAs houses the non-value added drinking milk business and is responsible for the procurement of raw milk as well as the selling, marketing and distribution of the non-value-added drinking milk referred to above.

DFSAs will subsequently become Clover’s largest principal, where all its related requirements such as distribution, production, administration (invoicing, debt collection, marketing), IT services, payroll administration, central services, sales and merchandising are outsourced to Clover for an initial period of 20 years. In exchange for these services, Clover will earn service income.

This Annexure to the results announcement includes the 30 June 2017 audited results which have been adjusted to reflect the loss of control of DFSA (‘Pro Forma Adjustments’) as if the loss of control of DFSA had occurred (a) on 1 July 2016 for purposes of the Pro Forma Adjustments made to the pro forma consolidated statement of comprehensive income and (b) as at 30 June 2017 for purposes of the Pro Forma Adjustments made to the pro forma consolidated statement of financial position.

The pro forma financial information has been prepared for illustrative purposes only, to provide information about how the Pro Forma Adjustments might have affected the financial information presented by Clover had the unbundling of DFSA occurred on 1 July 2016 for statement of comprehensive income purposes and as at 30 June 2017 for statement of financial position purposes. Because of its pro forma nature, the pro forma financial information may not fairly present Clover’s financial position, changes in equity, results of operation or cash flows. It does not purport to be indicative of what the financial results would have been, had the loss of control of DFSA been implemented on a different date.

The Clover Directors are responsible for the preparation of the pro forma financial information. The pro forma financial information has been prepared using accounting policies that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies of Clover. The pro forma financial information has been prepared in accordance with the Listings Requirements and the revised Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants.

These pro forma financial effects have been prepared to assist Clover’s shareholders in assessing the impact of the loss of control of DFSA on the Clover consolidated statement of comprehensive income and statement of financial position.

This pro forma financial information has been reported on by the independent external auditors, Ernst & Young Inc., in terms of International Standards on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus. Their unmodified limited assurance report is available for inspection at the Company’s registered office.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2017	Exclusion of the revenue and cost of sales of the DFSA business ⁽²⁾	Income from services rendered to DFSA ⁽³⁾	Packaging material procured and sold to DFSA ⁽⁴⁾	Interest charged on working capital facility ⁽⁵⁾	After Pro Forma
	Audited ⁽¹⁾	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Adjustments
	R'000	R'000	R'000	R'000	R'000	R'000
Sales of products	9 401 842	(3 549 806)		517 499		6 369 535
Rendering of services	641 499		1 192 922			1 834 321
Sale of raw milk	11 907					11 907
Rental income	3 351					3 351
Revenue	10 058 599	(3 549 806)	1 192 922	517 499		8 219 214
Cost of sales	(7 333 041)	2 321 032		(517 499)		(5 529 508)
Gross profit	2 725 558	(1 228 774)	1 192 922			2 689 706
Other operating income	60 040					60 040
Selling and distribution costs	(2 089 364)					(2 089 364)
Administrative expenses	(284 721)					(296 760)
Restructuring expenses	(48 098)					(48 098)
Other operating expenses	(48 936)					(48 936)
Operating profit	314 479	(1 228 774)	1 192 922			278 627
Finance income	12 647				35 852	48 499
Finance costs	(145 765)					(145 765)
Share of profit in a joint venture	18 486					18 486
Profit before tax	199 847	(1 228 774)	1 192 922		35 852	199 847
Taxation	(41 105)	344 057	(334 018)		(10 039)	(41 105)
Profit for the year	158 742	(884 717)	858 904		25 813	158 742

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2017	Sale of inventory ⁽⁶⁾ Pro forma adjustment	After Pro Forma Adjustments
	Audited ⁽¹⁾ R'000	R'000	R'000
Assets			
Non-Current assets			
Property, plant and equipment	2 427 444		2 427 444
Investment properties	9		9
Intangibles assets	650 663		650 663
Investment in joint ventures	38 946		38 946
Other non-current financial assets	3 165		3 165
Deferred tax assets	45 496		445 496
	3 165 723		3 165 723
Current assets			
Inventories	964 630	(244 076)	720 554
Trade and other receivables	1 341 311	244 076	1 585 387
Prepayments	19 844		19 844
Income tax receivable	7 165		7 165
Cash and short term deposits	544 863		544 863
	2 877 813		2 877 813
Assets classified as held for sale	4 607		4 607
Total assets	6 048 143		6 048 143

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 June 2017 Audited ⁽¹⁾ R'000	Sale of inventory ⁽⁶⁾ Pro forma adjustment R'000	After Pro Forma adjustments R'000
Equity and liabilities			
Equity			
Issued share capital	9 542		9 543
Share premium	892 692		892 692
Other capital reserves	78 642		78 642
Foreign currency translation reserve	9 637		9 637
Retained earnings	1 904 349		1 904 349
Equity attributable to holders of the parent	2 894 862		2 894 862
Non-controlling interests	(15 179)		(15 179)
Total equity	2 879 683		2 879 683
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	767 621		767 621
Non-controlling put liability	57 088		57 088
Employee-related obligations	82 595		82 595
Deferred tax liability	221 065		221 065
Trade and other payables	25 492		25 492
Other non-current financial liabilities	9 683		9 683
	1 163 544		1 163 544
Current liabilities			
Trade and other payables	1 274 700		1 274 700
Interest-bearing loans and borrowings	714 304		714 304
Other current financial liabilities	6 141		6 141
Employee-related obligations	9 771		9 771
	2 004 916		2 004 916
Total liabilities	3 168 460		3 168 460
Total equity and liabilities	6 048 143		6 048 143

Notes:

1. As per the consolidated statement of comprehensive income and the consolidated statement of financial position for the year ended 30 June 2017 with reference to the Audited Annual Financial Statements.
2. The sale of products relating to the non-value added drinking milk, namely Fresh, UHT and UP milk that will be excluded from Clover and be part of DFSA in future. The *Pro Forma* Adjustment was determined with reference to actual volumes sold and realised. The tax effect was determined using the corporate tax rate of 28%.
3. Clover provided all the production, distribution, sales and merchandising, marketing and certain administrative service to DFSA at a contracted fee. The *pro forma* adjustment was determined with reference to actual volumes produced. The contracted fee was calculated based on the actual costs for the period 1 July 2016 to 31 December 2016. The tax effect was determined using the corporate tax rate of 28%.
4. Clover procured the packaging material from third party suppliers and on-sold the packaging material to DFSA at no margin.
5. Clover provided the working capital funding to DFSA in the form of an interest bearing facility on which Clover earned interest at a rate equal to the average rate Clover pays to its interest bearing debt funders. The tax effect was determined using the corporate tax rate of 28%.
6. All the finished goods, packaging material and ingredients inventory related to Fresh, UHT and UP milk were sold to DFSA on loan account on 1 April 2017. It was assumed that the inventory was sold in the same manner on 30 June 2017 to give effect to the *Pro Forma* Adjustment.
7. The loss of control of DFSA was structured in such a way that the non-value-added drinking milk business broke even and therefore there was no equity accounted earnings or Investment in Associate in terms of IAS28.
8. IFRS 10 *Consolidated Financial Statements* paragraph 25 requires the calculation of a gain / (loss) on the deemed sale of the investment in DFSA when control is lost. On 1 July 2016 this gain / (loss) on the deemed sale would however equal the nominal amount received as consideration for the B shares issued by DFSA. It was assumed that the inventory, the only asset of DFSA on 1 July 2016, was sold in the same manner on this date as it was on 1 April 2017. Therefore, the fair value of any retained interest is zero.



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