



ABN 85 003 622 866
PO Box 1111, Altona Gate, VIC 3025
39 Pinnacle Road, Altona North, VIC 3025

Clover Corporation Limited

ASX Appendix 4D

Half Year Financial Report

31 January 2018

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period

The reporting period is the half year ended 31 January 2018 with the previous corresponding period the half year ended 31 January 2017.

Results for Announcement to the Market

		% Change	Amount of Change \$'000		\$'000
Revenue from ordinary activities	Up	59.6%	11,585	to	31,031
Profit from ordinary activities after tax attributable to members	Up	209%	2,161	to	3,193
Net profit for the period attributable to members	Up	209%	2,161	to	3,193

Explanation of Operating Results

Clover Corporation Limited ("Clover Corporation") has reported a profit after tax of \$3.2 million for the half year ended 31 January 2018 (2017: \$1.0million), an increase of 209%.

For a further explanation of the half-year operating result, please refer to the Directors' Report in the financial report for the half year ended 31 January 2018.

Dividends/distributions	Amount per security	Franked amount per security
Final dividend – 31 July 2017	0.75 cent	0.75 cent
Interim dividend – 31 January 2018	0.50 cent	0.50 cent

NTA Backing

	31-Jan-18	31-Jul-17
Net tangible asset backing per ordinary share	19.27 cents	18.21 cents

Results for Announcement to the Market – Continued

Controlled entities acquired or disposed of

Disposed entities

No entity was disposed of during the half-year ended 31 January 2018.

Acquired entities

No entity was acquired during the half-year ended 31 January 2018.

Additional dividend/distribution information

A fully franked final dividend of 0.75 cent per share for the period ended 31 July 2017 was paid during the half year ended 31 January 2018. A fully franked interim dividend of 0.50 cent per share has been declared for half year ended 31 January 2018. The record date for the dividend is Tuesday 10 April 2018, with a payment date of Tuesday 1 May 2018.

Dividend reinvestment plans (“DRP”)

There are no dividends or distribution reinvestment plans as at 31 January 2018.

Foreign Accounting Standards

N/A

Independent Review Report

Refer to the attached Clover Corporation Limited 31 January 2018 Half Year Report for the Independent Review Report to the Members of Clover Corporation Limited.



ABN 85 003 622 866

REPORT
FOR THE HALF YEAR ENDED 31 JANUARY 2018

CLOVER CORPORATION LIMITED
ABN 85 003 622 866

CORPORATE DIRECTORY

Directors

Mr Rupert A. Harrington	Non-Executive Director & Chairman
Mr Graeme A. Billings	Non-Executive Director
Mr Peter J. Davey	Managing Director – Executive
Mr Ian D. Glasson	Non-Executive Director
Ms Cheryl L. Hayman	Non-Executive Director
Dr Marilyn J. Sleigh	Non-Executive Director

Secretary

Mr Paul A. Sherman

Registered Office

39 Pinnacle Road
Altona North VIC 3025
Phone: +61 38347 5001
Fax: +613 8347 5055

Auditors

PKF Melbourne
12/440 Collins St,
Melbourne VIC 3000

Share Registry

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000

Australian Securities Exchange Code

Ordinary Shares CLV

Website

<http://www.clovercorp.com.au>

DIRECTORS' REPORT

The directors of Clover Corporation Limited (the Company) present the following report for the six months to 31 January 2018.

Directors

The names of directors who held office during the half-year and up to the date of this report are as follows:

Mr Rupert A. Harrington	Non-Executive Director & Chairman (appointed 21 September 2017)
Mr Peter R. Robinson	Non-Executive Chairman (resigned 21 September 2017)
Mr Graeme A. Billings	Non-Executive Director
Mr Peter J. Davey	Managing Director - Executive
Mr Ian D. Glasson	Non-Executive Director
Ms Cheryl L. Hayman	Non-Executive Director
Dr Marilyn J. Sleigh	Non-Executive Director

Review of Operations

Clover Corporation Limited (Clover) has reported a Net Profit after Tax of \$3.2 million for the half year ended 31 January 2018 (2017: \$1.0 million) an increase of 209%. Sales revenue increased 60% to \$31.0 million (2017: \$19.4 million). The company has improved its gross margin rate for the period, and has broadened its product and customer base, which have delivered solid revenue growth and improved profitability.

Financial Highlights

- Clover has benefited from adding new customers who add volume, profitability and scope for further growth. Growing the customer base has been a long term priority of the business, and the combined efforts of the Commercial and Research divisions has delivered the service necessary to take customers through the long product development and shelf life trial process to prove Clover's products and cement new relationships & revenue.
- Clover's traditional customers have experienced significant growth in production driven by demand in their home countries and in China. The new trading terms the company has negotiated have maintained its customer base.
- Demand from customers selling into China has been strong through the last six months, demonstrating a continuation of the sales patterns seen in the second half of FY17. Clover's customers have been focused on achieving Chinese CFDA accreditation, which effectively is a licence to sell product into China through the traditional "bricks & mortar" channels of supermarkets, mum & baby stores and pharmacies. No additional changes to the Chinese regulations has created stability and confidence for the manufacturers, with the "grey market" and traditional market showing significant growth. While this stability lasts, Chinese demand is expected to be maintained at current levels. For Clover, this is reflected in increased sales in the Australia and New Zealand region, where much of the product going into China is manufactured.
- The Company's balance sheet remains strong with cash at \$6.7 million and net assets of \$34.6 million (2017: \$32.6 million). The inventory position reflects the strong demand, currently at \$18.5 million (2017: \$18.8 million).
- The Company completed the purchase of its manufacturing site in Altona, Victoria and as at March 2018 has consolidated its Victoria operations onto one site.

DIRECTORS' REPORT continued

Operational Highlights

- Clover continues to work with distributors and new customers across different territories and market segments to provide a pipeline of opportunities for future growth. A new highly concentrated docosahexaenoic acid (DHA) product released in late 2017 has been successfully incorporated into gummies in the USA, where the product is now being sold into the children's and seniors' markets.
- The company has several other products on trial with customers in drink, sports bars and powder applications. The development of new products, which takes time from a market and product testing perspective, is an ongoing process and will continue, with additional opportunities being sought.
- Clover has successfully participated in international exhibitions in the USA, Europe and Asia to develop its profile and provide exposure to new customers and markets.

The current demand conditions, stability of Chinese regulations, and growth of new customers is expected to continue in the near term, with the Company expecting demand patterns from customers to continue in the second half of the year, with third quarter orders being consistent with first half FY18 sales.

Dividend

After careful consideration of the company's short term cash requirements, the Board has declared a fully franked interim dividend of 0.50 cent per share in respect of the financial period ended 31 January 2018.

For more information please refer to:
www.clovercorp.com.au

Rounding of Amounts

The economic entity has applied the relief available to it in ASIC Class Order 98/0100 and accordingly amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditors Independence Declaration

The auditor's independence declaration for the half-year ended 31 January 2018 has been received and is set out on page 17.

This report is signed in accordance with a resolution of the directors.



Rupert Harrington
Chairman
Melbourne
Date: 21 March 2018

Clover Corporation Limited
Half Year ended 31 January 2018

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 31 JANUARY 2018**

	Notes	31-Jan-18 \$'000	31-Jan-17 \$'000
Revenue		31,031	19,446
Cost of goods sold		<u>(22,505)</u>	<u>(14,737)</u>
Gross profit		8,526	4,709
Other (expense)/income	2	(379)	(163)
Sales and marketing expenses		(1,242)	(1,056)
Administration and corporate expenses		(1,707)	(1,584)
Research and development expenses		<u>(795)</u>	<u>(484)</u>
Profit before income tax		4,403	1,422
Income tax expense		<u>(1,210)</u>	<u>(385)</u>
Profit after tax for the period		<u>3,193</u>	<u>1,037</u>
Other comprehensive income			
Foreign currency translation adjustment		<u>79</u>	<u>(66)</u>
Other comprehensive income for the period		<u>79</u>	<u>(66)</u>
Total comprehensive income for the period		<u>3,272</u>	<u>971</u>
 Earnings per share (EPS)			
Basic earnings per share (cent per share)		1.93	0.63
Diluted earnings per share (cent per share)		1.93	0.63

This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Clover Corporation Limited
Half Year ended 31 January 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2018

	Notes	31-Jan-18 \$'000	31-Jul-17 \$'000
Current Assets			
Cash and cash equivalents		6,712	5,916
Trade and other receivables		12,622	12,125
Inventories		18,453	18,811
Other current assets		246	763
		<u>38,033</u>	<u>37,615</u>
Non-Current Assets			
Financial assets		5	5
Property, plant and equipment	4	6,119	2,262
Deferred tax assets		860	852
Intangible assets		1,907	1,907
		<u>8,891</u>	<u>5,026</u>
Total Assets		<u>46,924</u>	<u>42,641</u>
Current Liabilities			
Trade and other payables		6,694	9,243
Interest bearing liabilities	4	450	0
Current tax liabilities		560	148
Short-term provisions		509	526
		<u>8,213</u>	<u>9,917</u>
Non-Current Liabilities			
Interest bearing liabilities	4	3,962	0
Deferred tax liabilities		120	120
Long-term provisions		20	28
		<u>4,102</u>	<u>148</u>
Total Liabilities		<u>12,315</u>	<u>10,065</u>
Net Assets		<u>34,609</u>	<u>32,576</u>
Equity			
Issued Capital		32,920	32,920
Reserves		(125)	(204)
Retained Profits /(Accumulated Losses)		1,814	(140)
Total Equity		<u>34,609</u>	<u>32,576</u>

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Clover Corporation Limited
Half Year ended 31 January 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR TO 31 JANUARY 2018

	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 August 2016	32,920	(2,540)	(166)	30,214
Profit for the period	-	1,037	-	1,037
Dividend Paid	-	(826)	-	(826)
Foreign Currency Translation Reserve	-	-	(66)	(66)
Balance at 31 January 2017	32,920	(2,329)	(232)	30,359
Balance at 1 August 2017	32,920	(140)	(204)	32,576
Profit for the period	-	3,193	-	3,193
Dividend Paid	-	(1,239)	-	(1,239)
Foreign Currency Translation Reserve	-	-	79	79
Balance at 31 January 2018	32,920	1,814	(125)	34,609

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Clover Corporation Limited
Half Year ended 31 January 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR TO 31 JANUARY 2018

	Note	31-Jan-18 \$ '000	31-Jan-17 \$ '000
Cash flows from operating activities			
Receipts from customers		30,180	23,563
Payments to suppliers and employees		(27,949)	(21,732)
Interest (paid)/received		(25)	23
Income tax paid		(811)	(71)
Net cash inflow / (outflow) from operating activities		1,395	1,783
Cash flows from investing activities			
Purchases of plant and equipment		(3,772)	(454)
Net cash outflow from investing activities		(3,772)	(454)
Cash flows from financing activities			
Dividends paid	3	(1,239)	(826)
Repayment of interest bearing liabilities		(88)	0
Issue of Interest bearing liabilities		4,500	0
Net cash outflow from financing activities		3,173	(826)
Net increase / (decrease) in cash held		796	503
Cash at the beginning of the period		5,916	8,230
Cash at the end of the period		6,712	8,733

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 JANUARY 2018

1. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements of Clover Corporation Limited and its controlled entities ('the Company') for the half-year ended 31 January 2018 have been prepared in accordance with the requirements of Australian Accounting Standard AASB 134 Interim Financial Reporting. The Financial Statements were authorised for issue in accordance with a resolution of the directors on 21 March 2018.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 July 2017, and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements of the ASX listing rules.

The Company has applied the relief available to it in ASIC Class Order 98/0100 and accordingly amounts in the financial statements and the directors' report have been rounded off to the nearest thousand Australian dollars, unless otherwise stated.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 July 2017, except for the impact, if any, of adoption of new standards and interpretations noted below.

New/Amended Accounting Standards and Interpretations

(i) New standards and interpretations

In the half year the Company has reviewed all of the revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company and effective for annual reporting periods beginning on or after 1 August 2017. It has been determined that there is no impact on the Company, material or otherwise, of those pronouncements.

(ii) Early adoption of standards

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Clover Corporation Limited
Half Year ended 31 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 JANUARY 2018 (continued)

	31-Jan-18	31-Jan-17
	\$'000	\$'000
2. Operating Result		
Profit before income tax expense includes the following items of income and expense which, together with other disclosures in this report are relevant in explaining the financial performance for the half year:		
Other (expense)/income:		
Foreign exchange (loss)/gain	(293)	(186)
Interest (expense)/ revenue	(25)	23
Other (expense)/income	(61)	-
	(379)	(163)
Depreciation and amortisation expenses	(267)	(258)

3. Dividends

(a) Dividends paid during the year

Final dividend for the period ended 31 July 2017 of 0.75 cent per share (31 July 2016: 0.50 cent per share) fully franked at the tax rate 30%.

	(1,239)	(826)
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(b) Dividends declared

On 20 November 2017, the Company paid the final dividend in respect of the year ended 31 July 2017 of 0.75 cent per share (31 July 2016: final dividend 0.50 cent per share).

The Directors have declared a fully franked interim dividend of 0.50 cent per share in respect of the financial period ended 31 January 2018.

4. Property, plant & equipment

During the half year, the company completed the acquisition of the leased property and production facilities in Altona North from the landlord, subsequent to receipt of regulatory approvals. The acquisition cost totalled \$3,716,000. In addition, the company has contracted to refurbish parts of the facility and construct parking and landscaping on the site. These projects are in progress as of the reporting date, and total costs incurred and capitalised to that date are \$514,000.

The company entered into a secured facility agreement with its banker to fully debt-fund the acquisition and upgrade project. The company accessed the full amount of the facility, \$4,500,000 during the half year.

Clover Corporation Limited
Half Year ended 31 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 JANUARY 2018 (continued)

5. Events subsequent to reporting date

No events have occurred subsequent to balance date which would materially affect the half year financial report.

6. Geographical Information

Revenues from external customers by domestic and export location of operations and information about its non-current assets by location of assets is shown in the following table.

	Revenue from external customers		Non current assets	
	Jan 2018 \$'000	Jan 2017 \$'000	Jan 2018 \$'000	Jul 2017 \$'000
Australia/NZ	19,223	8,570*	8,026	4,169
Asia	8,804	8,161*	-	-
Europe	1,994	1,609	-	-
Americas	1,010	1,106	-	-
Total	31,031	19,446	8,026	4,169

* Prior year comparative contained \$3.892m misallocation of geographic sales split between Australia/NZ and Asia – adjusted in the presentation of the comparatives

7. Contingent liabilities

There have been no changes in contingent liabilities since the last annual reporting period.

8. Capital Commitments

The company has entered into a contract to re-fit the production facilities. As at 31 January 2018 the project was in progress, and the remaining capital commitment as of that date was \$132,000.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Clover Corporation Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity as set out in this financial report:
 - 1. give a true and fair view of the consolidated entity's financial position as at 31 January 2018 and of its performance for the half year ended on that date; and
 - 2. comply with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Rupert Harrington
Chairman

Melbourne
21 March 2018

Independent Auditor's Review Report to the Members of Clover Corporation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Clover Corporation Limited (the consolidated entity) which comprises the statement of financial position as at 31 January 2018, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2018 and of its financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2018 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PKF Melbourne Audit & Assurance Pty Ltd
Melbourne, 21 March 2018

Steven Bradby
Director

Auditor's Independence Declaration to the Directors of Clover Corporation Limited

In relation to our review of the financial report of Clover Corporation Limited for the half-year ended 31 January 2018, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Clover Corporation Limited and the entities it controlled during the financial period.



PKF Melbourne Audit & Assurance



Steven Bradby

Director

Melbourne, 21 March 2018