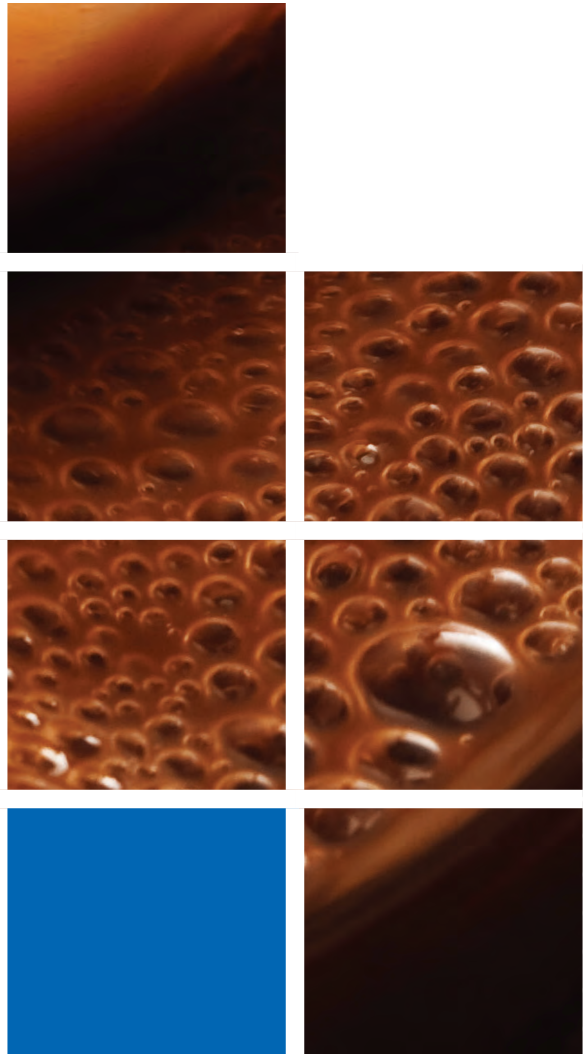
CLOVER'S MARKET SHARE IN YOGHURT AT 30 JUNE 2018

11,9%



ANNUAL FINANCIAL STATEMENTS

The audited financial statements contained in this section were prepared under the supervision of Frantz Scheepers, 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 IV 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 shareholders at the Annual General Meeting on 28 November 2017. 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 26 November 2018. Details of the members of the Audit and Risk Committee, their qualifications and the number of meetings (including the attendance of the members) held for the financial year are set out on pages 20 to 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 financial systems, control and financial reporting procedures, the operating effectiveness of those procedures, the maintenance of accurate and complete accounting records and the preparation of financial statements in compliance with the applicable legal requirements, King IV code of governance principles and applicable accounting standards;
- to review the Group's 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 twice 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.

Key significant issues considered by the committee

I. 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 2018, 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 2018.

II. AUDIT FIRM ROTATION

- In June 2017, the Independent Regulatory Board for Auditors (IRBA) issued a rule prescribing that auditors of public interest entities (PIEs) in South Africa (SA) must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023.
- The audit and risk committee recognise this principle and views it in a serious light. However, the actions taken must be done in a practical manner to avoid minimum disruption to the business.
- As an interim measure, we have resolved to rotate partners, Derek Engelbrecht as the current designated auditor will be replaced with Ziningi Khoza but Ernst & Young Inc. as a firm will remain as the external auditor.
- The board has started the process of rotating Ernst and Young Inc.

III. 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 whether appropriate financial reporting procedures have been established and that those procedures are operating;
- 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;

- considered the JSE's pro-active monitoring report and reviewed the feedback from management and the relevant improvements made in 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.

IV. 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;
- 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.

V. 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.

VI. SUSTAINABILITY

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

- reviewed the report on six capitals included in the Group's integrated 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 IV 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.

VII. 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 the 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 three key audit matters namely, accounting for growth hurdle rebates, right of return provisions and accounting of Dairy Farmers of South Africa (Pty) Ltd. 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; and

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.

The committee determines the nature and extent of any non-audit services that the external auditor may provide to the Group, or that the external auditor must not provide to the Group or a related party, and regularly reviews the nature and extent of any non-audit services rendered the external auditors. As a general rule, non-audit services may not exceed 25% of the fee charged in relation to the audit.

In addition to it being a regulatory requirement, the committee believes that the periodic rotation of the external audit partner is key to maintaining their independence. The external auditor agreed to actively rotate the external audit partner well in advance of the required rotation period to ensure that Clover benefits from a smooth transition.

The committee monitors the external auditor's performance and the effectiveness of the audit process as provided for in the terms of engagement and agreed audit scope and approach. Lastly, as required by section 3.84(g)(iii) JSE Listings Requirements, the committee monitors the external auditor and has obtained and reviewed the information specified in paragraph 22.15(h) of the JSE Listings Requirements.

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 2018 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 report.

Having achieved its objectives for the financial year, the Audit and Risk Committee has recommended the annual financial statements and integrated report for the year ended 30 June 2018 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

26 September 2018

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 2019. 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. Frantz Scheepers (CA)SA.

The consolidated and separate annual financial statements, set out on pages 113 to 196, which have been prepared on the going-concern basis, were approved by the board of directors on 26 September 2018 and were signed on their behalf by:

Werner Büchner

Chairman

Johann Vorster

Chief Executive

Certificate by the 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

26 September 2018

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), which comprise the consolidated and separate statements of financial position as at 30 June 2018, 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 2018, 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
Growth hurdle rebate	**Growth hurdle rebate**
The recognition of growth hurdle reduction in revenue and provision, depends on retailers achieving growth incentive targets (such as growth in sales values and/or growth in volumes). The period to assess whether retailers have achieved their growth incentive targets does not align with the Company's financial year-end. There are therefore a number of agreements which are in progress at the financial year end and for which final settlement will only occur at the end of the agreement or at a future point. Judgment is required in assessing whether retailers will achieve their growth incentive targets when settlement of the rebate occurs at the end of the calendar year, based on sales achieved as at the year end of the company in combination with evidence from prior year trends and forecasted sales.	Our audit procedures in respect of the payable recognised and the revenue deductions relating to growth hurdle, included the following: Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies including those relating to growth hurdle rebates and right of returns. • On a sample basis we inspected the rebate terms in the agreement and agreed them to inputs used in the calculation; • 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 estimated rebates due to each retailer based on actual sales year to date. We then compared this expectation to actual results. Where our recalculation based on the contractual terms and estimation based on sales year to date differed to management's final provision, we obtained support for the differences to vouch their validity; • We designed an analytic to match rates that materially changed from last year at an SKU level and investigated any deviations; and • On a sample basis we vouched payments and deductions to supporting documentation.

Independent auditor's report (continued)

Key audit matter	How this matter was addressed in our audit
Right of returns provision There are provisions for returns recorded on the balance sheet as at year-end 30 June 2018. Management estimate the expected right of return trends based on historic actual returns, and actual right of returns as a percent of revenue. This requires significant judgement based on experience.	**Right of returns provision** Our audit procedures in respect of the payable recognised and the revenue deductions relating to right of returns, included the following: • 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 independently recalculated the calculation by taking into account historic data and return trends as well as returns in July 2018 compared to the provisions raised; • 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.

Accounting of Diary Farmers of SA "DFSA"
 	
As described in note 3.2 within the annual financial statements, with effect from 1 July 2017 Clover holds 26% of the shares in DFSA and as a consequence the results from DFSA are no longer consolidated into the Group's results.
We identified the accounting treatment of the reduction in shares and protective rights held by Clover as representing a key audit matter due to the complexity of the judgement required to determine if the protective rights held by Clover constitutes control in accordance with IFRS 10 – Consolidated Financial Statements.
	Accounting of Dairy Farmers of SA "DFSA"
	
	Our audit procedures to test the accounting for the transaction included:
	• We assessed whether the 26% shareholding held by Clover would grant Clover:
	  • power over DFSA; or
	  • exposure, or rights to variable returns from its involvement with DFSA; or
	  • the ability to use its power over DFSA to affect the amount of Clover's returns.
	• We reviewed all the transactional agreements between DFSA and CSA to assess if any conditions would trigger control;
	• We considered whether Clover has existing rights to participate and control in the direction of DFSA's operating activities;
	• Considered whether Clover's representation on the board of directors and the service contracts concluded contributes to Clover having significant influence over DFSA.

Key audit matter	How this matter was addressed in our audit
Events after the reporting period There was a significant event that took place after the reporting period. The recoverability of the revolving credit facility (RCF) extended to DFSA is dependent on its Board of Directors to execute their business strategy to create long term sustainability. The Chairman of the Board of Directors and the Chief Executive Officer of DFSA resigned after the reporting period. The unforeseen resignation of the key leadership team is an indicator of impairment as it impacts directly on the implementation of critical strategic initiatives and is considered to be an adjusting post balance sheet event. This event led to the impairment of the RCF balance as at 30 June 2018. The significance of the balance, the judgement required to determine that an impairment is required, and the impact on the financial statements as a whole have resulted in us considering this event to be a key audit matter.	**Events after the reporting period** Our audit procedures included, amongst others: • We reviewed the notice of resignation of the Chairman of the Board and the Chief Executive Officer of DFSA. • We understood the process management have followed to make their assessment as to whether the significant event that took place after the reporting period are adjusting or non-adjusting events; • We challenged management's judgment by reviewing the critical assumptions with reference to the cyclical nature of the DFSA business; • We reviewed the operational performance of DFSA in the period subsequent to the reporting date leading up to the date of the approval of the financial statements; • We challenged the practical implementation of the critical strategic initiatives to restore the profitability and sustainability of DFSA against the backdrop of material changes in the DFSA leadership and management team; • We evaluated the adequacy of the Group's disclosures regarding the impairment of the RCF, which is disclosed in note 13.1 of the consolidated financial statements as well as the other information disclosed within the Integrated Annual Report.

Other information

The Group's directors are responsible for the other information. The other information comprises the information included in Group's integrated report for the year ended 30 June 2018 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.

Independent auditor's report (continued)

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;
- 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; and
- 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 24 years.

Ernst & Young Inc.

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

26 September 2018

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 2018.

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:

	2018 R'm	2017 R'm
Revenue	**8 312,5**	10 058,6
Total comprehensive (loss)/income attributable to equity holders of the parent Company	**(33,1)**	141,3

More detailed financial information can be found in the financial report which forms part of the integrated report.

Subsidiary companies and interests in joint ventures

Details of subsidiary companies are reflected in note 30.1 to the financial statements and interests in joint ventures and associate in notes 3.1 and 3.2 to the financial statements.

During the year under review, there were no business combinations. Instead the Group focussed its attention on curbing rising fixed costs and the implementation and realisation of planned supply chain efficiencies. In line with the Group's stated strategy to expand its portfolio of value added and branded consumer products, the Group continued with the introduction of new value-added products, focusing on the needs of consumers and increased marketing spend to support the strategy, including new product launch activities.

In addition, the Group was successful in the exit and transfer of the cyclical low margin drinking milk business from Clover to Dairy Farmers of South Africa ("DFSA"). The Group currently holds a strategic share of 26% in DFSA and will continue to render services to DFSA for the next 19 years with an option to extend the agreement by another five years. Due to the resignation of the DFSA CEO and Chairman, the Board took a conservative approach and fully impaired the revolving credit facility of R439,0 million as at 30 June 2018. More details can be found in note 13.1.

These transactions and actions are in line with the Group'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 18 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 2017 and is valid until 25 November 2018. 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 share capital at the time.

There were no new shares issued during the year under review.

Dividends

Dividends declared and paid by CIL during the year:

	2018 R'000	2017 R'000
Ordinary dividends Declared and paid	**50 686**	114 802

The Board declared an interim dividend of R50,7 million (2017: R46,1 million) or 26,56 cents (2017: 24,21 cents) per ordinary share during February 2018. The cash paid in relation to the interim dividend amounted to R50,7 million (2017: R36,9 million cash and R9,2 million by the issue of 482 617 scrip distribution shares). It further declared a final dividend of R92,9 million or 48,68000 cents per ordinary share, bringing the total dividend for the year to R143,6 million (2017: R46,1 million) or 75,24 cents (2017: 24,21 cents) per ordinary share.

Declaration of dividend number 16

Notice is hereby given that the directors have declared a final gross cash dividend of R92,9 million or 46,68000 cents (38,94400 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2018.

The dividend has been declared from income reserves.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

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

The issued share capital at the declaration date is 190 835 364 ordinary shares. The salient dates are as follows:

Last day to trade to receive a dividend	Tuesday, 2 October 2018
Shares commence trading "ex" dividend	Wednesday, 3 October 2018
Record date	Friday, 5 October 2018
Payment date	Monday, 8 October 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 October 2018 and Friday, 5 October 2018, both days inclusive.

Directors and Company Secretary

Particulars of the present directors and Company Secretary are listed on pages 20 to 21 and page 26.

Share-based compensation

There were no new share appreciation rights (SARs) awarded during the current year.

Details of SARs issued and vested in terms of the plan are provided in the Remuneration Policy and Remuneration Report contained in the Integrated Report and note 31.

Insurance and risk management

The Group follows a policy of reviewing the risks relating to assets and commitments that might flow from the use thereof with its insurers on an annual basis. Wherever possible, assets are automatically included. There is also a continuous asset risk control programme, which is carried out in conjunction with the Group's insurance brokers. For further information on the Group's risk management process please refer to the report on governance, risk and compliance on pages 24 to 32.

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 R214,7 million (2017: R316,9 million) and R3,4 million (2017: R5,7 million) on intangible assets.

Directors' report (continued)

Events after the reporting period

Please refer to note 34 and the report on risk which contains a detailed discussion on DFSA and the subsequent decision to contribute an additional R90m.

Special resolutions

The following special resolutions were adopted at the annual general meeting of Clover Industries Limited held on 28 November 2017:

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 2017 was approved.

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

26 September 2018

Directorate and statutory information

Directors: non-executive

WI Büchner (Chairman)
SF Booysen (Dr)[#] (Lead Independent)
NV Mokhesi[#]
B Ngonyama[#]
NA Smith
JW Basson[#] (Appointed 1 January 2018)
JFM Morgan[#^] (Appointed 1 January 2018)
[#]Independent
[^]British national

Directors: executive

JH Vorster (Chief Executive)
FF Scheepers (Chief Financial Officer) (Appointed 1 January 2018)
ER Bosch (Chief Financial Officer) (Resigned 31 December 2017)

Company Secretary

J van Heerden

Ordinary share code

JSE: CLR, NSX:CLN
ISIN: ZAE000152377
Bond code
JSE: CLRI

Registered office

200 Constantia Drive, Constantia Kloof, 1709

Postal address

PO Box 6161, Weltevredenpark, 1715

Telephone

(011) 471 1400

Registration number

2003/030429/06

Tax number

9657/002/71/4

Transfer secretary

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors

Ernst & Young Inc.

Bankers

The Absa Group, Rand Merchant Bank, Investec Bank

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited) (JSE)
Merchantec Capital Namibia Proprietary Limited (NSX)

Consolidated statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2018

GROUP 2018 R'000	GROUP 2017 R'000		Notes	COMPANY 2018 R'000	COMPANY 2017 R'000
6 435 663	9 401 842	Sales of products			
1 873 581	641 499	Rendering of services		**18 734**	4 418
335	11 907	Sale of raw milk			
–	–	Dividends received		**50 686**	80 000
2 898	3 351	Rental income			
8 312 477	10 058 599	**Revenue**		**69 420**	84 418
(5 357 424)	(7 333 041)	Cost of sales	5.1		
2 955 053	2 725 558	**Gross profit**		**69 420**	84 418
82 913	60 040	Other operating income	5.2	**–**	47 394
(2 117 936)	(2 089 364)	Selling and distribution costs			
(273 310)	(284 721)	Administrative expenses		**(12 008)**	(12 627)
(4 123)	(48 098)	Restructuring expenses	5.7		
(31 548)	(48 936)	Other operating expenses	5.3		
611 049	314 479	**Operating profit**	5.4	**57 412**	119 185
(439 042)	–	Impairment of revolving credit facility to DFSA	13.1		
47 618	12 647	Finance income	5.5	**3 980**	5 097
(141 880)	(145 765)	Finance cost	5.6	**–**	(13)
21 104	18 486	Share of profit in joint ventures after tax	3.1		
98 849	199 847	**Profit before tax**		**61 392**	124 269
(139 509)	(41 105)	Taxation	6	**(2 998)**	(13 544)
(40 660)	158 742	**(Loss)/profit for the year**		**58 394**	110 725

Consolidated statements of comprehensive income (continued)

GROUP 2018 R'000	GROUP 2017 R'000		Notes	COMPANY 2018 R'000	COMPANY 2017 R'000
(40 660)	158 742	**(Loss)/profit for the year (carried forward from previous page)**		**58 394**	110 725
		Other comprehensive income to be reclassified to profit or loss in subsequent periods			
7 523	(14 510)	Exchange differences on translations of foreign operations, net of tax	20.1		
7 523	(14 510)	Exchange differences on translations of foreign operations			
–	–	Reclassified to profit or loss			
–	–	Income tax effect			
–	(2 412)	Net gain on cash flow hedges, net of tax			
–	(9 294)	Cash flow hedge fair value adjustment			
–	5 944	Reclassified to profit or loss			
–	938	Income tax effect			
7 523	(16 922)	Net other comprehensive income to be reclassified to profit or loss in subsequent periods			
(33 137)	141 820	**Total comprehensive (loss)/income for the year, net of tax**		**58 394**	110 725
		(Loss)/profit attributable to:			
(38 021)	158 258	Equity holders of the parent		**58 394**	110 725
(2 639)	484	Non-controlling interests			
(40 660)	158 742			**58 394**	110 725
		Total comprehensive (loss)/income attributed to:			
(30 498)	141 336	Equity holders of the parent		**58 394**	110 725
(2 639)	484	Non-controlling interests			
(33 137)	141 820			**58 394**	110 725
		(Loss)/earnings per share (cents)			
(19.9)	83.1	Basic (loss)/profit for the year attributable to ordinary equity holders of the parent	7		
(19.7)	82.3	Diluted (loss)/profit for the year attributable to ordinary equity holders of the parent	7		

Consolidated statements of financial position

AS AT 30 JUNE 2018

Group 2018 R'000	Group 2017 R'000		Notes	Company 2018 R'000	Company 2017 R'000
		Assets			
		Non-current assets			
2 417 791	2 427 444	Property, plant and equipment	10	**231**	232
9	9	Investment properties	11		
626 671	650 663	Intangible assets	12		
		Investment in subsidiaries	30.1	**326 735**	326 735
46 035	38 946	Investment in joint ventures and associates	30.1		
5 781	3 165	Other non-current financial assets	13.1		
30 203	45 496	Deferred tax assets	14	**77**	77
3 126 490	3 165 723			**327 043**	327 044
		Current assets			
869 091	964 630	Inventories	15		
1 479 090	1 341 311	Trade and other receivables	16	**602 791**	563 233
16 829	19 844	Prepayments			
3 702	7 165	Income tax receivable	25		
760 693	544 863	Cash and short-term deposits	17	**29 034**	63 241
3 129 405	2 877 813			**631 825**	626 474
2 719	4 607	**Assets classified as held-for-sale**	9		
6 258 614	6 048 143	**Total assets**		**958 868**	953 518
		Equity and liabilities			
		Equity			
9 542	9 542	Issued share capital	18	**9 542**	9 542
892 692	892 692	Share premium	18	**892 692**	892 692
105 689	78 642	Other capital reserves	19	**2 169**	2 169
17 160	9 637	Foreign currency translation reserve	20.1		
1 817 322	1 904 349	Retained earnings		**43 471**	35 670
2 842 405	2 894 862	Equity attributable to equity holders of the parent		**947 874**	940 073
(17 818)	(15 179)	Non-controlling interests			
2 824 587	2 879 683	**Total equity**		**947 874**	940 073
		Liabilities			
		Non-current liabilities			
665 059	767 621	Interest–bearing loans and borrowings	21		
23 226	57 088	Non-controlling interest put options liability	22		
75 424	82 595	Employee-related obligations	23		
260 309	221 065	Deferred tax liability	14		
11 448	25 492	Trade and other payables	24		
2 776	9 683	Other non-current financial liabilities	13.2		
1 038 242	1 163 544				
		Current liabilities			
1 676 176	1 274 700	Trade and other payables	24	**10 638**	10 013
685 691	714 304	Interest-bearing loans and borrowings	21		
13 639	6 141	Other current financial liabilities	13.2		
		Income tax payable	25	**356**	3 432
20 279	9 771	Employee-related obligations	23		
2 395 785	2 004 916			**10 994**	13 445
3 434 027	3 168 460	**Total liabilities**		**10 994**	13 445
6 258 614	6 048 143	**Total equity and liabilities**		**958 868**	953 518

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2018

		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 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	20.1				(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	2	729	(1 651)			639	(281)		(281)
Non-cash distribution	8	24	9 189				(9 213)	–		–
Non-controlling interest put option movement	22								(57 088)	(57 088)
Acquisition of non-controlling interest							(2 730)	(2 730)	(5 624)	(8 354)
Share-based payment expense recognised	31			5 865				5 865		5 865
Call option in Frankies reclassified	19			(445)			445	–		–
Non-controlling interest arising from business combinations									24 234	24 234
Dividends forfeited							62	62		62
Dividends declared and paid	8						(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**
Loss for the year							**(38 021)**	**(38 021)**	**(2 639)**	**(40 660)**
Other comprehensive income	20.1				**–**	**7 523**		**7 523**	**–**	**7 523**
Total comprehensive loss					**–**	**7 523**	**(38 021)**	**(30 498)**	**(2 639)**	**(33 137)**
Non-controlling interest put option movement	19 & 22			**33 863**				**33 863**		**33 863**
Share-based payment (credit) recognised	19 & 31			**(2 593)**				**(2 593)**		**(2 593)**
Share appreciation rights exercised	19			**(4 223)**			**1 587**	**(2 636)**		**(2 636)**
Dividends forfeited							**93**	**93**		**93**
Dividends declared and paid	8						**(50 686)**	**(50 686)**		**(50 686)**
Balance at 30 June 2018		**9 542**	**892 692**	**105 689**	**–**	**17 160**	**1 817 322**	**2 842 405**	**(17 818)**	**2 824 587**

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2018

		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 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	18	24	9 189		(9213)	–
Share appreciation rights exercised		2	729			731
Dividends forfeited					62	62
Dividends declared and paid	8				(114 802)	(114 802)
Balance at 30 June 2017		**9 542**	**892 692**	**2 169**	**35 670**	**940 073**
Profit for the year					**58 394**	**58 394**
Other comprehensive income					**–**	**–**
Total comprehensive income					**58 394**	**58 394**
Dividends forfeited					**93**	**93**
Dividends declared and paid	8				**(50 686)**	**(50 686)**
Balance at 30 June 2018		**9 542**	**892 692**	**2 169**	**43 471**	**947 874**

Consolidated statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2018

GROUP 2018 R'000	GROUP 2017 R'000		Notes	COMPANY 2018 R'000	COMPANY 2017 R'000
		Operating activities			
98 849	199 847	Profit before tax		**61 392**	124 269
98 849	199 847	**Profit before tax**		**61 392**	124 269
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
200 758	183 366	Depreciation of property, plant and equipment		**1**	1
27 197	22 816	Amortisation of intangible assets			
–	6	Depreciation of investment properties			
(2 616)	(1 422)	Fair value adjustments			
439 042	–	Impairment of revolving credit facility to DFSA			
–	4 100	Software licences written off			
(200)	(9 270)	Profit on the sale of Lactolab			
–	336	Deconsolidation of Lactolab			
(1 272)	(33 404)	Profit on disposal and scrapping of assets			
591	(15 889)	Unrealised loss on financial instruments			
5 702	(9 321)	Unrealised foreign exchange loss/(gain)	5.3		
–	11 232	Realised foreign exchange loss/(gain)			
(7 089)	(7 295)	Share of profit of joint venture – net of dividend received	3		
3 337	2 213	Movement in provisions			
(2 593)	5 865	Share appreciation rights (credit)/expense recognised over vesting period	31		
		Other adjustments:			
141 880	145 765	Finance cost	5.6	**–**	13
(47 618)	(12 647)	Finance income	5.5	**(3 980)**	(5 097)
–	–	Dividends received		**(50 686)**	(80 000)
(2 019)	–	Share appreciation rights paid in cash			
(84 424)	(47 115)	Taxes paid	25	**(6 074)**	(9 184)
		Working capital adjustments			
95 539	(43 578)	Decrease/(Increase) in inventories			
(134 764)	(36 747)	(Increase)/Decrease in trade and other receivables		**11 128**	(8 835)
387 432	(81 902)	Increase/(Decrease) in trade and other payables		**625**	(79)
1 117 732	276 956	**Net cash flows from operating activities**		**12 406**	21 088

Consolidated statements of cash flows

(continued)

FOR THE YEAR ENDED 30 JUNE 2018

GROUP 2018 R'000	GROUP 2017 R'000		Notes	COMPANY 2018 R'000	COMPANY 2017 R'000
1 117 732	276 956	**Net cash flows from operating activities**		**12 406**	21 088
		Investing activities			
32 965	58 941	Proceeds from sale of property, plant and equipment and other assets			
–	(11 232)	Realised foreign exchange loss/(gain)			
47 618	12 647	Interest received	5.5	**3 980**	5 097
(439 042)	–	Revolving credit facility granted to Dairy Farmers of South Africa Proprietary Limited			
(2 020)	–	Unbundling of Dairy Farmers of South Africa Proprietary Limited			
–	10 275	Disposal of controlling interest in Lactolab Proprietary Limited			
–	(29 639)	Acquisition of controlling interest in Clover Pride Proprietary Limited			
–	3 854	Cancellation of a finance lease			
–	–	Dividends received		**–**	130 000
(214 743)	(316 883)	Capital expenditure: tangible assets			
(3 425)	(5 671)	Capital expenditure: intangible assets			
(578 647)	(277 708)	**Net cash flows (used in)/from investing activities**		**3 980**	135 097
		Financing activities			
(112 362)	(145 765)	Interest paid	5.6 & 25.2	**–**	(13)
(50 593)	(115 230)	Dividends paid		**(50 593)**	(114 802)
–	(4 440)	Non-controlling interest acquired in Clover Frankies Proprietary Limited			
–	(3 854)	Cancellation of a finance lease			
(313 333)	(285 668)	Repayment of borrowings and finance leases	25.2		
150 000	496 975	Proceeds from borrowings	25.2		
(326 288)	(57 982)	**Net cash flows (used in)/from financing activities**		**(50 593)**	(114 815)
212 797	(58 734)	**Net increase/(decrease) in cash and cash equivalents**		**(34 207)**	41 370
3 033	(474)	**Net foreign exchange difference**			
544 863	604 071	**Cash and cash equivalents at the beginning of the year**		**63 241**	21 871
760 693	544 863	**Cash and cash equivalents at the end of the year**	17	**29 034**	63 241

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 2018 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 2018 were authorised for issue in accordance with a resolution of the directors on 26 September 2018. 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 is in conformity with IFRS and 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

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 consolidated financial statements 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.

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 and associates

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.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 the associate or 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 associate or 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 associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of the associate or 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 associate or 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 the associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or 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 an associate or joint venture' in the statement of profit or loss.

Upon loss of the joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or 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.

Effective 1 July 2017, Clover Industries indirectly holds a 26% voting rights (0% economic interest) in Dairy Farmers of South Africa (DFSA) through Clover SA. The Group has made an assessment in terms of IFRS 10 and has concluded that it has does not exercise control over DFSA and accordingly has classified the interest in DFSA as an investment in associate due to the Group having significant influence over the associate. Clover will not share in any distributions of DFSA and accordingly no portion of the profits or equity will be attributed to the Group.

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 2018, the following standards and interpretations were in issue but not yet effective (it should be noted that the below list is not exhaustive since only standards that are applicable to the Group have been listed):

	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: *Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture*	Effective date deferred indefinitely
IFRIC Interpretation 22 *Foreign Current Transactions and Advance Considerations*	1 January 2018
Long-term interests in Associates and Joint Ventures Amendments to IAS 28 –	1 January 2019
IFRS 2 *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2*	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
-IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice*	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax treatments	1 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity	1 January 2019
The Conceptual Framework for Financial Reporting	1 January 2020

The Directors do not anticipate that that the above new standards and amendments to existing standards issued but not yet effective will have a significant impact on the Group and Company except for IFRS 9, IFRS 15 and IFRS 16 as listed below:

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

  IFRS 9 combines the classification and measurement of financial assets and liabilities, the expected credit loss impairment model ('ECL model') for financial assets measured at amortised cost and fair value through other comprehensive income and hedge accounting that is to replace the current accounting under IAS 39.

  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 Group is of the view that except for the revolving credit facility advanced to DFSA, due to the limited types and short life spans of financial instruments entered into by the Group, the disclosure is expected to impact only 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 represents 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).

  The revolving credit facility advanced to DFSA is currently classified as a non-current financial asset and is measured at amortised cost. Non-current financial assets continue to qualify for measurement at amortised cost under IFRS 9 because they are held to collect contractual cash flows comprising principal and interest and held within the same business model, therefore there is no change to the accounting for these assets. Management does not expect the standard to have a significant impact on performance as the revolving credit facility has already been fully impaired under IAS 39 (refer to note 13.1). The standard may have an impact when re-evaluating the impairment of the revolving credit facility in future. This is not expected to be material due to the nature of the debtor.

  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.

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

  IFRS 15 establishes a single, comprehensive model for determining when to recognise revenue and the amount of revenue to be recognised. IFRS 15 replaces the previous revenue standards that are currently in place.

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

  Application guidance is provided in the standard to assist entities in applying its requirements to determining the consideration paid to a customer, variable consideration, common arrangements, including licences, warranties, rights of return, principal-*versus*-agent considerations, options for additional goods or services, and breakage.

  The new standard is more prescriptive than current IFRS and the disclosure requirements are more extensive. Management has established a work group to assess the impact the new standard will have on the Group's and company's recognition of revenue, and the additional disclosure that it will need to provide.

  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. The Group does not expect significant changes to current accounting practices, an impact of less than 3% of current revenue and will have no impact on the operating profit. Accounting for contract liabilities and right of return assets for the Group's return policies could change current accounting practice.

  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.

  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.

  The quantitative impact of this standard is expected to be material due to the large number of properties, plant, equipment and vehicle leases in place.

2.3 New standards, new interpretations and amendments to standards adopted in the current period

On 1 July 2017, the Group adopted the following new standards, new interpretations and amendments to standards.

	Effective for accounting period beginning on or after
IAS 7 Disclosure Initiative - Amendments to IAS 7	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12	1 January 2017
AIP IFRS 12 Disclosure of Interests in Other Entities Clarification of the scope of the disclosure requirements in IFRS 12	1 January 2017

The above standards, with the exception of IAS 7, did not have a material impact on the Group. For more details about the effect of IAS 7 please refer to note 25.2.

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 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 to offset the effect of the prices volatility in diesel. Refer to note 13.

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 3.

Cell captive

The cell captive is considered to be a financial asset at fair value through profit or loss and is 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.

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 10.

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.

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 12.

Share-based payments – equity

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

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 29 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 through actuarial assessment. Refer to note 13.

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 13.

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.

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 22.

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 assets. In particular, this includes interest-bearing loans and borrowings, trade payables, liabilities to banks, finance lease payables and derivative financial liabilities.

Initial recognition and off-setting

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

Derecognition

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

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

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

a (i) Financial assets

Initial recognition

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

Financial assets at fair value through profit or loss

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

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

Loans and accounts receivables

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

Cash and cash equivalents

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

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

a (ii) Financial liabilities

Trade and other payables

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

Financial liabilities at fair value through profit or loss

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

Interest-bearing loans and borrowings

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

b Financial statements of foreign operations

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

f Property, plant and equipment

Owned assets

Property, 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 property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The carrying values of property, 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 assets' 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.

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, 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

Software: 5 to 10 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 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.

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.

Long-service award bonus
The Group reward employees with long service by remunerating them with a lump sum after a specific number of years of services. Refer to note 33 for further detail on valuation method and results.

n Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account discounts or rebates. With effect from 1 April 2018 the Health Promotion Levy ("sugar tax"), which is administered by the Customs and Excise Act of 1964, was introduced in South Africa. Sugar tax is not directly related to sales, unlike value-added tax (VAT). It is not recognised as a separate item on invoices. Sugar tax is not always directly passed on to customers and the Group cannot reclaim sugar tax (unlike VAT) where customers do not pay for products received. The Group considers sugar tax as a cost to the Group and reflects it in cost of sales and consequently any sugar tax that is recovered in the sales price is included in revenue.

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 but inclusive of sugar tax. 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.

o Cost of sales

Cost of sales consists of the following:

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

p Finance costs

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

q Taxes

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Value-added taxation (VAT)
Revenues, expenses, assets and liabilities are recognised net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

r Segment reporting
The operating segments are based on the Group's management and internal reporting structure. 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 and that the risks and returns are likewise similar. As a result, the business of the Group is considered to be a single segment, namely Clover Industries Limited ("CIL"). Refer to note 4 for the detail disclosures.

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

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

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

t Fair value measurement
The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are disclosed in note 29. Non-financial assets such as investment properties are measured at cost less accumulated depreciation and accumulated impairment. Its fair values are disclosed in note 11. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use 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.

u 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.

v 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.

w 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.

3.1 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	
2018 R'000	2017 R'000		2018 R'000	2017 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
279 276	136 103	Current assets including cash and cash equivalents of R9,9 million (2017: Rnil million) and inventory R196,6 million (2017: R96,3 million)		
2 250	1 840	Non-current assets including deferred tax of R2,3 million (2017: R1,8 million)		
(191 262)	(61 579)	Current liabilities including trade and other payables of R190,2 million (2017: R61,5 million)		
90 264	76 364	Equity		
51%	51%	Portion of the Group's ownership		
46 035	38 946	Carrying amount of the investment		
		Joint venture's revenue and profit		
610 927	515 117	Revenue		
(515 291)	(432 673)	Cost of sales		
(34 286)	(32 125)	Sales, marketing, distribution and administrative expenses		
(866)	140	Other operating (costs)/income		
712	285	Finance income		
(3 707)	(401)	Finance cost		
57 489	50 343	Profit before taxation		
(16 109)	(14 096)	Income tax expense		
41 380	36 247	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
21 104	18 486	Group's share of profit for the year after tax		
(14 015)	(11 191)	Dividend received		
7 089	7 295	**Net movement**		

3.1 INTEREST IN JOINT VENTURES (continued)

Clover Industries indirectly holds a 50.1% interest in Clover Futurelife through Clover SA. Clover Futurelife 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	
2018 R'000	2017 R'000		2018 R'000	2017 R'000
		Clover Futurelife		
		Joint venture's statement of financial position		
3 310	5 237	Current assets including cash and cash equivalents of R0,8 million (2017:R0,5 million), trade and other receivables of R1,8m (2017: R3,9 million) and inventory of R0,5 million (2017: R0,8 million)		
–	18	Non-current assets		
(4 732)	(5 268)	Current liabilities including trade and other payables of R4,7 million (2017: R5,3 million)		
(1 422)	(13)	Equity		
50.1%	50.1%	Portion of Group's ownership		
–	–	Carrying amount of investment (Limited to R0)		
		Joint venture's revenue and profit		
16 970	9 994	Revenue		
(9 559)	(5017)	Cost of sales		
(8 859)	(5 052)	Sales, marketing, distribution and administrative expenses		
56	57	Finance income		
(1 392)	(18)	Loss before tax		
(18)	5	Income tax expense		
(1 410)	(13)	**Loss for the period**		
50.1%	50.1%	Portion of the Group's ownership		
–	–	Group's share of loss for the year (Limited to R0)		
		Total interest in profits from joint ventures		
21 104	18 486	**Total Group share of profit after tax**		
46 035	38 946	**Total investments in joint ventures**		

3.2 INTEREST IN ASSOCIATE

Effective 1 July 2017, Clover Industries indirectly holds 26% of the voting rights (0% economic interest) in the form of A-shares in Dairy Farmers of South Africa (DFSA) through Clover SA. The A-shares do not share in profits of DFSA while the B-shares held by the producers of DFSA do share in profits. DFSA is responsible for the procurement of raw milk and selling, marketing and distribution of non-value added drinking milk. The Group has made an assessment in terms of IFRS 10 and has concluded that it has does not exercise control over DFSA and accordingly has classified the interest in DFSA as an investment in associate due to the Group having significant influence over the associate. Summarised financial information of the associate, 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	
2018 R'000	2017 R'000		2018 R'000	2017 R'000
		Dairy Farmers of South Africa		
		Associate's statement of financial position		
752 537		Current assets including cash and cash equivalents of R16 million, trade and other receivables of R499m and inventory of R238 million		
2 450		Non-current assets		
(439 041)		Current liabilities including trade and other payables of R439 million		
(449 205)		Non-current liabilities including loan from shareholder of R445 million		
(133 259)		Equity		
*		Voting rights*		
		Associate's revenue and profit		
4 891 185		Revenue		
(4 354 240)		Cost of sales		
(725 195)		Sales, marketing, distribution and administrative expenses		
120 098		Other operating income		
(25 274)		Other operating expenses		
659		Finance income		
(34 267)		Finance cost		
(127 034)		Loss before tax		
(1 744)		Income tax expense		
(128 778)		**Loss for the period**		
*		Voting rights*		

** Clover will not share in any distributions of DFSA and accordingly no portion of the profits or equity will be attributed to the Group.*

4 SEGMENT REPORTING (continued)

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 and that the risks and returns are likewise similar. As a result, 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; and
- The services rendered product group consists of sales, merchandising, warehousing and distribution services rendered to principals.

30 June 2018 SEGMENT REPORT BY PRODUCT GROUP	Value-added 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	Services rendered R'000	CIL Group R'000
External revenue								
Sale of products	1 230 831	1 492 849	176 484	2 409 724	998 847	126 928		6 435 663
Revenue from rendering of services							1 873 581	1 873 581
Sale of raw milk	335	–	–	–	–			335
Charges against sales	(19 791)	(40 423)	(6 830)	(68 069)	(41 320)	(6 323)		(182 756)
Cost of material and packaging	(714 154)	(905 074)	(104 269)	(976 493)	(600 229)	(81 997)		(3 382 216)
Milk collection cost	(9 221)	(2 200)	(469)	(345)	(363)	–		(12 598)
Margin on material and services rendered	488 000	545 152	64 916	1 364 817	356 935	38 608	1 873 581	4 732 009
Reconciliation of margin on material to operating profit								
Margin on material and services rendered								4 732 009
Rental income								2 898
Direct and indirect manufacturing cost								(1 273 852)
Primary distribution cost								(506 002)
Gross profit								2 955 053
Net other costs*								(2 339 881)
Restructuring cost								(4 123)
Operating profit								611 049
Net financing cost								(94 262)
Tax expense								(139 509)
Depreciation and amortisation								(228 534)
Assets and liabilities								
Assets								6 697 656
Liabilities								3 434 027

** Net other costs consists of selling, distribution, administrative and other operating expenses as well as other operating income.*

4 SEGMENT REPORTING (continued)

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	Services rendered 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
Revenue from rendering of services							641 499	641 499
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 and services rendered	1 764 858	393 180	71 265	1 288 742	220 274	29 714	641 499	4 409 532
Reconciliation of margin on material to operating profit								
Margin on material and services rendered								4 409 532
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

** Net other costs consists of selling, distribution, administrative and other operating expenses as well as other operating income.*

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

4 SEGMENT REPORTING (continued)

30 June 2018 SEGMENT REPORT BY GEOGRAPHICAL REGION	South Africa R'000	Botswana R'000	Other R'000	CIL Group R'000
External revenue				
Sale of products	**5 642 283**	**560 389**	**232 991**	**6 435 663**
Revenue from rendering of services	**1 873 581**	**–**	**–**	**1 873 581**
Sale of raw milk	**335**	**–**	**–**	**335**
Charges against sales	**(165 963)**	**(11 098)**	**(5 695)**	**(182 756)**
Cost of material and packaging	**(2 850 607)**	**(351 647)**	**(179 962)**	**(3 382 216)**
Milk collection cost	**(12 598)**	**–**	**–**	**(12 598)**
Margin on material and services rendered	**4 487 031**	**197 644**	**47 334**	**4 732 009**

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
Revenue from rendering of services	641 499	–	–	641 499
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 and services rendered	4 180 007	194 142	35 383	4 409 532

	2018 R'000	2017^ R'000
Sales and services to major customers		
Customer 1*	**1 395 675**	2 135 975
Customer 2*	**996 964**	2 095 287
Customer 3#	**1 169 404**	–
Customer 4*	**773 875**	1 194 880

** 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.*

 # Revenue is generated by the Group from this customer only within the services rendered segment as listed in the Table:Segment report per product group above.

^ The 2017 revenue includes revenue from sale of products relating to DFSA. The current year does not include DFSA sales, and therefore a significant decrease.

5 INCOME AND EXPENSES

5.1 Cost of sales

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
(182 756)	(212 092)	Charges against sales		
(2 590 224)	(3 840 542)	Cost of raw materials		
(791 992)	(1 278 622)	Packaging costs		
(12 598)	(314 460)	Milk collection cost		
(1 273 852)	(1 250 415)	Manufacturing direct and indirect cost		
(506 002)	(436 910)	Primary distribution cost		
(5 357 424)	(7 333 041)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below:		
(140 610)	(105 382)	Depreciation and impairment of property, plant and equipment		
(521)	(873)	Amortisation and impairment of trademarks, right of use assets and licences		
(141 131)	(106 255)	Total depreciation, impairment and amortisation included in cost of sales		
(17 195)	(22 326)	Total inventories, raw material and finished product written off or provided for included in cost of sales		

5.2 Other operating income

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
25 254	–	DFSA Royalty income		
1 273	33 404	Profit on disposal and scrapping of property, plant and equipment and other assets		
8 057	–	Realised foreign exchange gains		
–	9 321	Unrealised foreign exchange gains		
1 630	324	Scrap sales and sales to staff		
4 483	–	Gain on unbundling of DFSA		
3 596	617	Fair value adjustment on call options		
25 248	–	Supplier settlement claims		
230	–	Reversal of impairment loss on trade receivables		
835	1 351	Handling fees		
200	9 270	Profit on the sale of investment in Lactolab		
		Fees for the cession of milk rights	**–**	47 394
12 107	5 753	Sundry*		
82 913	60 040	Total other operating income	**–**	47 394

** Sundry income includes income from canteen sales and a distribution from cell captive.*

5 INCOME AND EXPENSES (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		5.3 Other operating expenses		
(13 830)	(10 466)	Write down to net realisable value of consumable stock (engineering spares)		
(3 750)	(7 991)	Loss on hedge for share appreciation rights forward purchases		
–	(552)	Loss on hedge for diesel purchases		
–	(11 485)	Movement in provision on impairment of trade receivables		
(980)	–	Fair value adjustment on cell captive		
–	(11 232)	Realised foreign exchange loss		
(5 702)	–	Unrealised foreign exchange loss		
(7 009)	(6 750)	Royalties		
(277)	(460)	Sundry*		
(31 548)	(48 936)	**Total other operating expenses**		
		5.4 Operating profit		
		Operating profit before finance income/(cost) has been determined after taking into account the following expenses:		
		Other expenses		
(66 673)	(49 621)	Research expenses		
(237 814)	(313 801)	Distribution and transport cost		
		Rentals		
(50 205)	(41 579)	• land and buildings		
(42 122)	(45 221)	• equipment		
(5 991)	(7 449)	• vehicles		
(1 267)	(763)	• machines		
(4 962)	(4 445)	• other		
		Direct operating expenses of investment properties earning rental income		
(100)	(188)	• maintenance		
(409 134)	(463 067)	**Total other expenses**		
		Personnel expenses		
(1 580 679)	(1 630 170)	Wages, salaries, bonuses and car allowances		
(23 442)	(23 115)	Company contributions		
(104 386)	(109 706)	Pension and provident fund contributions		
(36 080)	(36 974)	Medical aid fund contributions		
(47 921)	(64 059)	Other personnel expenses		
(2 007)	(46 779)	Retrenchment cost		
(1 794 515)	(1 910 803)	**Total personnel expenses**		

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

5 INCOME AND EXPENSES (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Auditors' remuneration		
(9 282)	(11 071)	Audit fees current year	**(1 689)**	(1 842)
–	(224)	Prior year (under)/over provision		
(941)	(403)	Other fees		
(10 223)	(11 698)	**Total auditors' remuneration**	**(1 689)**	(1 842)
		Depreciation, amortisation and impairment		
(60 727)	(79 055)	Depreciation of property, plant and equipment	**(1)**	(1)
–	(6)	Depreciation of investment properties		
(26 676)	(21 944)	Amortisation of trademarks, right of use assets and licences		
(87 403)	(101 005)	**Total depreciation and amortisation included in selling, distribution, restructuring and administrative expenses**	**(1)**	(1)
		5.5 Finance income		
11 141	10 601	Bank interest	**3 734**	4 852
1 551	948	Interest received on call deposits		
34 267	–	Interest on revolving credit facility advanced		
659	1 098	Other	**246**	245
47 618	12 647	**Total finance income**	**3 980**	5 097
		5.6 Finance cost		
(16 199)	(26 366)	Bank loans and overdrafts		
(85 515)	(89 117)	Debtors' securitisation		
(33 543)	(25 520)	Debentures		
(6 623)	(4 762)	Other	**–**	(13)
(141 880)	(145 765)	**Total finance cost**	**–**	(13)
		5.7 Restructuring expenses		
		Restructuring expenses has been determined after taking into account the following expenses:		
(2 007)	(46 779)	Retrenchment expenses		
(2 116)	–	Reallocation cost of existing assets as part Project Sencillo		
–	(1 319)	Other		
(4 123)	(48 098)	**Total restructuring expenses**		

6 TAXATION

6.1 The major components of the tax expenses are:

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Local income tax		
		Current income tax		
(68 546)	(14 975)	• current year	**(2 998)**	(12 399)
–	2 808	• prior year	**–**	(1 145)
		Deferred income tax		
(55 408)	(12 906)	• current year		
9 147	3 105	• prior year		
(4 839)	(590)	• deferred tax asset write-down		
–	970	• rate change		
(4 627)	(5 794)	Withholding tax on foreign income		
		Foreign taxation		
		Current income tax		
(14 519)	(12 457)	• current year		
–	239	• prior year		
		Deferred taxation		
(717)	(1 505)	• current year		
–	–	• prior year		
(139 509)	(41 105)	**Total income tax expense**	**(2 998)**	(13 544)
273 375	348 112	**Estimated taxation losses available for reduction of future taxable income**		

6.2 Reconciliation of income tax rate

Group 2018 %	Group 2017 %		Company 2018 %	Company 2017 %
28.00	28.00	Standard income tax rate	**28.00**	28.00
		Adjusted for:		
(5.36)	(7.58)	Non-taxable income*	**(23.12)**	(18.03)
127.22	2.72	Non-deductible expenses#		
(2.83)	(0.98)	Special deductions%		
2.03	3.62	Special inclusions&		
0.04	0.15	Tax losses/(profits) of foreign subsidiaries not deductible/(taxable)		
(3.22)	(1.65)	Effect of foreign jurisdictions tax at lower rates		
(9.25)	(3.07)	Prior year adjustments	**–**	0.92
(5.98)	(2.59)	Share of joint venture profit equity accounted		
–	(0.49)	Rate change		
7.80	0.23	Deferred tax asset write-down and deferred tax asset not recognised		
(1.20)	(0.23)	Tax deduction realised on share appreciation rights exercised		
3.88	2.44	Foreign withholding taxes in foreign jurisdictions and utilisation of foreign tax credits		
141.13	20.57	**Effective income tax rate**	**4.88**	10.89

* *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.*

7 EARNINGS AND HEADLINE EARNINGS PER SHARE

7.1 Diluted weighted average number of ordinary shares

Group 2018 Number of shares	Group 2017 Number of shares		Company 2018 Number of shares	Company 2017 Number of shares
190 835 364	190 433 237	Weighted average number of issued ordinary shares		
1 844 741	1 924 836	Increase in number of shares as a result of unexercised share appreciation rights		
192 680 105	192 358 073	**Diluted weighted average number of ordinary shares**		

7.2 (Loss)/profit for the year

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
(38 021)	158 258	(Loss)/profit for the year attributable to equity holders of the parent company		

7.3 Earnings per share

Group 2018 Cents per share	Group 2017 Cents per share		Company 2018 Cents per share	Company 2017 Cents per share
		Basic		
(19.9)	83.1	Attributable to equity holders of the parent		
		Diluted		
(19.7)	82.3	Attributable to equity holders of the parent		

7 EARNINGS AND HEADLINE EARNINGS PER SHARE (continued)

7.4 Headline (loss)/earnings per share

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Headline (loss)/earnings attributable to equity holders of the parent company		
(38 021)	158 258	(Loss)/profit for the year attributable to equity holders of the parent company		
		Gross remeasurements excluded from headline earnings		
(1 273)	(33 404)	Profit on sale of property, plant and equipment and gains on other assets		
(753)	–	Non-controlling interest portion of profit on sale of property, plant and equipment		
(4 483)	–	Profit on unbundling of Dairy Farmers of South Africa		
(200)	(9 270)	Profit on the sale of an investment in subsidiary		
		Taxation effects of remeasurements		
497	4 641	Profit on sale of property, plant and equipment and gains on other assets		
45	1 392	Profit on the sale of an investment in subsidiary		
(44 188)	121 617	Headline (loss)/earnings attributable to equity holders of the parent company		

Cents per share	Cents per share		Cents per share	Cents per share
		Headline (loss)/earnings per share		
		Basic		
(23.1)	63.9	Attributable to equity holders of the parent		
		Diluted		
(22.9)	63.2	Attributable to equity holders of the parent		

8 DIVIDENDS DECLARED AND PAID

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		During the year equity dividends were declared as follows:		
–	9 213	Value of scrip issue to shareholders that did not elect to receive a cash dividend	**–**	9 213
–	490	Cash paid to NCI shareholders		
50 686	114 802	Cash paid to ordinary shareholders	**50 686**	114 802

Cents per share	Cents per share		Cents per share	Cents per share
26.56	65.15	To ordinary shareholders (2017: which elected to receive cash)	**26.56**	65.15

9 ASSETS CLASSIFIED AS HELD-FOR-SALE

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
4 607	10 907	Net book value at the beginning of the year made up as follows:		
264	2 225	– Plant and equipment		
4 343	8 682	– Freehold land and buildings		
2 719	10 506	Transfers from Property, plant and equipment		
(4 607)	(15 114)	Disposals		
–	(1 692)	Disposal of subsidiary		
2 719	4 607	Net book value at the end of the year made up as follows:		
–	264	– Plant and equipment		
2 719	4 343	– 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 during the year. An offer to purchase was received by CSA for the property (land and buildings) situated at Bethlehem but the transfer was not yet finalised as at 30 June 2018. Transfer took place after year end. The balance at year end represents only the Bethlehem property.

10 PROPERTY, PLANT AND EQUIPMENT

	GROUP						COMPANY
	2018						2018
	Freehold land and buildings R'000	Leasehold properties R'000	Plant and equipment R'000	Vehicles R'000	Capital work-in-progress R'000	Total R'000	Freehold land and buildings R'000
Cost							
Balance at 1 July 2017	1 027 009	53 226	2 339 556	4 865	248 031	3 672 687	250
Capitalised	19 529	5 735	292 175	262	(317 701)	–	–
Capital expenditure	–	–	–	–	217 383	217 383	–
Transfer to assets classified as held-for-sale	(4 452)	–	–	–	–	(4 452)	–
Disposals and scrappings	(287)	–	(89 613)	(357)	–	(90 257)	–
Unbundling of Dairy Farmers of South Africa (Pty) Ltd	–	–	(41)	–	(344)	(385)	–
Foreign exchange translations	–	1 433	2 825	52	54	4 364	–
Balance at 30 June 2018	1 041 799	60 394	2 544 902	4 822	147 423	3 799 340	250
Accumulated depreciation and impairment							
Balance at 1 July 2017	(247 407)	(14 151)	(980 952)	(2 733)	–	(1 245 243)	(18)
Depreciation for the year	(29 262)	(3 013)	(168 323)	(360)	–	(200 958)	(1)
Disposals and scrappings	287	–	63 428	355	–	64 070	–
Transfer to assets classified as held-for-sale	1 733	–	–	–	–	1 733	–
Unbundling of Dairy Farmers of South Africa (Pty) Ltd	–	–	2	–	–	2	–
Foreign exchange translations	–	(215)	(903)	(35)	–	(1 153)	
Balance at 30 June 2018	(274 649)	(17 379)	(1 086 748)	(2 773)	–	(1 381 549)	(19)
Net book value as at 30 June 2018	767 150	43 015	1 458 154	2 049	147 423	2 417 791	231

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 2018 was R20,5 million (2017: R19,9 million). Additions during the year were R 2,64 million (2017: R Nil) of plant, equipment and vehicles 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.

Assets with an original cost price of R56 million (2017: R76,8 million) are still in use, although it has been fully depreciated.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	GROUP						COMPANY
	2017						2017
	Freehold land and buildings R'000	Leasehold properties R'000	Plant and equipment R'000	Vehicles R'000	Capital work-in-progress R'000	Total R'000	Freehold land and buildings R'000
Cost							
Balance at 1 July 2016	972 914	39 015	2 094 691	7 138	329 918	3 443 676	250
Capital expenditure	–	–	–	–	317 385	317 385	–
Capitalised	70 748	10 980	316 220	355	(398 303)	–	–
Acquisition through business combinations	–	–	502	–	(502)	–	–
Transfer to assets classified as held-for-sale	(14 491)	–	(8 310)	–	–	(22 801)	–
Disposals and scrappings	–	–	(56 186)	(2 519)	–	(58 705)	–
Reclassification between asset classes	(2 162)	5 232	(3 070)	–	–	–	–
Foreign exchange translations	–	(2 001)	(4 291)	(109)	(467)	(6 868)	–
Balance at 30 June 2017	**1 027 009**	**53 226**	**2 339 556**	**4 865**	**248 031**	**3 672 687**	**250**
Accumulated depreciation and impairment							
Balance at 1 July 2016	(228 813)	(8 639)	(879 190)	(3 818)	–	(1 120 460)	(17)
Depreciation for the year	(26 673)	(5 444)	(150 641)	(543)	–	(183 301)	(1)
Transfer to assets classified as held-for-sale	7 646	–	4 649		–	12 295	–
Disposals and scrappings	–	–	42 969	1 555	–	44 524	–
Reclassification between asset classes	433	(392)	(41)		–	–	–
Foreign exchange translations	–	324	1 302	73	–	1 699	–
Balance at 30 June 2017	**(247 407)**	**(14 151)**	**(980 952)**	**(2 733)**	**–**	**(1 245 243)**	**(18)**
Net book value as at 30 June 2017	**779 602**	**39 075**	**1 358 604**	**2 132**	**248 031**	**2 427 444**	**232**

11 INVESTMENT PROPERTIES

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Cost		
270	270	Balance at the beginning of the year		
270	270	**Balance at the end of the year**		
		Accumulated depreciation		
(261)	(255)	Balance at the beginning of the year		
–	(6)	Depreciation for the year		
(261)	(261)	**Balance at the end of the year**		
		Carrying amounts		
9	15	Balance at the beginning of the year		
9	9	**Balance at the end of the year**		
338	284	Rental income derived from investment properties		
(135)	(188)	Direct operating expenses generating rental income		
203	96	**Net profit arising from investment properties carried at net book value**		

The fair value of the property is R1.6 million (2017: R1,4 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 R203 000 (2017: R181 000) and a rental capitalisation into perpetuity factor of 13% (2017: 13%) and is considered to be a Level 3 fair value disclosure.

12 INTANGIBLE ASSETS

	GROUP					
	2018					
	Goodwill R'000	Trademarks and customer lists R'000	Software licences R'000	Right-of-use R'000	Capital work-in-progress – software R'000	Total R'000
Cost						
Balance at 1 July 2017	402 324	180 721	125 323	9 579	48 685	766 632
Capital Expenditure	–	–	–	–	3 425	3 425
Capitalised	–	–	25 079	–	(25 079)	–
Disposals and scrappings	–	–	(5 536)	–	–	(5 536)
Balance at 30 June 2018	402 324	180 721	144 866	9 579	27 031	764 521
						–
Accumulated amortisation and impairment						–
Balance at 1 July 2017	(1 311)	(36 876)	(72 927)	(4 855)	–	(115 969)
Amortisation for the year	–	(12 684)	(11 672)	(2 841)	–	(27 197)
Disposals and scrappings	–	–	5 316	–	–	5 316
Balance at 30 June 2018	(1 311)	(49 560)	(79 283)	(7 696)	–	(137 850)
Net book value as at 30 June 2018	401 013	131 161	65 583	1 883	27 031	626 671

12 INTANGIBLE ASSETS (continued)

	GROUP					
	2017					
	Goodwill R'000	Trademarks and customer lists R'000	Software licences R'000	Right-of-use R'000	Capital work-in-progress – software R'000	Total R'000
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 scrappings	–	–	(2 066)	–	–	(2 066)
Balance at 30 June 2017	**402 324**	**180 721**	**125 323**	**9 579**	**48 685**	**766 632**
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 scrappings	–	–	1 988	–	–	1 988
Balance at 30 June 2017	**(1 311)**	**(36 876)**	**(72 927)**	**(4 855)**	**–**	**(115 969)**
Net book value as at 30 June 2017	**401 013**	**143 845**	**52 396**	**4 724**	**48 685**	**650 663**

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% (2017: 5%-10%) and adjusted for non-cash items; movements in working capital; and a before tax discount rate of 19,16% (2017: 19,27%).

Goodwill has been allocated to Clover Industries Group (excluding the Frankies Business and Clover Pride) and then to the Frankies Business 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.

12 INTANGIBLE ASSETS (continued)

	GROUP	
Goodwill has been allocated to the following cash-generating units for purposes of the impairment review:	2018 R'000	2017 R'000
Clover Industries*	**373 894**	373 894
Frankies CGU	**5 540**	5 540
Clover Pride	**21 579**	21 579
Clover Industries Group	**401 013**	401 013

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

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

13.1 Other financial assets

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Financial assets at fair value through profit or loss		
1 329	2 309	Investment in Guardrisk Cell Captive		
		Derivatives not designated as hedges		
1 795	–	Call option to acquire remaining shares in Clover Pride		
2 657	856	Call option to acquire remaining shares in Clover Good Hope		
		Non-current financial assets at amortised cost		
439 042	–	Revolving credit facility (RCF) made available to Dairy Farmers of South Africa (Pty) Ltd		
(439 042)	–	Allowance for impairment		
5 781	3 165	**Total financial instruments at fair value**		
5 781	3 165	**Total other financial assets**		
	–	Total current		
5 781	3 165	Total non-current		

Clover has granted DFSA two 20 year revolving credit facilities ("RCF") of R450 million and R100 million respectively in order for DFSA to fund its operations and the inventory it initially acquired from the Group at the time the DFSA business was established. In terms of the requirements of IAS 39 management tested the revolving credit facility for impairment taking into account all relevant information available up to the point of publishing these results. As discussed in detail on pages 11 and 29, due to untenable tension between losing milk producers or losing market share, the CEO of DFSA has resigned with effect from 30 April 2019. Unfortunately, the Chairman of DFSA also resigned at the same time, and felt it prudent that the B-shareholders (the producers) appoint their own new independent chairman along with a new CEO. Given the imminent change of leadership of DFSA, the board of Clover decided to rather impair the full RCF of R439,0 million at 30 June 2018. The impairment of the RCF will be assessed on a continuous basis.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Reconciliation of allowance for impairment:		
–	–	**Balance at the beginning of the year**		
439 042	–	Charge for the year		
–	–	Impairment loss written off		
439 042	–	**Balance at the end of the year**		

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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) x B) x 49%

A – Average annual EBITDA of Clover Good Hope for the two 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 R2,4 million; free cash flow growth per annum of between 5% to 10% and a discount rate of 17,98%

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 x B - C + D -E) x 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 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 R9,8 million; free cash flow growth per annum of between 5% to 6% and a discount rate of 18.54%

13.2 Other financial liabilities

GROUP 2018	GROUP 2017		COMPANY 2018	COMPANY 2017
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedging instruments:		
–	638	Foreign exchange contracts		
16 415	13 521	Clover Industries shares forward purchases		
		Financial liabilities designated as hedging instruments:		
		Derivatives designated as hedging instruments:		
–	1 665	Cash flow hedge – Diesel hedge		
16 415	15 824	**Total financial instruments at fair value**		
16 415	15 824	**Total other financial liabilities**		
13 639	6 141	Total current		
2 776	9 683	Total non-current		

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 1 824 195 (2017: 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 calculating the future settlement price after the following inputs were taken into consideration, a dividend of 1,61% (2017: 3,92%), a credit spread of 2,80% (2017: 2,75%), a spot rate of R16,40 (2017: R16,55) and a swap interest rate reflecting the term of each tranche of the hedge.

	2018		2017	
Expiry date	Number of forwards	Forward price per share (Rand)	Number of forwards	Forward price per share (Rand)
2 October 2017			308 500	23.20
29 June 2018			308 500	23.97
31 July 2018	**519 442**	**24.29**	519 442	24.29
3 June 2019	**476 810**	**26.48**	476 810	26.48
28 June 2019	**519 443**	**25.72**	519 443	25.72
1 July 2019	**308 500**	**25.60**		
Total	**1 824 195**		2 132 695	

13.3 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 2018, the Group held the following financial instruments carried at fair value in the Statement of financial position:

	GROUP			
	30 June 2018 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	**2 657**	**–**	**–**	**2 657**
Call option to acquire remaining shares in Clover Pride (Pty) Ltd	**1 795**	**–**	**–**	**1 795**
Investment in cell captive	**1 329**	**–**	**1 329**	**–**
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Clover Industries shares forward purchases	**16 415**	**–**	**16 415**	**–**

During the reporting period ended 30 June 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	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.

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

Type of financial instrument Fair value 2018	Fair value R'000	Valuation technique	Significant inputs
Financial assets at fair value through profit or loss	**5 781**		
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	**2 657**	**DCF**	Free cash flow forecast Market interest rate
Call option to acquire remaining shares in Clover Pride (Pty) Ltd	**1 795**	**DCF**	Free cash flow forecast Market interest rate
Investment in cell captive	**1 329**	**NAV**	Cash and cash equivalents Investment in unit trusts Insurance fund liabilities (which carrying value approximates their fair values)
Financial liabilities at fair value through profit or loss	**16 415**		
Clover Industries shares forward purchase	**16 415**	**DCF**	Share price Yield curves

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 (which carrying values approximates their fair values)
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

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Reconciliation of fair value measurement of level 3 financial assets		
		Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
856	560	Balance at the beginning of the year		
–	–	Initial recognition through OCI		
1 801	296	Remeasurement recognised through statement of profit or loss		
2 657	856	**Balance at the end of the year**		
		Call option to acquire remaining shares in Clover Pride (Pty) Ltd		
–	–	Balance at the beginning of the year		
–	–	Initial recognition through OCI		
1 795	–	Remeasurement recognised through statement of profit or loss		
1 795	–	**Balance at the end of the year**		

Refer to Note 29.1 (iv) to 29.1 (v) for further disclosure.

14 DEFERRED TAXATION

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
(175 569)	(155 339)	Balance at the beginning of the year	77	77
(54 537)	(20 230)	Movements during the year:		
(56 125)	(14 411)	Charge to profit or loss		
(4 839)	(590)	Deferred tax write down		
9 147	3 105	Prior year over provision		
–	970	Change in rate		
(359)	520	Foreign currency translation effect		
–	938	Charge from/(to) other comprehensive income		
(617)	79	(Charge)/Credit to the statement of changes in equity		
(1 744)	(10 841)	Unbundling of Dairy Farmers of South Africa (Pty) Ltd / Acquisition of subsidiaries		
(230 106)	(175 569)	**Balance at the end of the year**	77	77
		The balance is constituted as follows:		
		Deferred tax assets		
1 615	1 668	Doubtful debts provision	77	77
4 236	3 356	Credit note accrual		
534	1 138	Leases straight-lined		
45 960	47 205	Employee related expenses that are only deductible when paid		
4 149	5 400	Income received in advance		
19 599	21 138	Other accruals		
68 836	96 882	Assessed loss carried forward		
2 371	1 636	Foreign tax credits		
4 351	4 578	Other financial liabilities		
151 651	183 001	**Total deferred tax assets**	77	77
		Deferred tax liabilities		
(373 776)	(351 872)	Property, plant and equipment		
(2 687)	(2 069)	Prepayments		
(3 614)	(3 150)	Consumable stores		
(1 540)	(1 358)	Pension fund asset		
(140)	(121)	Other		
(381 757)	(358 570)	**Total deferred tax liabilities**		
(230 106)	(175 569)	**Net deferred tax (liability)/asset**	77	77

14 DEFERRED TAXATION (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		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 14, however, groups all deferred tax assets and liabilities in the Group, irrespective of the net position of individual Group companies.		
		Reflected in the Statement of financial position as follows:		
30 203	45 496	Deferred tax assets	**77**	77
(260 309)	(221 065)	Deferred tax liabilities		
(230 106)	(175 569)	**Net deferred tax (liability)/asset**	**77**	77

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

15 INVENTORIES

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
154 165	170 659	Raw materials		
128 317	99 221	Work-in-progress		
125 201	115 403	Consumable stores		
461 408	579 347	Finished goods		
869 091	964 630	**Total inventories**		

The amount of the write-down of inventories recognised as an expense is R17.2 million (2017: R22,4 million). This expense is included in the cost of sales line item as a cost of inventories.

16 TRADE AND OTHER RECEIVABLES

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
1 181 770	1 182 775	Trade receivables	–	13 061
42 676	36 515	Trade receivables from principals		
186 870	11 640	Trade receivables from JV's and associates		
88 122	127 622	Other receivables and deposits	50 969	275
2 725	2 585	Loans to executive directors and other executives	2 725	2 585
		Inter-company loan: Clover SA	549 363	547 578
		Loan: CIL Share Purchase Plan Trust	9	9
(5 856)	(6 517)	Allowance for impairment	(275)	(275)
(17 217)	(13 309)	Credit note accrual		
1 479 090	1 341 311	**Total trade and other receivables**	**602 791**	563 233

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

The loans to directors and other executives were made to finance ordinary shares in CIL issued to them on 31 May 2010. The terms of the loans are as follows: they will bear interest at 90% of the prime rate of Absa Bank, interest will be capitalised on a monthly basis, repayable by management on the sale of the ordinary shares or within two months of leaving the employment of Clover or within six months in the case of death. All proceeds of the ordinary shares are ceded to CIL as security for the loans. The loan agreements have been amended to make provision for a final repayment date of the respective loans linked to the normal retirement date for each of the executives. See note 28.2 for further details.

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

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

As at 30 June 2018, trade receivables with an initial value of R5,9 million (2017: R6,5 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
6 517	3 847	**Balance at the beginning of the year**	**275**	275
(230)	4 978	(Credit)/charge for the year		
(431)	(2 308)	Impairment loss written off		
5 856	6 517	**Balance at the end of the year**	**275**	275

17 CASH AND SHORT-TERM DEPOSITS

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At 30 June 2018, the Group had available R318 million (2017: R14 million) of unutilised committed borrowing facilities in respect of which all conditions precedent had been met.

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

GROUP			COMPANY	
2018 R'000	2017 R'000		2018 R'000	2017 R'000
		Cash at bank and on hand		
234	335	On hand		
178 602	73 584	Outstanding deposits		
173 843	54 829	Call deposits	**16 335**	53 592
408 014	416 115	Cash in banks	**12 699**	9 649
760 693	544 863	**Total cash and short-term deposits**	**29 034**	63 241

18 SHARE CAPITAL AND SHARE PREMIUM

GROUP 2018 Number of shares	GROUP 2017 Number of shares		COMPANY 2018 Number of shares	COMPANY 2017 Number of shares
		Ordinary shares		
		Authorised		
		2 billion (2017: 2 billion) ordinary shares with a par value of 5 cents (2017: 5 cents) each		
		Shares issued		
190 835 364	190 314 350	Ordinary shares in issue at the beginning of the year	**190 835 364**	190 314 350
		Share appreciation rights exercised:		
–	38 397	Issued on 15 September 2016	**–**	38 397
–	482 617	Issued on 24 April 2017	**–**	482 617
190 835 364	190 835 364	**Ordinary shares in issue at the end of the year**	**190 835 364**	190 835 364
2018 R'000	**2017 R'000**		**2018 R'000**	**2017 R'000**
		Ordinary share capital		
9 542	9 542	190,8 million (2017: 190,8 million) ordinary shares of 5 cents (2017: 5 cents) each	**9 542**	9 542
		Ordinary share premium		
892 692	892 692	Ordinary share premium on 190,8 million (2017: 190,8 million) ordinary shares	**892 692**	892 692
902 234	902 234	**Total ordinary share capital and ordinary share premium**	**902 234**	902 234
		Shares were issued as follows during the year		
		Ordinary shares:		
–	26	Ordinary shares of 0,5 cents (2016: 0,5 cents) each	**–**	26
–	9 918	Ordinary share premium of R19,04 (2016: R17,19) per share	**–**	9 918
–	9 944	**Total ordinary share capital raised during the year**	**–**	9 944

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		19 OTHER CAPITAL RESERVES		
		Share-based payments reserve		
78 082	73 868	Balance at the beginning of the year	**2 169**	2 169
(2 593)	5 865	Share based (credit)/expense		
(4 223)	(1 651)	Share appreciation rights exercised		
71 266	78 082	Balance at the end of the year	**2 169**	2 169
		Call options		
560	1 005	Balance at the beginning of the year		
–	–	Initial recognition of call options		
–	(445)	Transfer to retained earnings		
560	560	Balance at the end of the year		
		Put liability		
–	–	Balance at the beginning of the year		
33 863	–	Remeasurement of put liability		
33 863	–	Balance at the end of the year		
105 689	78 642	**Total other capital reserves at the end of the year**	**2 169**	2 169
		20 OTHER COMPONENTS OF EQUITY		
		20.1 Foreign currency translation reserve		
9 637	24 147	Balance at the beginning of the year		
		Movements:		
7 523	(14 510)	Foreign exchange translation differences		
7 523	(14 510)	Net foreign exchange translation movement		
17 160	9 637	Balance at the end of the year		

21 INTEREST-BEARINGS LOANS AND BORROWINGS

GROUP 2018 R'000	GROUP 2017 R'000			COMPANY 2018 R'000	COMPANY 2017 R'000
		21.1 Secured liabilities			
920 135	900 000	(a)	Secured by securitisation of trade debtors (refer to note 16).The first tranche of R 400 million is repayable 30 June 2018 (which was settled on 2 July 2018), and is charged a fixed interest rate of 9,28% (2017: 9,28%). The second tranche of R 250 million is repayable on 30 September 2019, and is charged a floating rate of 220 bps above 3 month JIBAR. The third tranche of R 250 million is repayable 30 June 2020, and is charged a floating interest rate of 185 basis points above 3 month JIBAR. The funding is raised in the form of debentures issued to financial institutions and investment funds with specific redemption dates.		
21 232	23 170	(b)	Secured by plant and equipment with a book value of R20,5 million (2017: R19,9 million). Repayable in monthly instalments. Payments due within the next year are R5,8 million (2017: R5,9 million). Variable interest rate portion: 8,5% – 10,5% (2017: 8,5% – 10,5%). Maturity: between July 2016 and March 2022. Fixed interest rate portion 9.0% and 10,5% (2017: 9,0% and 10,5%).		
941 367	923 170		**Total secured liabilities**		
		21.2 Unsecured liabilities			
–	4 889	(a)	Credit financing agreements entered into with IBM Global Financing to fund the acquisition of certain software and consulting costs. Interest is charged at 3% with the final instalment due on 1 September 2017.		
–	1 763	(b)	Bank overdraft Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate:10.25% - 10,5% (2017: 10.5%)		
–	302 033	(c)	Call loans Variable interest rate: 8,1% – 9,0% (2017: 8,6% – 9,0%)		
255 894	250 070	(d)	Debentures issued to financial institutions and investment funds with fixed redemption date, interest is charged at JIBAR plus 2.85% and is repayable on 1 October 2018.		
153 489	–	(e)	Debentures issued to financial institutions and investment funds with fixed redemption date, interest is charged at JIBAR plus 2.55% and is repayable on 1 April 2021.		
409 383	558 755		**Total unsecured liabilities**		
1 350 750	1 481 925		**Total secured and unsecured liabilities**		
			Current portion transferred to current liabilities:		
426 308	405 899		• Secured liabilities		
259 383	308 405		• Unsecured liabilities		
685 691	714 304		Total current portion transferred to current liabilities		
665 059	767 621		Total non-current interest-bearing borrowings		
1 350 750	1 481 925		**Total current and non-current interest-bearing loans and borrowings**		

22 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. Remeasurements of the liability are recorded in equity (refer to note 19 for more details).

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
23 226	57 088	**Non-controlling interest put options**		
23 226	57 088	Total non-controlling interest put options		
–	–	Current portion reflected under current liabilities		
23 226	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) x B) x 49%

A – Average annual EBITDA of Clover Good Hope for the financial years preceding the put option

B – EBITDA multiple. If Clover's EBITDA multiple is 7 or lower the EBITDA multiple will be 6. If Clover's EBITDA multiple is above 7 then the EBITDA multiple will be 7

C – Actual average net financing cost of Clover Good Hope for the two financial years preceding the put option

The value of the put option was calculated by 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 R2,4 million; free cash flow growth per annum of between 5% to 10% and a discount rate of 17,98%. 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 29.1 for more details regarding the sensitivity of the valuation inputs.

Put option to acquire remaining shares in Clover Pride

Clover granted AECI the irrevocable right to sell AECI's 49% of the issued share capital in Clover Pride ("Call 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. 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 x B - C + D -E) x 49%

A – 5.5 (EBITDA multiple)

B – Average normalised EBITDA

C – Clover Pride's debts

D – Working capital on hand

E – Normal working capital

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 R9,8 million; free cash flow growth per annum of between 5% to 6% and a discount rate of 18.54%. 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 29.1 for more details regarding the sensitivity of the valuation inputs.

23 EMPLOYEE-RELATED OBLIGATIONS

23.1 Long-service bonus

The projected-credit method is used for the calculation of the long-service bonus provision.

Payments are recognised as utilisations.

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		The determination of the long-service bonus is based on the following assumptions:		
7 202	7 754	Active members		
6.4%	6.3%	Salary escalation ratio		
7.7%	8.1%	Discounting rate		
65	65	Normal retirement age		
21 425	21 846	Balance at the beginning of the year		
8 340	5 086	Amounts provided		
(6 046)	(5 507)	Amounts utilised		
23 719	21 425	**Total long-service bonus provision**		

Refer to note 33 for further detail on the long-service bonus provision.

23.2 Leave pay

A provision for leave pay is recognised for the number of days leave due to employees at 30 June valued at a rate per day based on the basic salary of each employee at 30 June. Leave payments and leave days taken are recognised as utilisations.

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
70 941	68 305	Balance at the beginning of the year		
12 261	11 714	Amounts provided		
(11 218)	(9 078)	Amounts utilised		
71 984	70 941	**Total leave pay provision**		

23.3 Total employee-related obligations

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
75 424	82 595	Non-current portion		
20 279	9 771	Current portion transferred to current liabilities		
95 703	92 366	**Total non-current and current employee-related obligations**		

24 TRADE AND OTHER PAYABLES

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
988 637	1 056 019	Trade payables	8 988	8 240
45 410	30 692	Other payables	1 650	1 773
95 024	126 322	Accrual for variable remuneration and other personnel related creditors		
8 239	13 556	VAT creditor		
1 908	4 065	Leases straight-lined		
493 214	41 484	Payable to joint ventures and associates		
55 192	28 054	Payable to NCI shareholders		
1 687 624	1 300 192	**Total trade and other payables**	**10 638**	10 013
11 448	25 492	Non-current portion included in other payables transferred to non-current liabilities		
1 676 176	1 274 700	Current portion	10 638	10 013
1 687 624	1 300 192	**Total trade and other payables**	**10 638**	10 013

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

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

25 NOTES TO THE STATEMENT OF CASH FLOWS

25.1 Tax paid

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
7 165	(9 893)	Amount receivable/(due) at the beginning of the year	(3 432)	928
(87 887)	(30 057)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	(2 998)	(13 544)
(3 702)	(7 165)	Amount (receivable)/due at the end of the year	356	3 432
(84 424)	(47 115)	**Total tax paid**	**(6 074)**	(9 184)

25 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

25.2 Movement in borrowings reconciliation

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
1 481 925	1 274 470	**Opening balance**		
1 458 755	1 242 680	- Borrowings (secured and unsecured)		
23 170	31 790	- Finance lease liabilities		
(158 755)	216 073	**Cash flow movements related to borrowings during the period:**		
(308 755)	(280 902)	- Repayment of borrowings		
150 000	496 975	- Proceeds from borrowings		
		Non-cash flow movements related to borrowings during the period:		
29 518	–	- Accrued finance charges included in the closing balance		
(1 938)	(8 618)	**Movement in finance lease liabilities during the period:**		
(4 578)	(4 764)	- Payments made during the year		
2 640	–	- New finance leases entered into - non-cash flow item		
–	(3 854)	- Cancellation of finance lease		
–	–	- Finance charges included in the closing balance - non-cash flow item		
1 350 750	1 481 925	**Closing balance**		
1 329 518	1 458 755	- Borrowings (secured and unsecured)		
21 232	23 170	- Finance lease liabilities		

26 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

26.1 Defined-contribution funds

26.1.1 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 2018: 994 (2017: 1 082).

26.1.2 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 2018: 6 052 (2017: 6 752).

26.2 Amounts recognised in profit or loss

Contributions for the Group for the current year:

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
37 350	40 170	Pension fund		
67 036	69 536	Provident fund		
104 386	109 706	**Total contributions recognised in profit or loss**		

27 COMMITMENTS AND CONTINGENCIES

27.1 Operating lease commitments - Group as lessee

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

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
		Future minimum lease payments are as follows:		
110 748	158 053	Within one year		
171 344	217 014	After one year but not more than five years		
22 157	23 305	More than five years		
304 249	398 372	**Total lease payments payable**		

27 COMMITMENTS AND CONTINGENCIES (continued)

27.2 Future contractual distribution and milk collection cost

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 alternatively 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 speciation as agreed in the service level agreement.

Management concluded that the right to substitute the vehicle and the economic incentive to do so, will result in a substantive substitution right by the supplier, and accordingly the outsourcing arrangement does not meet the definition of a lease.

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Future minimum contractual payments are as follows:		
223 116	205 477	Within one year		
615 413	762 505	After one year but not more than five years		
5 197	158	More than five years		
843 726	968 140	**Total contractual payments payable**		

27.3 Operating lease commitments – Group as lessor

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

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Future minimum rentals receivable under non-cancellable operating leases are as follows:		
2 841	2 654	Within one year		
12 280	12 321	After one year, but not more than five years		
15 121	14 975	**Total lease payments receivable**		

27 COMMITMENTS AND CONTINGENCIES (continued)

27.4 Finance leases and hire purchase agreements

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

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

	GROUP 2018 Minimum payments R'000	GROUP 2018 Present value of payments R'000	GROUP 2017 Minimum payments R'000	GROUP 2017 Present value of payments R'000
Within one year	**7 699**	5 843	**11 974**	9 755
After one year but not more than five years	**19 124**	15 389	**23 321**	18 304
Total minimum lease payments	**26 823**	21 232	**35 295**	28 059
Less: Amounts representing finance charges	**(5 591)**	–	**(7 236)**	–
Present value of minimum lease payments	**21 232**	21 232	**28 059**	28 059

27.5 Capital commitments

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Capital expenditure authorised and contracted for	**21 685**	40 908		
Capital expenditure authorised but not contracted for	**72 626**	43 424		
Total capital commitments	**94 311**	84 332		

Commitments will be spent within the next three to four years.

28 RELATED PARTY DISCLOSURE

Transactions with related parties are made at market-related prices. Outstanding balances at the year-end are unsecured. No interest is paid on current accounts. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

GROUP 2018 R'000	GROUP 2017 R'000			COMPANY 2018 R'000	COMPANY 2017 R'000
		(a)	Fees earned by CIL for services rendered to Group Companies		
			Clover SA – Subsidiary	**18 734**	51 812
			Total fees earned by CIL for services rendered to Group Companies	**18 734**	51 812
		(b)	Income earned by Clover SA for services rendered, royalties and interest to joint ventures and associate		
1 228 925	–		DFSA – Associate		
4 991	4 821		Clover Fonterra – Joint Venture		
5 873	3 190		Clover Futurelife – Joint Venture		
1 239 789	8 011		**Total income earned by Clover SA for services rendered, royalties and interest to joint ventures and associate**		
		(c)	Amounts due to CIL from Group Companies		
			Clover SA – Subsidiary	**549 363**	547 578
			Total amounts due to CIL from Group Companies	**549 363**	547 578
		(d)	Amounts due to Clover SA from joint ventures and associate		
179 939	–		DFSA – Associate (trade receivable)		
3 233	1 274		Clover Fonterra – Joint Venture		
3 698	4 840		Clover Futurelife – Joint Venture		
186 870	6 114		**Total amounts due to Clover SA from joint ventures and associate**		
		(d)	Amounts owing by Clover SA to joint ventures and associate		
426 886	–		DFSA – Associate		
64 783	37 934		Clover Fonterra – Joint Venture		
1 545	3 550		Clover Futurelife – Joint Venture		
493 214	41 484		**Total amounts owing by Clover SA to joint ventures and associate**		
		(e)	CIL received the following dividends during the year from Group Companies		
			Clover SA – Subsidiary	**50 686**	80 000
			Total dividends received by CIL from Group Companies	**50 686**	80 000

28 RELATED PARTY DISCLOSURE (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		28.2 Loans advanced to senior management outstanding		
		Other executives		
2 725	2 585	JHF Botes (Dr)	**2 725**	2 585
2 725	2 585	**Total**	**2 725**	2 585

Refer to note 16 for more details around the terms of the loans.

29 FINANCIAL INSTRUMENTS

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

29.1 Financial risk management

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

– credit risk

– liquidity risk

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

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

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

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

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

29 FINANCIAL INSTRUMENTS (continued)

a. Credit risk management

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 76,0% (2017: 76,7%) 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.

In the current year the Group rendered services to DFSA in the ordinary course of business which is payable 30 days from statement. The Group also made available a revolving credit facility ("RCF"), as disclosed in note 13.1, in order for DFSA to fund its operations and the stock it initially acquired from the Group at the time the DFSA business was established. The facility has been made available to DFSA for an initial period of 20 years and the value of the facility will increase annually with CPI. The Group will not be able to call this facility unless certain default events occur. The maximum amount of the RCF was capped at R550 million for the current year however DFSA had at the end of the financial year only utilised R439 million of this facility The RCF was however fully impaired at year-end for reasons set out in note 13.1. As part of the Group's actions taken to mitigate credit risk a general notarial bond has been registered over the stock of DFSA. In addition, DFSA relies on the Group to collect its debtors on its behalf and in terms of the agreement between the parties, the Group may also set off the recovery of these debtors against any outstanding monies owing to the Group in the event of default. Due to the infant stage of DFSA, the Group has subordinated R100 million of the RCF to DFSA in favour of other creditors (which are mainly the milk producers supplying to DFSA). DFSA has successfully settled the trade debt account on a monthly basis and serviced the interest charges owing to the Group during the current financial year. As at year end the ageing of the trade account is in a healthy state and all amounts are neither past due nor impaired.

b. Liquidity risk management

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

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

29 FINANCIAL INSTRUMENTS (continued)

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 21.

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% (2017: 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 49% (2017: 27.3%) will mature at year-end based on the carrying value of borrowings reflected in the financial statements. However the Group was successful to secure the same level of funding for the next three years.

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	2018 R'000	2017 R'000
Municipalities	**18 136**	15 642
Other*	**329**	329
	18 465	15 971

**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.

The Group hedges amounts greater than R2 million (2017: 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.

29 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 2018				GROUP 2017		
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
			Foreign subsidiaries – equity			
+10%			**Rand – strengthening**	+10%		
		(21 577)	Loss on Pulas			(21 556)
		25	Profit on Naira			32
-10%			**Rand – weakening**	-10%		
		21 577	Profit on Pulas			21 556
		(25)	Loss on Naira			(32)

(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 2018 R'000		GROUP 2017 R'000
	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	
425 959	Fixed-rate instruments	400 000
924 791	Variable-rate instruments	1 081 925
1 350 750		1 481 925
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2017: 100 basis points) in interest rates at the reporting date would affect profit before taxation by the amount shown below. This analysis assumes that other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.	
	Increase of 100 basis points	
(9 248)	Decrease in profit before tax	(10 819)
	Decrease of 100 basis points	
9 248	Increase in profit before tax	10 819

29 FINANCIAL INSTRUMENTS (continued)

GROUP 2018 R'000		GROUP 2017 R'000
	(iii) Share price risk management	
	The Group is affected by the movement in its share price due to the share appreciation rights issued to management. The Group entered into forward share purchases to hedge 1 824 195 (2017: 2 132 695) of the share appreciation right issued to management. Refer to note 13 for more details.	
	Forward share purchases sensitivity	
	An increase/decrease of 10% (2017: 10%) in the share price at the reporting date would have affected profit before taxation by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10% in share price	
3 016	Increase in profit before tax	3 484
	Decrease of 10 % in share price	
(3 016)	Decrease in profit before tax	(3 464)
	(iv) 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 13 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.	
	Increase of 10% in terminal growth rate	
(20)	decrease in profit before tax	1 195
	Decrease of 10% in terminal growth rate	
20	Increase in profit before tax (limited to current option value)	(856)
	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.	
	Increase of 10 % in discount rate	
(747)	Decrease in profit before tax (limited to current option value)	(856)
	Decrease of 10 % in the discount rate	
1 036	Increase in profit before tax	4 547
	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 22 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.	
	Increase of 10 % in discount rate	
–	No effect	(2 480)
	Decrease of 10 % in the discount rate	
–	No effect	

29 FINANCIAL INSTRUMENTS (continued)

GROUP 2018 R'000		GROUP 2017 R'000
	(v) Clover Pride - call and put options	
	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 13 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.	
	Increase of 10% in terminal growth rate	
1 207	Increase in profit before tax	1 433
	Decrease of 10% in terminal growth rate	
(1 119)	Decrease in profit before tax (limited to current option value)	–
	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.	
	Increase of 10 % in discount rate	
(1 795)	Decrease in profit before tax	–
	Decrease of 10 % in the discount rate	
4 427	Increase in profit before tax	5 619
	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 22 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.	
	Increase of 10 % in discount rate	
–	Decrease in profit before tax	(1 148)
	Decrease of 10 % in the discount rate	
–	No effect on net profit before tax	–

29.2 Capital management

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

A combination of retained earnings, senior debt, term asset finance, commodity finance and general banking facilities are used to fund the business. The bulk of the Group's debtors forms part of a securitisation programme. This programme came into effect during 2001. Senior debt raised by the programme currently amounts to R900 million (2017: R900 million). The securitisation provides access to senior debt equal to 75% (2017: 75%) of the debtors' book.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings. The Group's target is to achieve a return on shareholders' equity of at least 20% in the medium-to long-term. A return of 13,9% (2017: 5,4%), which excludes exceptional items, was achieved. In comparison the weighted average interest expense on interest-bearing borrowings was 10,0% (2017: 10,6%).

29 FINANCIAL INSTRUMENTS (continued)

GROUP 2018 R'000		GROUP 2017 R'000

29.3 Fair value

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 22.

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

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

29.4 Liquidity risk profile

Maturity profile of financial instruments

The following tables summarises the maturity profile of Clover's financial liabilities at 30 June 2018 and 30 June 2017, based on contractual undiscounted payments.

GROUP 2018 0 – 6 months R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000	
						Financial liabilities
3 850	3 850	5 843	13 281	–	26 824	Secured loans
442 876	22 336	527 788	–	–	993 000	Secured by securitisation of trade debtors
274 662	7 111	14 262	160 745	–	456 780	Unsecured loans
–	–	–	–	18 465	18 465	Guarantees
9 547	4 092	2 776	–	–	16 415	Financial liabilities
1 657 871	18 305	10 241	1 210	–	1 687 627	Trade and other payables
2 388 806	55 694	560 910	175 236	18 465	3 199 111	**Total financial liabilities**

29 FINANCIAL INSTRUMENTS (continued)

GROUP

0 – 6 months R'000	6 – 12 months R'000	2017 1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000	
						Financial liabilities
7 987	3 370	7 790	14 284	–	33 431	Secured loans
42 256	441 900	46 834	529 055	–	1 060 045	Secured by securitisation of trade debtors
314 875	12 633	258 585	–	–	586 093	Unsecured loans
–	–	–	–	15 971	15 971	Guarantees
1 763	–	–	–	–	1 763	Bank overdrafts
6 141	–	9 683	–	–	15 824	Financial liabilities
1 230 532	44 168	17 995	7 497	–	1 300 192	Trade and other payables
1 603 554	502 071	340 887	550 836	15 971	3 013 319	**Total financial liabilities**

COMPANY

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

0 – 6 months R'000	6 – 12 months R'000	2018 1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000	
						Financial liabilities
10 638	**–**	**–**	**–**	**–**	**10 638**	Trade and other payables
10 638	**–**	**–**	**–**	**–**	**10 638**	**Total financial liabilities**

COMPANY

0 – 6 months R'000	6 – 12 months R'000	2017 1 – 2 years R'000	2 – 5 years R'000	5 years R'000	Total R'000	
						Financial liabilities
10 013	–	–	–	–	10 013	Trade and other payables
10 013	–	–	–	–	10 013	**Total financial liabilities**

29 FINANCIAL INSTRUMENTS (continued)

GROUP			COMPANY	
Carrying value 2018 R'000	Carrying value 2017 R'000		Carrying value 2018 R'000	Carrying value 2017 R'000
		29.5 Credit risk		
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
1 181 770	1 182 775	Trade receivables		
140 453	178 380	Other receivables	**602 791**	563 233
760 693	544 863	Cash and short-term deposits	**29 034**	63 241
179 940	–	Trade receivable from associate#		
2 262 856	1 906 018	**Total financial assets**	**631 825**	626 474
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
854 294	906 736	Retail chain stores		
203 989	123 878	Wholesale chain stores		
123 487	152 161	Industrial/catering/general trade		
1 181 770	1 182 775	**Total**		
		The ageing of trade receivables at the reporting date is as follows:		
1 116 180	1 127 639	Neither past due nor impaired*		
50 018	41 753	Past due, but not impaired 0–30 days		
8 129	5 940	Past due but not impaired 31–120 days		
7 443	7 443	Past due but not impaired 120 days		
1 181 770	1 182 775	**Total**		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
6 517	3 847	Balance at the beginning of the year	**275**	275
(236)	4 978	(Decrease)/Increases in impairments		
(424)	(2 308)	Impairment loss written off		
5 857	6 517	**Balance at the end of the year**	**275**	275

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

29 FINANCIAL INSTRUMENTS (continued)

GROUP			COMPANY	
Carrying value 2018 R'000	Carrying value 2017 R'000		Carrying value 2018 R'000	Carrying value 2017 R'000

29.5 Credit risk (continued)

 # The balance of this receivable relates to DFSA and is owing to the Group for services rendered during the ordinary course of business. DFSA is still in its infant stage and is funding its working capital requirements via a revolving credit facility made available to it from the Group. The ageing of the trade account is in a healthy state and all amounts are neither past due or nor impaired. Refer to note 29.1 para (a) for more details about credit risk management.

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

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

30.1 INVESTMENT IN SUBSIDIARY, JOINT VENTURES AND ASSOCIATE

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Total investment in subsidiary	**326 735**	326 735
		Share of investment in joint ventures		
–	–	Clover Futurelife		
46 035	38 946	Clover Fonterra		
46 035	38 946	**Total of investment in joint ventures**		
		Share of investment in an associate		
–	–	DFSA		
–	–	Total of investment in a associate		

30.1 INVESTMENT IN SUBSIDIARY, JOINT VENTURES AND ASSOCIATE (continued)

			Effective interest in capital		Gross Investment in subsidiaries and joint ventures[1]		Profit/(loss) after taxation[3]	
			2018 %	**2017 %**	**2018 R'000**	**2017 R'000**	**2018 R'000**	**2017 R'000**
Clover SA[2]	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**326 735**	326 735	**342 390**	171 180
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	**100**	100	**403 958**	466 958	**80 823**	(45 019)
Clover MilkyWay	South Africa	Dairy manufacturing and sales	**100**	100	**75 000**	80 000	**10 141**	(5 317)
Clover Frankies	South Africa	In the process of being liquidated	**100**	100	**–**	19 854	**–**	(3 851)
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**45 035**	44 425
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	*****	*	**(3 043)**	2 494
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**2 376**	1 306
Clover West Africa	Nigeria	In the process of being liquidated	**100**	100	**468**	468	**(90)**	(1 027)
Clover Waters	South Africa	Marketing, sales, distribution and production of water and iced tea	**70**	70	**147 021**	146 985	**(7 324)**	(3 536)
Clover Good Hope	South Africa	Manufactures, distributes, sells and markets a range of soy based milk alternatives	**51**	51	**16 270**	14 822	**(1 747)**	1 829
Clover Pride	South Africa	Manufactures, distributes, sells and markets a range of food products	**51**	51	**33 025**	31 768	**2 268**	1 007
Clover Fonterra[#]	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**46 035**	38 946	**21 104**	18 486
Clover Futurelife[#]	South Africa	Manufactures, distributes, sells and markets a range of functional food products	**50.1**	50.1	*****	*	**(706)**	(7)
Dairy Farmers of South Africa[4]	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.*
[4] *Clover will not share in any distributions of DFSA and accordingly no portion of the profits or equity will be attributed to the Group. The investment is accordingly carried at cost.*

30.2 FINANCIAL STATEMENTS DETAILS OF SUBSIDIARIES WITH NCI

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Clover Good Hope		
		Subsidiary's statement of financial position		
18 737	29 878	Current assets including cash and cash equivalents of R1,8 million (2017: R9,7 million) and inventory of R5,8 million (2017: R7,7 million)		
7 413	6 959	Non-current assets including property, plant and equipment of Rnil million (2017: Rnil million) and intangibles of R6,6 million (2017: R7 million)		
–	(508)	Non-current liabilities including deferred tax R0 million (2017: R0.5 million)		
(18 280)	(25 034)	Current liabilities including trade and other payables of R18 million (2017: R25 million)		
(7 870)	(11 295)	Equity (net asset value)		
51%	51%	Portion of the Group's ownership		
4 014	5 760	Net asset value of the investment		
		Subsidiary's revenue and (loss)/profit		
74 891	90 405	Revenue		
(70 038)	(73 663)	Cost of sales		
(8 499)	(10 372)	Sales, marketing, distribution and administrative expenses		
–	(283)	Other operating (expenses)/income		
(1 111)	(1 090)	Net finance cost		
(4 757)	4 997	Profit before taxation		
1 332	(1 411)	Income tax expense		
(3 425)	3 586	**(Loss)/profit for the year**		
51%	51%	Portion of the Group's ownership		
(1 747)	1 829	Group's share of (loss)/profit for the year		
–	–	Dividend received		

30.2 FINANCIAL STATEMENTS DETAILS OF SUBSIDIARIES WITH NCI (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Clover Waters		
		Subsidiary's statement of financial position		
96 686	53 894	Current assets including cash and cash equivalents R28,6m million (2017: R2,6 million) and inventory R24,3 million (2017: R24,5 million)		
128 585	150 236	Non-current assets including property, plant and equipment R97 million (2017: R112 million) and deferred tax asset of Rnil (2017:R4,9 million)		
(198 643)	(166 916)	Current liabilities including trade and other payables of R198 million (2017: R138,2 million)		
(26 628)	(37 214)	Equity (net asset value)		
70%	70%	Portion of the Group's ownership		
18 640	26 050	Net asset value of the investment		
		Subsidiary's revenue and (loss)/profit		
233 045	252 564	Revenue		
(158 435)	(163 763)	Cost of sales		
(61 476)	(74 626)	Sales, marketing, distribution and administrative expenses		
(4 032)	(14 140)	Other operating expenses		
(14 710)	(12 605)	Net finance cost		
(5 608)	(12 570)	Loss before taxation		
(4 855)	7 518	Income tax		
(10 463)	(5 052)	**(Loss) for the year**		
70%	70%	Portion of the Group's ownership		
(7 324)	(3 536)	Group's share of loss for the year		
–	–	Dividend received		

30.2 FINANCIAL STATEMENTS DETAILS OF SUBSIDIARIES WITH NCI (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Clover Pride		
		Subsidiary's statement of financial position		
29 953	23 096	Current assets including cash and cash equivalents of R0,4 million (2017: R0,4 million) and inventory R22,9 million (2017:R13,9 million)		
56 915	59 493	Non-current assets including property, plant and equipment of R0,5 million (2017: 0.5 million(and intangibles R59,0 million (2017: 59,0 million)		
(62)	(117)	Non-current liabilities including deferred tax R0,1 million (2017: 0,1 million)		
(21 203)	(20 563)	Current liabilities including trade and other payables of R21.2 million (2017: R20,4 million)		
(65 603)	(61 909)	Equity (net asset value)		
51%	51%	Portion of the Group's ownership		
33 458	31 574	Net asset value of the investment		
		Subsidiary's revenue and profit		
87 408	22 358	Revenue		
(64 951)	(15 016)	Cost of sales		
(15 069)	(3 562)	Sales, marketing, distribution and administrative expenses		
–	(797)	Other operating (expense)/income		
(1 226)	(241)	Net finance cost		
6 162	2 742	Profit before taxation		
(1 714)	(767)	Income tax expense		
4 448	1 975	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
2 268	1 007	Group's share of profit for the year		
–	–	Dividend received		

Refer to note 3.1 for the joint ventures namely Clover Fonterra Ingredients and Clover Futurelife and 3.2 for Dairy Farmers of South Africa

31 SHARE-BASED PAYMENTS

31.1 Equity-settled share appreciation rights scheme

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

On 31 May 2010 the ordinary and preference shareholders approved the Clover Share Appreciation Rights (SAR) Plan 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 plan 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 87 to 101.

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%.

Allocation to new executive director - expected volatility of 28,9%, risk free rate of 7,90% and a dividend yield of 3,05%.

Allocation to existing executive committee member - expected volatility of 29,1%, risk free rate of 8,01% and a dividend yield of 3,35%.

31 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 (2017: 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	All rights have been exercised	R11,00	- (2017: 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	The employee has left the service of the Group	R13,50	- (2017: 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	Two 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	Two 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	Three years	R16,83	1 924 018 (2017: 2 256 153)	R4,97	Full allocation vests on 1 July 2016
Clover's Share Appreciation Rights Plan (2010) – Sixth allocation	20 June 2014	Four years	R17,31	594 872 (2017: 697 562)	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	Two 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	Four years	R17,34	722 334 (2017: 2 779 769)	R5,38	Full allocation vests on 30 June 2018
Clover's Share Appreciation Rights Plan (2010) – Eighth allocation	30 June 2016	Three years	R18,44	2 679 262 (2017: 2 679 262)	R5,58	Full allocation vests on 30 June 2019
Clovers Share Appreciation Rights Plan (2010) - Ninth allocation	30 June 2017	Four years	R16,75	3 108 839 (2017: 3 108 839)	R 4.40	Full allocation vest on 30 June 2020
Clovers Share Appreciation Rights Plan (2010) - Allocation to new executive director FF Scheepers	01 November 2017	Six years	R13,56	1 000 000 (2017: 0)	R 4.53	One third on 1 November 2020, a third on 1 November 2021 and final third on 1 November 2022
Clover's Share Appreciation Rights Plan (2010) – Second allocation to executive committee member J van Heerden	14 February 2018	Seven years	R15,15	200 000 (2017: 0)	R 4.87	One third on 14 February 2021, a third on 14 February 2022 and final third on 14 February 2023

31 SHARE-BASED PAYMENTS (continued)

GROUP 2018 R'000	GROUP 2017 R'000		COMPANY 2018 R'000	COMPANY 2017 R'000
		Provision against income		
(2 593)	5 865	Share-based payment (credit)/expense		

There were no changes made to the share appreciation rights or the executives' interests therein after 30 June 2018 up to the approval of the annual financial statements.

32 DIRECTORS' REMUNERATION AND INTERESTS

32.1 Directors' remuneration

	2018							
	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	5 823	–	1 727	–	820	27	249	8 646
FF Scheepers (appointed 1 January 2018)	2 313	–	587	–	339	10	97	3 346
ER Bosch (resigned 31 December 2017)	1 784	–	–	–	237	17	70	2 108
Total remuneration of executive directors	9 920	–	2 314	–	1 396	54	416	14 100
Non-executive directors								
WI Büchner	–	1 341	–	–	–	–	–	1 341
JW Basson (Dr) (appointed 1 January 2018)	–	178	–	–	–	–	–	178
SF Booysen (Dr)	–	1 010	–	–	–	–	–	1 010
JFM Morgan (appointed 1 January 2018)	–	178	–	–	–	–	–	178
NA Smith	–	536	–	–	–	–	–	536
N Mokhesi	–	835	–	–	–	–	–	835
B Ngonyama	–	665	–	–	–	–	–	665
Total remuneration of non-executive directors	–	4 743	–	–	–	–	–	4 743
Total directors' remuneration	9 920	4 743	2 314	–	1 396	54	416	18 843
Other executives (prescribed officers)								
H Lubbe	3 449	–	876	–	523	65	180	5 093
JHF Botes (Dr)	3 464	–	884	–	545	63	179	5 135
MM Palmeiro	2 844	–	1 507	–	429	25	794	5 599
J van Heerden	2 899	–	737	–	430	86	254	4 406
Total remuneration of other executives	12 656	–	4 004	–	1 927	239	1 407	20 233

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

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	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-imbursive 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.*

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	2018 R'000	2017 R'000
Share appreciation rights exercised and settled by the issue of shares		
Executive directors		
JH Vorster	–	–
CP Lerm (Dr)*	–	332 135
Executives (Prescribed officers)	–	–
	–	332 135

All share appreciation rights exercised by executives as part of the MPCRE (refer to page 98: – legacy scheme SAR issues) were settled in shares.

** Retired 30 June 2016*

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

32.2 Interest of directors and other executives in share appreciation rights

The interest of executive and non-executive directors in the shares of the Company provided for in the form of share appreciation rights are set out in the table below:

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2017	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2018	Number of rights that have vested as at 30 June 2018	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	Fourth	1 036 716	696 716			**696 716**	696 716		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	271 953			**271 953**	271 953		17.31	All on 30 June 2017.
	Seventh	975 927	975 927		683 149^	**292 778**	292 778		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.
FF Scheepers (appointed 1 January 2018)	Allocation of newly appointed	1 000 000	–	1 000 000		**1 000 000**			13.56	One third on 1 November 2020, a third on 1 November 2021 and final third on 1 November 2022
ER Bosch (resigned 31 December 2017)	Allocation of newly appointed	953 620	953 620		953 620*	–		15.26	13.50	One-third on 1 June 2015, a third on 1 June 2016 and final third on 1 June 2017.
	Fifth	332 135	332 135		332 135^	–			16.83	All on 1 July 2016.
	Sixth	342 301	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	All on 30 June 2020.
Total executive directors		9 594 524	7 380 356	1 000 000	3 232 140	**5 148 216**	2 141 036			

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2017	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2018	Number of rights that have vested as at 30 June 2018	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*	**–**	–	16.90	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	102 690			**102 690**	102 690		17.31	All on 30 June 2017.
	Seventh	370 992	370 992		259 694^	**111 298**	111 298		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	102 690			**102 690**	102 690		17.31	All on 30 June 2017.
	Seventh	372 023	372 023		260 416^	**111 607**	111 607		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.

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Allocation of rights	Number of rights at allocation date	Number of rights as at 30 June 2017	Share appreciation rights granted during the year	Number of rights exercised*/ cancelled^ during the year	Number of rights as at 30 June 2018	Number of rights that have vested as at 30 June 2018	Share price on date exercised	Grant price	Date from which exercisable
MM Palmeiro	Allocation of newly appointed	925 500	925 500			**925 500**	925 500		14.15	One-third on 1 October 2015, a third on 1 October 2016 and final third on 1 October 2017.
	Fifth	380 159	380 159			**380 159**	380 159		16.83	All on 1 July 2016.
	Sixth	391 795	117 538			**117 538**	117 538		17.31	All on 30 June 2017.
	Seventh	417 246	417 246		292 072^	**125 174**	125 174		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**	167 142		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		190 115^	**81 478**	81 478		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.
	Top-up allocation	200 000	–	200 000		**200 000**			15.15	One third on 14 February 2021, a third on 14 February 2022 and final third on 14 February 2023.
Total other executives		12 406 132	9 862 973	200 000	1 060 075	**9 002 897**	5 476 251			
Total		22 000 656	17 243 329	1 200 000	4 292 215	**14 151 113**	7 617 287			

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 2018, a total of 11 240 883 (30 June 2017: 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

32 DIRECTORS' REMUNERATION AND INTERESTS (continued)

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

Number of shares at 30 June 2018				Number of shares at 30 June 2017		
Direct	Indirect	Associates		Direct	Indirect	Associates
			Executive directors			
4 088 925	**4 500 000**	**403 364**	JH Vorster	4 583 334	4 500 000	403 364
4 088 925	**4 500 000**	**403 364**		4 583 334	4 500 000	403 364
			Non-executive directors			
–	**486 492**	**–**	WI Büchner*	–	591 492	–
–	**900 085**	**–**	NA Smith	–	900 085	–
–	**–**	**–**	TA Wixley^	48 222	–	–
–	**–**	**–**	PR Griffin^	15 245	–	–
–	**1 386 577**	**–**		63 467	1 491 577	–
4 088 925	**5 886 577**	**403 364**	**Total directors' interests in ordinary share capital**	4 646 801	5 991 577	403 364
			Other executives (prescribed officers)			
242 222	**–**	**–**	H Lubbe	242 222	–	–
951 998	**–**	**–**	JHF Botes (Dr)	951 998	–	–
1 194 220	**–**	**–**	**Total interest of other executives in ordinary share capital**	1 194 220	–	–

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 23 714 200 (2017: 23 700 000) ordinary shares in the Company.*

^ *Resigned 28 November 2016*

33 LONG-SERVICE BONUS

33.1 Introduction

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

33.2 Background

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

The benefit is as follows:

Employees with an employment date before 1 January 2001

Employees receive a bonus of three times their monthly basic salary after 15 years service and one time their monthly basic salary every five years thereafter. In addition, employees with more than 30 years service will receive a gift to the value of R7 600.

Employees with an employment date after 1 January 2001

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

33.3 Valuation method

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

33.4 Valuation results

Past service liability

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

Group 2018 R'000	Group 2017 R'000		Company 2018 R'000	Company 2017 R'000
18 067	18 497	Employees with employment date before 01/01/2001		
5 652	2 928	Employees with employment date after 01/01/2001		
23 719	21 425	**Total past service liability**		

The valuation results as at 30 June 2018 are based on best estimate assumptions. The valuation is very sensitive to the real return rate assumed. For every 1% variance in the assumed rate of return, the liability varies by approximately R560 000. The results as at 30 June 2017 are based on the previous best estimates.

33 LONG-SERVICE BONUS (continued)

GROUP 2018 %	GROUP 2017 %		COMPANY 2018 %	COMPANY 2017 %
		33.5 Past service liability build-up		
		The build-up of the total past service liability for the past year, using the best estimate assumptions are as follows:		
7.70	7.50	a) The following discount rate per annum was used for the calculation of interest cost		
6.40	6.30	b) The following salary escalation rate per annum and merit increases were used		
		c) For current service cost an assumption is made that there are no withdrawals during the financial year		
		d) For benefits paid it is assumed that all benefits were paid as estimated by Clover		
R'000	**R'000**		**R'000**	**R'000**
		The increase in the past service liability is summarised as follows:		
		Past services liability build-up		
21 426	21 847	Opening balance		
1 545	1 870	*Plus:* Interest cost		
938	1 083	Current service cost		
(6 046)	(5 032)	*Less:* Benefits paid		
5 856	1 658	Actuarial loss		
23 719	21 426	**Closing balance**		

34 EVENTS AFTER THE REPORTING PERIOD

Except for the events noted below, no significant events occurred subsequent to the year-end that would require disclosure or amendment to these financial statements.

Clover made a R90 million cash injection in September 2018 in DFSA that will be capitalised once shareholder approval is obtained as required by DFSA's Memorandum of Incorporation. This will not increase Clover's voting rights or shareholding and underpins Clover's ongoing commitment to support its milk source, service fees and the sustainability of DFSA.

DFSA has in turn committed to also build up a reserve of R90 million through the reduction of milk prices paid to its producers. Clover's capitalisation of DFSA and the build-up of the aforementioned reserve will add stability to DFSA to navigate through future cycles. Refer to the report on governance, risk and compliances on pages 24 - 32 for further information regarding the DFSA.

Subsequent to year-end, the board has approved a final gross cash dividend of R92,9 million (2017: Rnil) or 48,68 cents (2017: nil cents) per ordinary share for the year ended 30 June 2018 which will be paid Monday, 8 October 2018.