



**Clover Corporation Limited**

ABN 85 003 622 866

**ASX ANNOUNCEMENT**

**20 October 2020**

The Manager  
Company Announcements Office  
ASX limited  
20 Bridge Street  
SYDNEY NSW 2000

**2020 ANNUAL REPORT & AGM NOTICE OF MEETING**

Enclosed are the following documents relating to Clover Corporation Limited, which were mailed to shareholders today:

- Notice of Meeting and Proxy Form for the 2020 Annual General Meeting;
- 2020 Annual Report

A copy of the 2020 Annual Report will also be placed in the 'ASX Announcements' section of the Clover website at the following URL:

<http://www.clovercorp.com.au/en/invest-our-business/asx-announcements/>

Signed for and on behalf of Clover Corporation Ltd

Paul Sherman  
Company Secretary



**Clover Corporation Limited**  
**ACN 003 622 866**

39 Pinnacle Road  
Altona North, Victoria, 3025

Telephone + 61 3 8347 5000  
Facsimile + 61 3 9369 8900

## **NOTICE OF ANNUAL GENERAL MEETING**

**Notice** is given that the annual general meeting of Clover Corporation Limited (**Company**) will be held by webcast (see connection details below) on 20 November 2020 at 11:00 am (Sydney time).

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### **Annual financial and other reports**

To receive the Company's financial report, directors' report and auditor's report for the year ended 31 July 2020.

### **Resolution 1 — Adoption of remuneration report**

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That the remuneration report for the year ended 31 July 2020 be adopted.

**Note:** The remuneration report is set out on pages 14 to 21 of the Company's 2020 annual report. The vote on this resolution is advisory only and does not bind the directors of the Company.

### **Resolution 2 — Re-election of Mr Ian Glasson as a director**

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That Mr Ian Glasson, who retires in accordance with article 16 of the Company's constitution and, being eligible, stands for re-election, be re-elected as a director of the Company.

### **Resolution 3 — Election of Dr Simon Green as a director**

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That Dr Simon Green, who retires in accordance with article 15 of the Company's constitution and, being eligible, stands for election, be elected as a director of the Company.

### **Resolution 4 — Election of Ms Toni Brendish as a director**

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That Ms Toni Brendish, who retires in accordance with article 15 of the Company's constitution and, being eligible, stands for election, be elected as a director of the Company.

### **Resolution 5 — Approval of variation of FY20 performance rights acquired by Managing Director under long term incentive plan**

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That, the Company having issued to its Managing Director, Mr Peter Davey, 103,965 performance rights for the year ended 31 July 2020 (**FY20 performance rights**) in accordance

with the Company's long term incentive plan which entitle him to fully paid ordinary shares in the Company for no cash consideration subject to the satisfaction of performance conditions and otherwise on and subject to the terms summarised in the explanatory statement accompanying the notice of this meeting, approval of:

- (a) the proposed variation of the FY20 performance rights to permit the Company to issue or otherwise provide ordinary shares (credited as fully paid) to the Managing Director in satisfaction of any entitlement to shares underlying his FY20 performance rights instead of buying the shares on market, as summarised in the explanatory statement accompanying the notice of this meeting; and
- (b) the issue or other provision of any ordinary shares in the Company (credited as fully paid) to the Managing Director in satisfaction of any entitlement to shares underlying his FY20 performance rights as varied;

be given for the purpose of rule 10.14 of the ASX Listing Rules, and for all other purposes.

**Resolution 6 — Approval of acquisition of FY21 performance rights by Managing Director under long term incentive plan**

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That the acquisition by the Managing Director of up to 109,062 performance rights for the year ended 31 July 2021 (**FY21 performance rights**) in accordance with the Company's long term incentive plan which entitle him to fully paid ordinary shares in the Company for no cash consideration subject to the satisfaction of performance conditions and otherwise on and subject to the terms summarised in the explanatory statement accompanying the notice of this meeting, be approved for the purpose of rule 10.14 of the ASX Listing Rules, and for all other purposes.

**Resolution 7 — Approval of Managing Director's leaving benefit due to early vesting of FY20 performance rights and FY21 performance rights**

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

That the early vesting of some or all of the Managing Director's FY20 performance rights and FY21 performance rights (and vested entitlement to the underlying shares for no cash consideration) that may arise in connection with him ceasing to be employed by the Company in accordance with the terms of the FY20 performance rights and FY21 performance rights summarised in the explanatory statement accompanying the notice of this meeting, and the benefit to him in consequence of early vesting, be approved for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes.

**Dated:** 20 October 2020

**By order of the board**



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**Paul Sherman**  
**Company Secretary**

**Notes:**

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two other persons as the member's proxy or proxies, or attorney or attorneys, to attend and vote on behalf of the member.
2. Where two proxies or attorneys are appointed, the appointment is of no effect unless each proxy or attorney, as the case may be, is appointed to represent a specified proportion of the member's voting rights.
3. A proxy need not be a member.
4. A proxy form accompanies this notice. To be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 11:00 am (Sydney time) on Wednesday, 18 November 2020:

(a) at the registered office of the Company, by:

- (1) hand delivery or post to 39 Pinnacle Road, Altona North, Victoria, 3025;
- (2) facsimile on +61 3 9369 8900; or
- (3) email at [pauls@nu-mega.com](mailto:pauls@nu-mega.com); or

(b) at the Company's share registrar, Computershare Investor Services Pty Ltd (**Computershare**), by:

- (1) post to GPO Box 242, Melbourne, Victoria, 3001; or
- (2) facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);

or online through [www.investorvote.com.au](http://www.investorvote.com.au) or by such other electronic means specified in the proxy form.

5. Regulation 7.11.37 determination: A determination has been made by the board of directors of the Company under regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that those persons who are registered as the holders of shares in the Company as at 11:00 am (Sydney time) on Wednesday, 18 November 2020 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.
6. **Webcast:** As part of the Australian Government's response to Covid-19, temporary modifications have been made to the Corporations Act which allow companies to hold general meetings virtually i.e. without having to hold the meeting at a physical venue for members or their representatives to attend in person. In light of current public health restrictions relating to the COVID-19 pandemic, and to protect the health and safety of participants, the annual general meeting will be held by webcast through Chorus Call and Lumi. This facility allows members or their representatives to view and listen to live proceedings (including viewing visual presentations), ask questions via a live text facility and vote in real time using a computer, mobile phone or other device with access to the internet. Details about how to join and participate in the webcast are set out below:

To join the webcast and view and listen to proceedings enter the following URL in the device browser:

<https://services.choruscall.com.au/webcast/clover-201120.html>

To vote, please follow the steps below to register for voting as soon as possible:

Please note members (or their representatives) will need to login using their details (including SRN or HIN) to be verified as a member (or member's representative). Proxies will need login details provided by Computershare. It is recommended that proxies call the Computershare call centre (1300 850 505 – within Australia, +613 9415 4000 outside Australia) at least one hour before commencement of the meeting to ensure efficient registration for voting.

Step 1: Visit <https://web.lumiagm.com/393106483>

Step 2: Enter username (SRN or HIN) and password (postcode or country code).

Step 3: When the poll is open, the vote icon  will be accessible by selecting the voting icon at the top of the screen.

Step 4: Select the voting option (For/Against/Abstain) for each resolution.

A message will appear at the top of the screen indicating the number of resolutions that have been voted on.

Voting on the proposed resolution will be conducted by poll.

More information on how to use the online voting platform is explained at:

[https://www.computershare.com/news/Lumi\\_Lite\\_Online\\_Voting\\_Guide.pdf](https://www.computershare.com/news/Lumi_Lite_Online_Voting_Guide.pdf)

Meeting: Clover Corporation Limited

Meeting ID: 393-106-483

#### **Voting exclusion statement:**

The Company will disregard:

1. any votes cast on resolution 1 (adoption of remuneration report) by or on behalf of a member (**KMP Member**) of the key management personnel for the consolidated entity of which the Company is part (details of whose remuneration are included in the remuneration report, and includes each director of the Company), or a closely related party of a KMP Member;
2. any votes cast in favour of resolution 5 (approval of variation of performance rights acquired by Managing Director under long term incentive plan) and resolution 6 (approval of acquisition of performance rights by Managing Director under long term incentive plan):
  - (a) by or on behalf of the Company's Managing Director, Mr Peter Davey, or an associate of his;
  - (b) by or on behalf of any other director of the Company who is eligible to participate in the long term incentive plan in respect of which approval of the Managing Director's participation is sought, or an associate of a director; or
  - (c) by a person appointed as a proxy if the person is either a KMP Member, or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution; and
3. any votes cast on resolution 7 (approval of Managing Director's leaving benefit due to early vesting of FY20 performance rights and FY21 performance rights):

- (a) by or on behalf of Mr Davey or an associate of his; or
- (b) by a person appointed as a proxy if the person is either a KMP Member or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution.

However, the Company need not disregard a vote in relation to resolution 1, 5, 6 or 7 if it is cast by:

1. a person as proxy for a person who is entitled to vote on the resolution, in accordance with the way the appointment specifies how the proxy is to vote on the resolution; or
2. the chair of the meeting as proxy for a person who is entitled to vote on the resolution, as the chair decides where the appointment does not specify the way the proxy is to vote on the resolution **provided that** the appointment expressly authorises the chair to vote as the chair decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP Member and **provided further that** in the case of resolution 7 the person chairing the meeting is not Mr Davey or an associate of Mr Davey.

Additionally, the Company need not disregard a vote in relation to resolution 5 or 6 if it is cast by:

1. an attorney for a person who is entitled to vote on the resolution, in accordance with the way the appointment specifies how the attorney is to vote on the resolution;
2. the chair of the meeting as attorney for a person who is entitled to vote on the resolution, as the chair decides where the appointment does not specify the way the attorney is to vote on the resolution **provided that** the appointment expressly authorises the chair to vote as the chair decides; or
3. a member acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary **provided that**:
  - (a) the beneficiary provides written confirmation to the member that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (b) the member votes on the resolution in accordance with the way the beneficiary specifies how the member is to vote on the resolution.

The Chairman of the Company, if he chairs the meeting as expected, intends to vote undirected proxies held by him in favour of each resolution. Please refer to the proxy form accompanying this notice of meeting for more information.



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## **ANNUAL GENERAL MEETING EXPLANATORY STATEMENT**

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### **1. General information**

This explanatory statement is dated 20 October 2020. It is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the notice of annual general meeting of Clover Corporation Limited (**Clover** or **Company**) to be held on Friday, 20 November 2020.

If you do not understand its contents or are not sure what to do, you should consult your stockbroker or other professional adviser.

If you have any questions regarding the matters set out in this explanatory statement (or elsewhere in the notice of annual general meeting), you may contact the Company Secretary, Paul Sherman, by telephone or facsimile on the above numbers, or the Company's share registrar, Computershare Investor Services Pty Ltd, by telephone:

1300 850 505 (within Australia)

+61 3 9415 4000 (outside Australia)

between 8:30 am and 5:00 pm (Melbourne time) Monday to Friday (except public holidays).

### **2. Resolution 1 — Adoption of remuneration report**

There will be an opportunity for shareholders at the annual general meeting (**AGM**) of the Company to comment on and ask questions about the remuneration report, which appears on pages 14 to 21 of the Company's 2020 annual report.

An electronic copy of the Company's 2020 annual report is available on the Company's website at [www.clovercorp.com.au](http://www.clovercorp.com.au).

The vote on the proposed resolution adopting the remuneration report is advisory only and will not bind the Company or its directors. However, the board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy and practices.

The *Corporations Act 2001* (Cth) (**Corporations Act**) contains a 'two strikes' rule in relation to remuneration reports. Briefly, if at two consecutive AGMs 25% or more votes are cast against the resolution that the Company's remuneration report be adopted, a 'spill resolution' must be put to the vote at the second AGM. The spill resolution is that another meeting of the Company's shareholders be held within 90 days to consider the appointment of new directors in place of those directors (other than the managing director) who were directors at the time the board resolution was passed to make the directors' report (in which the remuneration report was included).

At the Company's 2019 AGM, less than 25% of votes were cast against the resolution that the remuneration report be adopted. Accordingly, there is no requirement to allow for a possible spill resolution at this year's AGM.

*Board recommendation:*

In view of the nature and purpose of resolution 1, the directors make no recommendation as to how shareholders vote on this resolution.

**3. Resolution 2 — Re-election of Mr Ian Glasson as a director**

Article 16.1(a) of the Company's constitution states that at each AGM of the Company one-third of the directors (other than the managing director) of the Company must retire from office. Further article 16.2(a) states that a director (other than the managing director) must retire from office no later than the third AGM following his or her last election or appointment by a general meeting.

A retiring director is eligible to stand for re-election.

In accordance with these requirements, Mr Ian Glasson retires by rotation at this year's AGM and, being eligible, stands for re-election.

Mr Glasson has been a non-executive director of the Company since 1 February 2017.

Mr Glasson was the CEO of PGG Wrightson, prior to which he was CEO of Gold Coin Group/Zuellig Agriculture. He was also formerly the CEO of Sucrogen (formerly the sugar business of listed entity CSR and now owned by Wilmar) for seven years which generated revenues of nearly \$2 billion and had extensive contacts across the local and international food and beverage sector and retail market. Mr Glasson obtained extensive agribusiness experience with Goodman Fielder and Gresham Rabo, and spent the first sixteen years of his career in the oil and gas sector with Esso.

*Board recommendation:*

The directors (other than Mr Glasson) recommend that shareholders vote in favour of resolution 2.

**4. Resolution 3 — Election of Dr Simon Green as a director**

Article 15.5 of the Company's constitution states that a director appointed by the board of directors of the Company to fill a casual vacancy or as an addition to the directors, must retire from office at the next AGM following his or her appointment, but is eligible to stand for election at that AGM.

Dr Green was appointed a director of the Company by the board on 20 October 2020 and, in accordance with article 15.5, retires from office as a director at this year's AGM and, being eligible, stands for election.

Dr Green has 30 years of experience in the biotechnology industry focused on the discovery, development and commercialisation of life saving medicines. He was actively involved in CSL's global expansion and held roles as senior vice president in R&D and manufacturing operations.

*Board recommendation:*

The directors (other than Dr Green) recommend that shareholders vote in favour of resolution 3.

**5. Resolution 4 — Election of Ms Toni Brendish as a director**

Ms Brendish was also appointed a director of the Company by the board on 20 October 2020 and, in accordance with article 15.5, retires from office as a director at this year's AGM and, being eligible, stands for election.

Ms Brendish has more than 30 years' experience, including over 20 years in CEO or managing director roles, predominantly working for blue chip fast-moving consumer goods, services and telecommunication companies. She has extensive experience in manufacturing, supply chain and regulatory management of infant formula markets across Asia, Australia and New Zealand, China and Europe.

*Board recommendation:*

The directors (other than Ms Brendish) recommend that shareholders vote in favour of resolution 4.

**6. Resolution 5 — Approval of variation of FY20 performance rights acquired by Managing Director under long term incentive plan**

Under the Company's long term incentive plan, the Company has issued to its Managing Director, Mr Peter Davey, the following performance rights, which at the date of this explanatory statement are outstanding:

- (a) 470,821 performance rights for the year ended 31 July 2018 (**FY18 performance rights**).
- (b) 136,208 performance rights for the year ended 31 July 2019 (**FY19 performance rights**).
- (c) 103,965 performance rights for the year ended 31 July 2020 (**FY20 performance rights**).

The FY18 performance rights and FY19 performance rights were the subject of shareholder approval resolutions passed at the Company's annual general meetings held in 2018 and 2019 respectively. In particular, shareholder approval was obtained to vary the terms of the FY18 performance rights and FY19 performance rights to permit Clover to satisfy them other than by buying the underlying share entitlement on-market.

The terms of the FY20 performance rights are summarised below:

<b>Number of performance rights</b>	103,965 FY20 performance rights were issued on 25 November 2019.
<b>Nature of performance rights</b>	Each FY20 performance right entitles Mr Davey to acquire 1 fully paid ordinary share in the Company for no cash consideration, subject to the satisfaction of certain performance conditions (and subject to adjustment for bonus issues, rights offers and other share capital reconstructions).
<b>Performance conditions</b>	<p>The FY20 performance rights are subject to satisfaction of the following performance conditions:</p> <ul style="list-style-type: none"> <li>• For 25% of the performance rights, the performance condition is based on the company's earnings per share<sup>1</sup> for the financial year ending 31 July 2022 (<b>FY22</b>) being at least 9.5 cents.</li> <li>• For another 25% of the performance rights, the performance condition is based on the company's earnings per share for FY22 being at least 10.7 cents.</li> <li>• For the remaining 50% of the performance rights, the performance condition is based on commercial sales of replacement products for FY22 measured against certain benchmarks.</li> </ul>

<sup>1</sup> Earnings per share is the amount equal to (net profit after tax of Clover for the relevant financial year) ÷ (weighted average number of Clover shares on issue during the financial year).

	<p>Where the board determines that the performance condition for any FY20 performance rights has not been satisfied, those rights will not be able to be exercised and will cease to exist once the board makes its determination.</p> <p>Where the board determines that the performance condition for any FY20 performance rights has been satisfied, the Company is required to notify Mr Davey in writing, and once notified those performance rights 'vest' and Mr Davey will be entitled to exercise them at any time during their exercise period.</p> <p>The board is required to make these determinations when the relevant data is available.</p>
<b>Consideration</b>	No cash consideration was paid or payable for the issue of the FY20 performance rights and no cash consideration is payable to acquire the shares underlying the FY20 performance rights.
<b>Exercise period</b>	The exercise period of 'vested' FY20 performance rights starts when Mr Davey is notified of the board's determination that the relevant performance conditions have been satisfied (after the conclusion of FY22) and ends on 31 July 2023.
<b>Continuing employment</b>	<p>All of Mr Davey's FY20 performance rights will lapse and terminate upon him ceasing to be an employee of the Clover group except to the extent noted below:</p> <ul style="list-style-type: none"> <li>• If Mr Davey ceases to be an employee of the Clover group after the 1<sup>st</sup> anniversary of the date of issue of his FY20 performance rights due to redundancy, illness, disability or death but before any have vested, the board may early test the performance conditions as at Mr Davey's leaving date and, if the board decides a performance condition as tested has been satisfied, the board may allow a proportion of the relevant performance rights to be retained on the basis they must be exercised within 6 months.</li> <li>• If Mr Davey ceases to be an employee of the Clover group in any other circumstances before any of his FY20 performance rights have vested, the board (before Mr Davey ceases employment) has a broad discretion to waive any performance conditions of the performance rights, vest any of the performance rights early and/or allow any of the performance rights to be retained.</li> <li>• Where Mr Davey ceases to be an employee of the Clover group after any of his FY20 performance rights have vested, he will retain the vested performance rights but will only have 6 months to exercise them if the exercise period would otherwise end later.</li> </ul>
<b>Adjustment</b>	Where the share capital of the Company is reorganised or there is a bonus issue of shares to shareholders, the terms of the FY20 performance rights will be adjusted.
<b>Satisfaction of share entitlement</b>	<p>The Company is required to satisfy any entitlement to shares underlying Mr Davey's FY20 performance rights by arranging to buy the shares on-market.</p> <p>However, it is proposed that the rights be varied, subject to shareholder approval (which will be obtained if resolution 5 is passed), to permit the Company to satisfy any entitlement to underlying shares, by issuing or otherwise providing ordinary shares (credited as fully paid) to Mr Davey instead – see further below.</p>

*Approval for the purposes of rule 10.14 of the ASX Listing Rules*

Under rule 10.14 of the ASX Listing Rules, shareholder approval is required in order for a director to acquire securities under an employee incentive scheme, subject to a number of exceptions which at the time the FY20 performance were acquired by Mr Davey were set out in rule 10.15B (but which are now contained in rule 10.16). One of the exceptions is where the securities are rights to shares which are required under the employee incentive scheme to be bought on-market.

Although that is the case for Mr Davey's FY20 performance rights, in the interests of having greater flexibility in managing the Company's capital, the Company would like to vary the terms of Mr Davey's FY20 performance rights to permit the Company to issue or otherwise provide ordinary shares (credited as fully paid) to Mr Davey in satisfaction of any entitlement to shares underlying his FY20 performance rights instead of buying the shares on market. Mr Davey and the Company have agreed to this variation, subject to shareholder approval.

Accordingly, if shareholders approve the variation and issue or other provision of shares underlying Mr Davey's FY20 performance rights as varied by passing resolution 5, the Company will be able to issue or otherwise provide the underlying shares to him instead of only being able to arrange to buy them on-market.

If resolution 5 is not passed, the Company will still be required to satisfy any entitlement to shares underlying Mr Davey's FY20 performance rights by arranging to buy the shares on-market.

*Additional information*

A notice of meeting to obtain shareholder approval under rule 10.14 must comply with rule 10.15 of the ASX Listing Rules. The Company has prepared the notice of annual general meeting (including this explanatory statement) so that it complies with this rule, and provides the following additional information for that purpose:

- (a) Mr Davey is a director of the Company and is therefore prohibited under rule 10.14.1 of the ASX Listing Rules from obtaining securities under an employee incentive scheme without shareholder approval, unless an exception applies.
- (b) The Company is seeking shareholder approval to permit the Company to satisfy any entitlement to underlying shares in relation to the 103,965 FY20 performance rights acquired by Mr Davey, by issuing or otherwise providing ordinary shares (credited as fully paid) to Mr Davey instead of purchasing the shares on-market.
- (c) Mr Davey's total remuneration package for FY21 is:
  - (1) base salary \$483,800 (inclusive of superannuation);
  - (2) discretionary cash bonus of up to 50% of his base salary as part of his short term incentive arrangements; and
  - (3) subject to shareholder approval of resolution 6 (see section 7 below), 109,062 performance rights for the year ended 31 July 2021.
- (d) At the date of this explanatory statement, Mr Davey holds 710,994 performance rights in total (including 103,965 FY20 performance rights), which if all vested at the date of this explanatory statement would entitle him to 710,994 fully paid ordinary shares in the Company. In addition, Mr Davey was previously issued 518,386 performance rights for the year ended 31 July 2017. Some of these performance rights vested and were exercised by Mr Davey, while others did not vest and in consequence lapsed.
- (e) A summary of the material terms of the FY20 performance rights is set out above. The directors of the Company consider that the performance rights (which are

contractual rights to receive shares if certain performance conditions are met) are an appropriate form of incentive to motivate and retain the Company's senior management. They are cost efficient and an effective reward for delivering results and creating commonality of purpose between senior management and the Company.

- (f) Based upon a binomial option pricing model methodology, the Company attributes a value of \$282,460 to the FY20 performance rights.
- (g) Rule 10.15 requires that the date of issue of the performance rights must be no later than 12 months after the date of the annual general meeting. This requirement will be satisfied as the FY20 performance rights have already been issued - they were issued on 25 November 2020 - and the variation of the terms of the FY20 performance rights the subject of resolution 5 will take effect upon the passing of the resolution.
- (h) No cash consideration was paid or payable for the issue of the FY20 performance rights (or any of the other performance rights previously issued to Mr Davey) and no cash consideration is payable to acquire the shares underlying the FY20 performance rights (or any of the other performance rights previously issued to Mr Davey).
- (i) A summary of the terms of the Company's long term incentive plan is outlined below:

<b>Eligible person</b>	A person is eligible to participate in the plan if he or she is a full-time or part-time employee, a non-executive director, a contractor, or a casual employee of the Company, its subsidiary or any other body corporate nominated by the Company, or a person who may become such an employee, director or contractor.
<b>Invitation</b>	<p>The board may from time to time nominate any eligible person to participate in the plan and determine the number of performance rights to be offered to that person.</p> <p>An invitation to participate in the plan may:</p> <ul style="list-style-type: none"> <li>• be made by the board at any time;</li> <li>• be in any form; and</li> <li>• be on any conditions or subject to any restrictions, as the board decides.</li> </ul>
<b>Acceptance of invitation</b>	An invitation may be accepted by an eligible person or, with the board's permission, in the name of an associate of the eligible person.
<b>5% issue limit</b>	<p>The Company must not make an invitation to an eligible person under the plan, if:</p> <ul style="list-style-type: none"> <li>• the number of ordinary shares that could be issued in respect of all performance rights outstanding under the plan; plus</li> <li>• the number of ordinary shares issued during the previous 3 years under any employee share plan to which ASIC relief has applied;</li> </ul> <p>would exceed 5% of the total number of shares on issue on that day, or any other limit specified in any instrument or class order issued by the Australian Securities and Investments Commission applicable to the plan.</p>
<b>Performance conditions</b>	<p>An invitation must specify the performance conditions that apply to the performance rights, which may include:</p> <ul style="list-style-type: none"> <li>• the period over which the performance condition will be assessed (this period must not be more than 10 years from the issue date of the performance right);</li> </ul>

	<ul style="list-style-type: none"> <li>the standard against which the performance condition will be measured (which may include share price or an earnings per share measure);</li> <li>the manner in which a performance condition will be assessed; and</li> <li>the time at which the performance right will expire.</li> </ul>
<b>Board discretion</b>	The board will determine whether or not a performance condition in respect of some or all of a participant's performance rights have been satisfied and may at any time, by written notice to the participant, vary or waive a performance condition applicable to the participant's performance right.
<b>Exercise of performance rights</b>	<p>If a participant is notified that the performance conditions in relation to the participant's performance rights have been satisfied, the participant may exercise the vested performance rights by giving written notice to the Company before their expiry date (if any).</p> <p>Unless the participant exercises all of the vested performance rights, the number of vested performance rights exercised must be in multiples of 1,000.</p>
<b>Lapsing of performance rights</b>	A performance right may lapse upon the happening of various events including an applicable performance condition not being satisfied within the relevant assessment period (unless the board waives the condition), a purported transfer of a performance right to another person (unless the board approves the transfer) or the participant ceasing to be an eligible person (subject to the exception below).
<b>Trust</b>	The Company may establish a discretionary trust to subscribe for or purchase ordinary shares, so that ordinary shares in the Company can be transferred to participants in the plan upon exercise of their vested performance rights.
<b>Continuing employment or other engagement</b>	<p>Performance rights awarded to a participant will lapse and terminate upon the participant ceasing to be an eligible person except to the extent noted below:</p> <ul style="list-style-type: none"> <li>If the participant ceases to be an eligible person after the 1<sup>st</sup> anniversary of the date of issue of the participant's performance rights due to redundancy, illness, disability or death but before any have vested, the board may early test the performance conditions as at the participant's leaving date and, if the board decides a performance condition as tested has been satisfied, the board may allow a proportion of the relevant performance rights to be retained on the basis they must be exercised within 6 months.</li> <li>If the participant ceases to be an eligible person in any other circumstances before any of the participant's performance rights have vested, the board (before the participant ceases to be an eligible person) has a broad discretion to waive any performance conditions of the performance rights, vest any of the performance rights early and/or allow any of the performance rights to be retained.</li> <li>Where the participant ceases to be an eligible person after the performance rights have vested, the participant will retain the vested performance rights but will only have 6 months to exercise them if the exercise period would otherwise end later.</li> </ul>

<b>Change of control</b>	<p>Unless the board determines otherwise, if:</p> <ul style="list-style-type: none"> <li>• a takeover bid is announced for all of the ordinary shares in the Company and the board becomes aware that a person has acquired or will acquire voting power in more than 25% of the ordinary shares in the Company;</li> <li>• the board becomes aware that a person has acquired or will acquire voting power in more than 25% of the ordinary shares in the Company; or</li> <li>• the board forms the view that the replacement of the majority of the board is imminent, due to a person acquiring voting power in more than 25% of the ordinary shares of the Company;</li> </ul> <p>the performance conditions applicable to all outstanding unvested performance rights will be measured and assessed as at the date of the relevant event, as if that date had been specified as the date in the invitation for measuring and assessing whether performance conditions had been satisfied.</p>
<b>Adjustment</b>	<p>Where there is a bonus issue of ordinary shares to the Company's shareholders, holders of performance rights that exercise those rights will be provided with additional ordinary shares equal to the number of bonus shares they would have been entitled to receive if the performance rights had been exercised before the record date for the bonus issue.</p> <p>Where there is a rights offer of ordinary shares to the Company's shareholders or the share capital of the Company is otherwise reconstructed, the terms of the performance rights will be adjusted in the manner the Company determines having regard to the ASX Listing Rules.</p>
<b>Administration and amendment</b>	<p>The plan is administered by the board. Further, the board may amend, add to or waive any rule of the plan or any restriction or other condition relating to any performance rights granted under the plan, subject to the ASX Listing Rules.</p>

- (j) No loan has been given by the Company in relation to the performance rights under the plan.
- (k) Details of performance rights and any other securities issued under the Company's long term incentive plan that require the approval of shareholders under rule 10.14 of the ASX Listing Rules will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval of the issue was obtained under rule 10.14.
- (l) Any additional persons covered by rule 10.14 of the ASX Listing Rules who become entitled to participate in an issue of securities under the Company's long term incentive plan after resolution 5 is passed and who are not named in the notice of annual general meeting (which includes this explanatory statement) or who are named and for whom participation requires shareholder approval under rule 10.14, will not participate until that approval is obtained.

*Board recommendation:*

The directors (other than Mr Davey) recommend that shareholders vote in favour of resolution 5.

## 7. Resolution 6 — Approval of acquisition of FY21 performance rights by Managing Director under long term incentive plan

Under the Company's long term incentive plan, the Company proposes to issue Mr Peter Davey 109,062 performance rights for the year ended 31 July 2021 (**FY21 performance rights**).

The terms of the FY21 performance rights are summarised below:

<b>Number of performance rights</b>	109,062 FY21 performance rights.
<b>Nature of performance rights</b>	Each FY21 performance right entitles Mr Davey to acquire 1 fully paid ordinary share in the company for no cash consideration, subject to the satisfaction of certain performance conditions (and subject to adjustment for bonus issues, rights offers and other share capital reconstructions).
<b>Performance conditions</b>	<p>The FY21 performance rights are subject to the satisfaction of the following performance conditions:</p> <ul style="list-style-type: none"> <li>• For 10% of the performance rights, the performance condition is based on the company's earnings per share<sup>2</sup> for the financial year ending 31 July 2023 (<b>FY23</b>) being at least 9.84 cents.</li> <li>• For 40% of the performance rights, the performance condition is based on the company's earnings per share for FY23 being at least 11.40 cents.</li> <li>• For the remaining 50% of the performance rights, the performance condition is based on certain strategic transactions having been completed and benefits of the transactions having been at least partially realised during FY23.</li> </ul> <p>Where the board determines that the performance condition for any FY21 performance rights has not been satisfied, those rights will not be able to be exercised and will cease to exist once the board makes its determination.</p> <p>Where the board determines that the performance condition for any FY21 performance rights has been satisfied, the Company is required to notify Mr Davey in writing, and once notified those performance rights 'vest' and Mr Davey will be entitled to exercise them at any time during their exercise period.</p> <p>The board is required to make these determinations when the relevant data is available.</p>
<b>Consideration</b>	No cash consideration was paid or payable for the issue of the FY21 performance rights and no cash consideration is payable to acquire the shares underlying the FY21 performance rights.
<b>Exercise period</b>	The exercise period of 'vested' FY21 performance rights starts when Mr Davey is notified of the board's determination that the relevant performance conditions have been satisfied (after the conclusion of FY23) and ends on 31 July 2024.
<b>Continuing employment</b>	All of Mr Davey's FY21 performance rights will lapse and terminate upon him ceasing to be an employee of the Clover group except to the extent noted below:

<sup>2</sup> Earnings per share is the amount equal to (net profit after tax of Clover for the relevant financial year) ÷ (weighted average number of Clover shares on issue during the financial year).

- If Mr Davey ceases to be an employee of the Clover group after the 1st anniversary of the date of issue of his FY21 performance rights due to redundancy, illness, disability or death but before any have vested, the board may early test the performance conditions as at Mr Davey's leaving date and, if the board decides a performance condition as tested has been satisfied, the board may allow a proportion of the relevant performance rights to be retained on the basis they must be exercised within 6 months.
- If Mr Davey ceases to be an employee of the Clover group in any other circumstances before any of his FY21 performance rights have vested, the board (before Mr Davey ceases employment) has a broad discretion to waive any performance conditions of the performance rights, vest any of the performance rights early and/or allow any of the performance rights to be retained.
- Where Mr Davey ceases to be an employee of the Clover group after any of his FY21 performance rights have vested, he will retain the vested performance rights but will only have 6 months to exercise them if the exercise period would otherwise end later.

<b>Adjustment</b>	Where the share capital of the Company is reorganised or there is a bonus issue of shares to shareholders, the terms of the FY21 performance rights will be adjusted.
<b>Satisfaction of share entitlement</b>	The company may satisfy any entitlement to shares underlying the FY21 performance rights by issuing the shares, arranging to buy them on-market, arranging to have them transferred from the company's employee share ownership trust or otherwise.

*Approval for the purposes of rule 10.14 of the ASX Listing Rules*

As noted section 6 above, under rule 10.14 of the ASX Listing Rules, shareholder approval is required in order for a director (such as Mr Davey) to acquire securities under an employee incentive scheme, subject to a number of exceptions which are set out in rule 10.16.

*Additional information*

A notice of meeting to obtain shareholder approval under rule 10.14 must comply with rule 10.15 of the ASX Listing Rules. The following additional information is provided for that purpose:

- Mr Davey is a director of the Company and is therefore prohibited under rule 10.14.1 of the ASX Listing Rules from obtaining securities under an employee incentive scheme without shareholder approval, unless an exception applies.
- The Company is seeking shareholder approval to issue 109,062 FY21 performance rights to Mr Davey.
- Mr Davey's total remuneration package is set out in section 6 above.
- The details of the securities that have been issued to Mr Davey under the Company's long term incentive scheme are set out in section 6 above.
- A summary of the material terms of the FY21 performance rights is set out above. The directors of the Company consider that the performance rights (which are contractual rights to receive shares if certain performance conditions are met) are an appropriate form of incentive to motivate and retain the Company's senior management. They are cost efficient and an effective reward for delivering results and creating commonality of purpose between senior management and the Company.

- (f) Based upon a binomial pricing model methodology, the Company attributes a value of \$217,470 to the FY21 performance rights.
- (g) Rule 10.15 requires that the date of issue of the performance rights must be no later than 12 months after the date of the annual general meeting. This requirement will be satisfied as the FY21 performance rights will be issued as soon as practicable following the annual general meeting of shareholders if shareholders pass resolution 6.
- (h) No cash consideration has been paid or is payable for the issue of the FY21 performance rights and no cash consideration is payable to acquire the shares underlying the FY21 performance rights.
- (i) A summary of the terms of the Company's long term incentive plan is set out in section 6 above.
- (j) No loan has been given by the Company in relation to the performance rights under the plan.
- (k) Details of the performance rights and other securities issued under the Company's long term incentive plan that require the approval of shareholders under rule 10.14 of the ASX Listing Rules will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval of the issue was obtained under rule 10.14.
- (l) Any additional persons covered by rule 10.14 of the ASX Listing Rules who become entitled to participate in an issue of securities under the Company's long term incentive plan after resolution 6 is passed and who were not named in the notice of annual general meeting (which includes this explanatory statement) or who are named and for whom participation requires shareholder approval under rule 10.14, will not participate until that approval is obtained.

*Board recommendation:*

The directors (other than Mr Davey) recommend that shareholders vote in favour of resolution 6.

**8. Resolution 7 — Approval of Managing Director's leaving benefit due to early vesting of FY20 performance rights and FY21 performance rights**

Section 200B of the Corporations Act prohibits a company from providing a benefit to an employee in a managerial or executive office in connection with his or her retirement from, or other cessation of, office unless:

- (a) the benefit is given in certain circumstances and the value of the benefit, when added to the value of all other leaving benefits, does not exceed the average annual base salary the employee received from the company during the last 3 years he or she held the managerial or executive office; or
- (b) the giving of the benefit is approved by shareholders in accordance with section 200E of the Corporations Act.

As noted in sections 6 and 7 above, some or all Mr Davey's FY20 performance rights and FY21 performance rights may be able to be exercised early where Mr Davey ceases to be an employee of the Clover group in certain circumstances. In particular, if:

- (c) Mr Davey ceases to be an employee of the Clover group after the 1st anniversary of the date of issue of the relevant performance rights due redundancy, death, disability or illness before any have vested, the board may early test the performance conditions as at Mr Davey's leaving date and, if the board decides a performance condition as tested

has been satisfied, the board may allow a proportion of the relevant performance rights to be retained on the basis they must be exercised within 6 months.

- (d) Mr Davey ceases to be an employee of the Clover group in any other circumstances before relevant performance rights have vested, the board (before Mr Davey ceases employment) has a broad discretion to waive any performance conditions of the performance rights, vest any of the performance rights early and/or allow any of the performance rights to be retained.

Accordingly, shareholder approval is being sought under section 200E of the Corporations Act to allow the Company to give to Mr Davey the benefit resulting from this early 'vesting' of his FY20 performance rights and/or FY21 performance rights, should his employment end in certain circumstances.

While it is currently impossible to specify the exact value of the benefit to Mr Davey due to the early vesting of FY20 performance rights or FY21 performance rights, that value will essentially be the intrinsic value of the shares underlying the vested FY20 performance rights and/or vested FY21 performance rights (as relevant) at the time they are acquired by Mr Davey, which will, or is likely to, be affected by a number of factors including the reason and timing for the cessation of employment, the exercise of the board's discretion (where relevant), the future operating and financial performance of the Company, and market price of the shares, at the relevant time.

*Board recommendation:*

The directors (other than Mr Davey) recommend that shareholders vote in favour of resolution 7.

CLV  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Need assistance?

 **Phone:**  
1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)

 **Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00 am (Sydney time) Wednesday, 18 November 2020.**

# Proxy Form

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**

**SRN/HIN: I999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Clover Corporation Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Clover Corporation Limited to be held as a virtual meeting on Friday, 20 November 2020 at 11:00 am (Sydney time) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 1 (except where I/we have indicated a different voting intention in step 2) even though Item 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 1 by marking the appropriate box in step 2.

## Step 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Ian Glasson as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Dr Simon Green as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Ms Toni Brendish as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of variation of FY20 performance rights acquired by Managing Director under long term incentive plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of acquisition of FY21 performance rights by Managing Director under long term incentive plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Managing Director's leaving benefit due to early vesting of FY20 performance rights and FY21 performance rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address   
 By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically



CLVRM  
MR RETURN SAMPLE  
123 SAMPLE STREET  
SAMPLE SURBURB  
SAMPLETOWN VIC 3030



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**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

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## Lodge your Proxy Form:

**XX**

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Your secure access information is



**Control Number: 999999**

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Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

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I N D

# Proxy Form

Please mark  to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Clover Corporation Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Clover Corporation Limited to be held as a virtual meeting on Friday, 20 November 2020 at 11:00 am (Sydney time) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 1 (except where I/we have indicated a different voting intention in step 2) even though Item 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 1 by marking the appropriate box in step 2.

## Step 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Ian Glasson as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Dr Simon Green as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 6	Approval of acquisition of FY21 performance rights by Managing Director under long term incentive plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Managing Director's leaving benefit due to early vesting of FY20 performance rights and FY21 performance rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address  By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically





**Clover Corporation Limited**  
ABN 85 003 622 866

CLVRM

MR RETURN SAMPLE  
123 SAMPLE STREET  
SAMPLE SURBURB  
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Clover Corporation Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

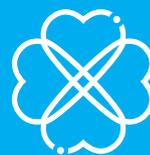
Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne Victoria 3001  
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

**Clover Corporation Limited**

# ANNUAL REPORT 2020



**CLOVER**  
CORPORATION

ABN 85 003 622 866



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**VISION**  
TO OPTIMISE  
THE HEALTH AND  
DEVELOPMENT  
OF ADULTS, INFANTS  
AND CHILDREN.

# MISSION STATEMENT

TO DELIVER  
SCIENCE-BASED  
BIOACTIVES WHICH  
PROVIDE HEALTH  
BENEFITS TO  
ADULTS, INFANTS,  
AND CHILDREN.

# CHAIRMAN'S REPORT

Dear Shareholders

On behalf of the Board of Directors of Clover Corporation Ltd ("Clover" or "Company") I am pleased to present our Annual Report for FY2020.

During the year Australia, the world and Clover have faced incredible hardship with bushfires, COVID-19 and ongoing regulatory challenges. I am heartened by the resilience of the global community and the outstanding performance of our Company.

Clover has focused on managing the health and safety of its staff as its priority during the COVID-19 pandemic, while continuing to ensure that our customers' requirements continued to be met. The Company implemented a COVID-19 safety plan in March to reduce the possibility of staff infection and the impact on the business should an infection occur. The Managing Director, Peter Davey, and his management team are to be congratulated on their rapid establishment of plans for the business, their excellent communication of these to staff and the minimal disruption to the business activities of Clover over this difficult period.

Sales revenue growth in FY2020 was recorded across all territories. Clover has benefited from sales to new customers, new markets and new products, whilst maintaining and growing its core customers. We believe that Q3 and Q4 results have been boosted by our customers building their inventories due to uncertainties on the potential impact of the COVID-19 pandemic on areas such as the sourcing of their raw materials and the ability of their suppliers to manufacture and export ingredients essential to their finished products. At the same time, pantry stacking by some retail customers has increased sales of our customers' finished products.

Clover has been in an unusually strong position to meet this increase in demand because of the strong inventory position we held at the end of January 2020. The Company continues to maintain additional inventory to cover further demand spikes in the current uncertain trading environment.

The company has benefited from years of research and development work and business development activity, with additional customers and new and improved products added during the financial year. The increasing scientific evidence and awareness of the health benefits of Omega 3 fatty acids continue to open a range of new product opportunities for the Company outside of our traditional focus on the infant formula market.

Clover's revenue growth is being supported by targeted investment in additional in-country staff to service customers. Continuing our focus on research and development of products remains a high priority for the Company.

Our balance sheet remains strong with cash of \$9.2m (2019: \$8.3m) that places the business well to support growth opportunities and service existing debt.

Based on the performance of Clover in FY20 the Directors have declared a fully franked final dividend for FY20 of 2.5 cent per share.

On behalf of the Board of Directors, I would like to thank our shareholders for their continued support. I would also like to acknowledge and thank our employees for their continued hard work, dedication and commitment to Clover.



**Mr Rupert Harrington**  
Chairman

Date: 18 September 2020

# MANAGING DIRECTOR'S REPORT

Our business continues to deliver on our key focus areas and grow the bottom line. FY20 has seen growth delivered from additional customers via new products and applications along with a solid performance from our traditional global customer base. Clover's revenue for the year ended 31 July 2020 was \$88.3 million (2019: \$76.7 million), an increase of 15.1% on the prior year. Net Profit After Tax for the year ended 31 July 2020 is reported at \$12.5 million (2018: \$10.1 million).

I am extremely proud of the people in our business. During the year we have faced many challenges, and our staff have adapted well to the increased demand, and challenges from customers, government authorities and COVID-19.

## COVID-19

During the COVID-19 pandemic the company priority has been the health and safety of its staff. COVID-19 plans were executed in March and remain in place to reduce the possibility of staff infection including splitting shifts, moving all roles possible to working from home and developing safe work practices across all sites. Clover's FY20 result has been positively impacted by COVID-19 as pantry stacking increased demand through Q3 & Q4 with all customers. Clover's strong inventory position has allowed it to respond to this increased demand.

Clover has not sought or received any government assistance through the pandemic. New customer development has been curtailed due to the inability to travel, perform audits, or attend trade shows. As travel has been curtailed by COVID-19 the company has invested in additional staff to service customers in-country in China, the EU and USA. Clover has continued to identify and develop new product opportunities although COVID-19 has impacted new product development by some customers.

## Key growth focus areas

New products driving future growth:

- Research & Development has a range of new products that have been created to fulfil customer requirements that will continue to deliver growth in the future.
- Clover's concentrated DHA powders have won additional business in a range of new applications covering bread, yoghurt, health bars and sports nutrition.
- Clover has participated in clinical trial work to prove the bioavailability of its products and the health benefits of DHA, adding to the credibility of product use and applications.

Infant formula maintains growth:

- EU legislation has taken effect, requiring a minimum of 20mg/100Kcal of DHA, which has positively impacted EU sales.
- China business has continued to grow, providing many customers who sell primarily into China with improved results and increasing demand for Clover's ingredients.
- China's DRAFT legislation requiring infant formula to contain a minimum 15mg/100Kcal of DHA and ARA has opened discussion for manufacturers to trial Clover's product as a solution.

New market development:

- Clover has grown sales across all markets, increasing exposure to food segments and applications.
- The company is selling into Asia, EU and USA a "stick pack" ready-to-drink formula containing DHA and high DHA gummies are in production in all markets.

## China

Customer demand has been strong, driven by COVID-19 influenced inventory build-up in China, with many customers having experienced increased spikes in demand as the distribution channels have emptied from pantry stacking through the online (CBEC) market and the 'Bricks and Mortar' retail market via 'Mum and Baby' stores. Clover has been in a strong position to respond to this demand. The Chinese government maintains its DRAFT legislation for infant formula, requiring all infant formula to incorporate a minimum of 15mg/100Kcal of DHA and equivalent dosing of ARA. Clover estimates the current average DHA level of infant formula sold in China to be 7mg/ 100Kcal of DHA, therefore when introduced the legislation could effectively double the use of DHA. Clover is well positioned to address these changes, offering products whose high DHA content readily addresses the increased DHA requirement, generally without major changes required to the customers' manufacturing processes. The proposed legislation has been discussed with local manufacturers and Clover is working with parties to achieve the new standard. It is expected that the legislation will be introduced with a two to three-year timeline allowing companies time to reformulate and conduct trials.

## Europe

In February 2020, all infant formula for the EU market moved to include 20mg/100 Kcal of DHA. Clover has benefited from the legislation changes, adding new customers who have adopted changed manufacturing approaches, moving to greater use of encapsulated oil products as supplied by Clover. Sales to existing customers have also grown to meet the increased DHA levels. Several new customer opportunities are still to be finalised, but COVID-19 travel restrictions are slowing their introduction and customer ability to audit Clover facilities to approve the new DHA inputs. Clover has added to its Business Development team in Europe and taken over more direct distribution, which has added new customers and new applications outside of the infant formula market. COVID-19 restrictions in the EU have slowed several new product development opportunities and made distribution of product difficult as borders have closed to road transport across some parts of Europe during the year.

## MANAGING DIRECTOR'S REPORT *continued*

### Asia & ANZ

The Asian, Australian and New Zealand markets have grown 8.3% in the financial year with new and existing customers providing a strong platform for future revenue. Clover invested in a new company 'Melody Dairies' in 2019 which has built a new Nutritional Spray Dryer in Hamilton, New Zealand during 2020. Clover owns 42% of the dryer and has access to 42% of its capacity to manufacture its products. The construction of the spray dryer is complete with qualification trials progressing well. Customer audits have been impacted by COVID-19 preventing travel, which will slow volume initially. The Melody Dairies dryer adds much needed capacity and risk reduction which will complement existing manufacturing in Australia and provide capacity to maintain growth.

### Americas

The USA has delivered 13.4% growth across FY20 which shows promise for the future. Clover has added a Business Development Manager into the North American market to support the distributor's activities and search out new segments for growth. Many of the new product development activities initiated at the start of FY20 have been put on hold due to COVID-19 travel, work, and resourcing restrictions. These projects are expected to start again when COVID-19 is under control in the USA.

### Research & Development

Clover's research and development team has worked with customers in solving several problems to deliver a high dosage of DHA into new products including sports bars, gummies, and compressed tablets. New products released during FY20 have enabled manufacturers to achieve higher DHA dosages than previously possible, and the pipeline of new product development has promising new applications for the future. During the year the company conducted a clinical trial in toddlers to examine the bioavailability of DHA from Clover's powder products included in toddler formula. This trial has shown that DHA included in the formula in powder (encapsulated) form has improved absorption over a toddler formula made by direct injection of DHA-containing oil.

### Balance Sheet and operating expenditure

The Company maintains a strong balance sheet, recording positive cashflow for the year, with minimal existing net debt levels, positioning it well for future investments. Overall operating expenses have been contained during 2020 at \$11.4 million (2019 \$10.3 million) maintaining our overhead cost base at a rate of \$0.129 (FY19 \$0.135) per dollar of revenue as production has expanded. Clover continues to benefit from improved economies of scale, with greater utilization of our facilities as production levels have increased. Clover benefited from a favourable exchange rate position for much of the financial year with a large percentage of sales in \$US, and hedging policies also delivering a positive outcome.

### Looking forward

Uncertainty from COVID-19 has the potential to impact demand both positively and negatively. The higher pantry stocking-driven demand of Q3 & Q4 FY20 appears to have resulted in reduced demand in 1H FY21 relative to 2H FY20. Clover continues to engage with its customers to maintain its market position, with first half FY2021 orders expected to be consistent with first half FY2020.



**Mr Peter Davey**  
Managing Director & CEO

Date: 18 September 2020

# ABOUT CLOVER

## Company Focus

Clover seeks to improve human nutrition and quality of life by developing value-added nutrients for use in foods or as nutritional supplements. In doing so, Clover provides a competitive advantage for its customers, value to shareholders and a working environment in which employees can fully utilise and develop their respective skills.

## Company History

Clover was formed in 1988 as a family-owned Australian company providing lipid-based ingredients for the food industry. Clover was listed on the ASX in November 1999.

In November 2002, Clover entered into a joint venture with the Queensland-based Food Spectrum Group of companies. The incorporated joint venture, Nu-Mega Ingredients Pty Limited (Nu-Mega), was 70% owned by Clover. The joint venture ceased in November 2007 when Clover acquired the remaining 30% of Nu-Mega to make it a wholly owned subsidiary. Nu-Mega has significantly expanded its markets, introducing new products with a focus on encapsulation technology and the delivery of bioactive nutritional ingredients.

## Company Operations

Clover operates from two sites:

- The Company's registered office and manufacturing plant for tuna oils and related products, Head Office, Customer Service, Quality Assurance, and Sales and Marketing departments are located in Altona, Victoria.
- Innovation, Research & Development, Product Development, Technical Support departments are located in Brisbane, Queensland.

## Company Technology and Products

The major focus of the Company is on the delivery of bioactive ingredients using proprietary encapsulation technology to produce ready-to-blend products containing tuna oil and/or other nutritional lipids. The health benefits of omega-3 fatty acids in the diet have been well documented and this has assisted in developing the expanding global market for products containing these nutritionally important dietary components. One material that Clover uses is tuna oil, which is high in DHA (docosahexaenoic acid), an essential fatty acid, which is recognized for its importance in brain, nerve and eye tissue development in babies and infants. Clover, through its subsidiary Nu-Mega, supplies refined Omega 3 oils and a range of other encapsulated ingredients for use in infant formula, nutraceuticals, pharmaceuticals, and sports nutrition markets.

In addition to its own internally developed intellectual property, Clover has licensed patented technology from the Commonwealth Scientific Industrial Research Organisation (CSIRO) for the encapsulation of marine and algal oils to protect them from oxidation and degradation. Nu-Mega's Driphorm® range of microencapsulated powders enables the addition of Hi-DHA® tuna and/or algal oils to a broad spectrum of products in a convenient and stable dry powder form. These ingredients are marketed globally.

Clover continues to seek other nutritional and medical applications for its products, as well as developing new types of products, often in conjunction with customers.

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Clover Corporation Limited ("the Company") and the entities it controlled ("the consolidated entity") at the end of, or during, the year ended 31 July 2020.

## Directors

The following persons were directors of Clover Corporation Limited during the financial year and up to the date of this report:



### **Mr Rupert A Harrington, BTech, MSc, CDipAF, MAICD.**

Non-Executive Director since 1 July 2015  
Appointed Chairman 21 September 2017

#### **Experience and special responsibilities**

Rupert Harrington is an experienced Director with a wealth of experience in business strategy and M & A.

Mr. Harrington's earlier career was in operational management in the UK and Australia. His career since 1987 has been in Private Equity where he has an excellent track record of delivering results for investors in sectors including: health, technology, industrial services and manufacturing. He is currently non-executive Chairman of Advent Partners, a pre-eminent mid-market Australian PE firm.

Mr. Harrington is non-executive Director of Pro Pac Packaging (ASX: PPG) and Integral Diagnostics (ASX: IDX). At the end of 2017 he resigned as a Non-Executive Director of Bradken Limited following its successful acquisition by Hitachi.



### **Mr Graeme A Billings, BCom, FCA, MAICD**

Non-Executive Director since 14 May 2013  
Chair of the Audit Committee  
Member of the Remuneration Committee  
Member of the Nomination Committee

#### **Experience and special responsibilities**

Mr Billings has been a Chartered Accountant since 1980. Mr Billings was a partner at Coopers and Lybrand and then PricewaterhouseCoopers (PwC) for 24 years.

Mr Billings was head of PwC's Melbourne Assurance practice for a number of years as well as Global Leader of PwC's Industrial Products and Manufacturing industry group.

Mr Billings brings a range of financial, corporate governance, internal control, commercial and corporate transactional skills to the Company.

#### **Other current non-executive company directorships:**

GUD Holdings Limited, appointed 2011  
Korvest Limited, appointed 2013  
Korvest Limited, Chairman appointed 2014  
Azure Healthcare, Chairman appointed 2015  
DomaCom Ltd, appointed 2014



### **Mr Peter J Davey, MBA, GradDip Bus., Dip.Art (Design), GAICD.**

Managing Director since 11 November 2014

#### **Experience and special responsibilities**

Mr Davey has a track record of building businesses across a diverse range of industry sectors. He has held senior management positions within a number of manufacturing and distribution companies operating in competitive and diverse markets. Mr Davey has particular strengths in sales and marketing, and development and implementation of strategies for growth.

Mr Davey was formerly Executive Manager AgriProducts and a director of Viterra Australia Limited, responsible for the AgriProducts division that traded in agricultural inputs, fertilizer, seed and wool. In earlier roles, Mr Davey headed the Sales and Marketing divisions of FMP Products and Hi Fert Pty Ltd.

During his career, Mr Davey has had a particular focus on marketing based businesses operating in the Asia and Oceania regions.



**Mr Ian D Glasson BEng (Hons) MIE Aust, GAICD**

Non-Executive Director since 1 February 2017

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Nomination Committee

**Experience and special responsibilities**

Mr Glasson is former CEO of PGG Wrightson based in Christchurch, New Zealand. He was formerly CEO of Gold Coin Group / Zuellig Agriculture which managed a portfolio of animal feed operations and farming ventures throughout South East Asia. Prior to that he was CEO for seven years of Sucrogen (formerly the sugar business of listed entity CSR and now owned by Wilmar) which generated revenues of nearly \$2 billion and had extensive contacts across the local and international food and beverage sector and retail market.

He has also had extensive agribusiness experience with Goodman Fielder and Gresham Rabo, as well as spending the first sixteen years of his career in the oil and gas sector with Esso.

**Other current company non-executive directorships:**

Ricegrowers Ltd, appointed 2016

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**Ms Cheryl L Hayman, B.Com, FAICD**

Non-Executive Director since 9 July 2008

Member of the Audit Committee

Member of the Remuneration Committee

Chair of the Nomination Committee

**Experience and special responsibilities**

Ms. Hayman has extensive consumer goods, packaged food and functional food industry experience including being former Marketing Director for the Baking Division of George Weston Foods (Australia/NZ) where she was largely responsible for leading the successful launch of the Hi-DHA Tip Top Up bread range.

Ms. Hayman contributes significant strategic and marketing expertise derived from a corporate career which spanned local and global organisations. Her skills include developing marketing and business strategy across diverse industry segments, driving innovation, stimulating new product development, and business planning and branding across social media platforms.

**Other current directorships:**

Non-Executive Director, HGL Ltd (ASX: HNG) appointed 2016

Non-Executive Director, Shiro Holdings Ltd appointed 2019

Non-Executive Director, Peer Support Australia appointed 2007

Non-Executive Director, Chartered Accountants Australia & New Zealand appointed 2018

Non-Executive Director, Darlinghurst Theatre Company

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**Dr Marilyn J Sleigh, B.Sc, PhD, DipCorp Man, FTSE, FAICD.**

Non-Executive Director since 9 July 2008

Member of the Audit Committee

Chair of the Remuneration Committee

Member of the Nomination Committee

**Experience and special responsibilities**

Dr Sleigh was trained as a Biochemist and was formerly CEO & Managing Director of EvoGenix Limited, an ASX-listed biotechnology company; Dean, Faculty of Life Sciences, University of NSW; Director, Research & Development at Peptech Limited and Scientist & Senior Manager, CSIRO.

She has served as a director of and advisor to a number of biotechnology companies Government bodies, and was until recently (retired June 2018) a director of Relationships Australia (NSW) and the Chair of its IT social enterprise RASE Pty Ltd, where she remains a director. She was a member of the Council of the University of Technology Sydney from 2014 to 2019 and continues to work with the University as a member of the Council's Commercial Activities Advisory Committee.

Dr Sleigh contributes extensive experience in strategic management of ASX-listed SMEs both as a director, and as a CEO. She also provides scientific research and development expertise relevant to Clover's Innovations program and commercialisation of its products.

## DIRECTORS' REPORT *continued*

Company Secretary **Mr Paul Sherman, B.Bus, CA, MBA**  
Appointed 25 November 2016

### **Experience and special responsibilities**

Mr Sherman is a Chartered Accountant with over 25 years' experience in executive finance roles across a broad range of industries.

### **Principal Activities**

The principal activities of the consolidated entity during the course of the financial year were the refining and sale of natural oils, the production of encapsulated powders and the research and product development of functional food and infant nutrition ingredients. There were no significant changes in the nature of the principal activities of the consolidated entity during the financial year.

### **Operating Results**

The results for this report are for the financial year ended 31 July 2020, the comparative period being the financial year ended 31 July 2019. Total revenue from sale of goods increased 15.1% to \$88,281,000. Net profit after tax is \$12,487,000 (2019: profit of \$10,101,000).

### **Review of Operations**

A full review of operations is included in the Chairman's Report appearing on page 4 and the Managing Director's report appearing on pages 5 to 6 of this Annual Report.

### **Employees**

The consolidated entity had 49 employees as at 31 July 2020 (2019: 42 employees).

### **Events Subsequent to Reporting Date**

No matter or circumstance has arisen since 31 July 2020 that has significantly affected, or may significantly affect the consolidated entity's state of affairs in future financial years.

### **Significant changes in the State of the Affairs**

Other than in the accompanying Financial Report, there were no significant changes in the state of the affairs of the consolidated entity during the financial year.

### **Likely Developments**

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its operating businesses during the next financial year.

### **Dividends**

A fully franked final dividend of 1.75 cent per share for the 12 months ended 31 July 2019 was paid on 20 November 2019. The total final 2019 dividend paid was \$3,943,000.

The Directors have declared a fully franked final dividend of 2.5 cent per share (\$4,158,000) in respect of the year ended 31 July 2020. The record date for this dividend will be 28 October 2020 with payment due on 18 November 2020. No interim dividend was paid for FY2020. The total dividend declared in respect to FY2020 is 2.5 cent per share, an increase of 0.125 cent per share compared with the total dividend declared for FY2019.

### **Environmental Regulations**

The consolidated entity's operations are subject to environmental regulations under the laws of the Commonwealth and State. The consolidated entity complies with all applicable environmental regulations.

## Directors' Meetings

The number of directors' meetings (including meetings of sub-committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Directors Meetings		Nomination Committee Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
R A Harrington	15	15	-	-	-	-	-	-
G A Billings	13	11	2	1	4	4	5	4
P J Davey	15	15	-	-	-	-	-	-
I D Glasson	13	13	2	2	4	4	5	5
C L Hayman	13	13	2	2	4	4	5	5
Dr M J Sleigh	13	12	2	2	4	4	5	5

## Insurance of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring its directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving lack of good faith. The contract covers any past, present or future director, secretary, executive officer or employee of the Company and its controlled entities. Further details have not been disclosed due to confidentiality provisions of the contract of insurance.

## Rounding Off of Amounts

The Company is of a kind referred to in ASIC Corporations Instrument (Rounding in Financial/ Directors' Reports) 2016/191, and accordingly amounts in the Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

## Unissued shares or interests under option

As of the date of this report there are 650,619 Performance Rights offers whose conditions have been met, entitling recipients to one share per right, which vest in 2020 or 2021, and an additional 336,287 performance rights available, subject to meeting relevant conditions.

## DIRECTORS' REPORT *continued*

### REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines the director and executive remuneration arrangements of the Company for the 2020 financial year in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It has been audited in accordance with section 300 of the *Corporations Act 2001* (as amended).

#### i. Key Management Personnel

Key Management Personnel (KMP) in this report are those individuals having responsibility for planning, directing and controlling the major activities of the Company during the financial year. They include Non-Executive Directors, Executive Directors, and Executive KMP. The Directors and Chief Executive Officer determined that those persons having authority and responsibility for planning, directing and controlling activities are as listed below.

Directors	Position
R A Harrington	Non-Executive Chairman
G A Billings	Non-Executive Director
P J Davey	Chief Executive Officer and Managing Director
I D Glasson	Non-Executive Director
C L Hayman	Non-Executive Director
Dr M J Sleigh	Non-Executive Director

#### Executive KMP

P J Davey	Chief Executive Officer and Managing Director
P A Sherman	Chief Financial Officer and Company Secretary

#### ii. Remuneration Policy

The Company operates from two locations in Australia and markets its products internationally. All Executive KMP are based in Australia.

Through an effective remuneration framework, the Company aims to:

- Provide fair and equitable rewards;
- Align rewards to business outcomes that are linked to creation of shareholder value;
- Stimulate a high performance culture;
- Encourage the teamwork required to achieve business and financial objectives;
- Attract, retain and motivate high calibre employees; and
- Ensure that remuneration is competitive in relation to peer companies in Australia.

#### iii. Remuneration Framework Responsibilities

The Board has established a Remuneration Committee to assist it in establishing a suitable remuneration framework for the Company. Responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the following issues:

- The structure of the total remuneration package (TRP) including base salary, other benefits, Short Term Incentive (STI) and share-based long term incentive for the CEO;
- The mechanism to be used to review and benchmark the competitiveness of this TRP;
- Changes in the amounts of different components of the TRP following annual performance review of the CEO;
- Review and consideration of the structure of incentive plans operating within the Company from time to time;
- The Key Performance Indicators (KPIs) to be set for the CEO for each financial year;
- Review of performance against these KPIs at the end of each financial year, and recommendation on the amount of STI to be paid to the CEO;
- Decision on whether the Long Term Incentive (LTI) Plan will be offered for any year; the number of performance rights to be awarded to the CEO and specified Executives under this plan when offered; and setting of associated performance indicators for future assessment;
- Determination of the number of performance rights vesting at the end of each assessment period of the LTI Plan, based on financial performance and other strategic indicators previously established; and
- The remuneration and any other benefits of the Non-Executive Directors.

The Remuneration Committee consists of four independent Non-Executive directors, Dr Marilyn Sleigh (Chair), Cheryl Hayman, Ian Glasson and Graeme Billings. The Company Secretary may act as secretary of the Remuneration Committee. The Board Chairperson and any other Non-Executive Directors may attend committee meetings in an *ex officio* capacity. Executives including the CEO, and any advisors retained by the Committee may attend by invitation. More information on Remuneration Committee meetings held during the year and Directors' attendance at these meetings can be found on page 11 of this report.

The Board is responsible for reviewing and resolving on recommendations from the Remuneration Committee. In addition it:

- Considers matters relating to remuneration of Executives reporting to the CEO;
- Approves the establishment of or amendment to employee share, performance rights and any other deferred incentive plan; and
- Considers matters related to Executive succession planning.

#### iv. Non-Executive Directors' Remuneration

A remuneration pool of \$500,000 for the payment of Non-Executive directors was approved by shareholders at the Annual General Meeting held in November, 2011. Total Non-Executive Directors' remuneration including superannuation paid at the statutory prescribed rate for the year ended 31 July 2020 was \$419,623 which is within the approved amount.

The Board believes that the remuneration approved for Non-Executive Directors must:

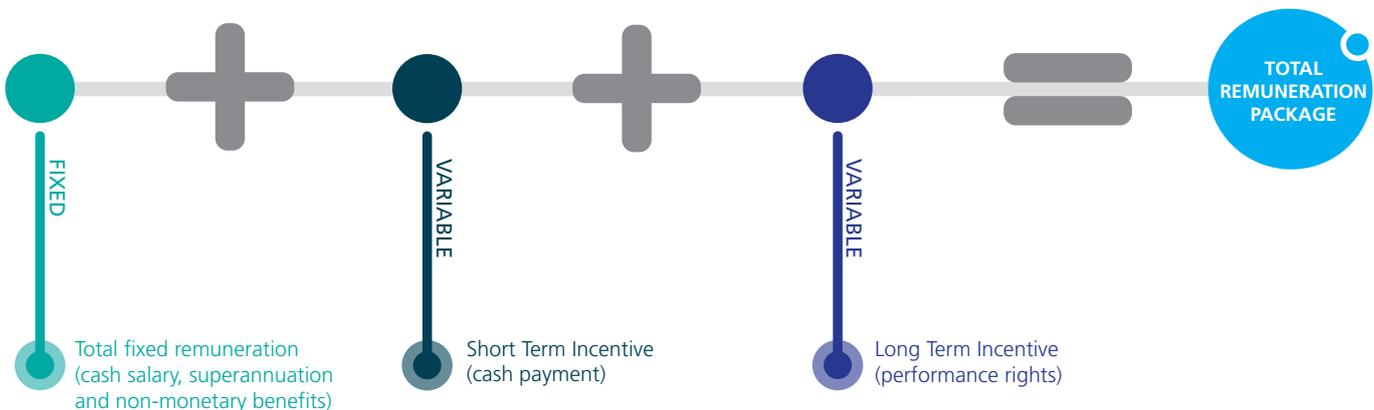
- enable the Company to attract and retain suitably qualified directors with appropriate experience and expertise; and
- be appropriate in the context of the overall financial performance of the company.

The Remuneration Committee reviews fees for Non-Executive directors annually, utilising data on and trends in Director and Chairperson remuneration in the relevant group of the top 500 ASX-listed companies in Australia (from published reports), as well as data obtainable on director remuneration in a number of peer companies either from the same industry or with similar market capitalisation and financial performance. Remuneration consultants (2019, Godfrey Remuneration Group) have been used every three years to assist in this process with an engagement for this purpose in FY19.

The Board has to date employed a simple remuneration policy whereby only fees and statutory superannuation benefits are payable. The table on page 16 of this report shows fees paid to Non-Executive Directors for the 2020 and 2019 financial years. Non-Executive Directors do not participate in any share or performance rights plans. Non-Executive Directors are entitled to reimbursement of travel or other reasonable expenses incurred by them in the course of discharging their duties.

#### v. Executive Remuneration and Link to Business Strategy

The diagram below outlines components which may be included as part of the TRP for Executives.



The Managing Director and specified Executives (Executives) are eligible for STI payments, while the Managing Director and Executives may also have access to an LTI in the form of Performance Rights. The most recent LTI Offer was made to the CEO and Executives in August 2020.

The total fixed remuneration of the Managing Director is set against market benchmarks by use of a remuneration consultant. The Company seeks this benchmark information every 2-3 years, including during FY19 for setting remuneration from FY20. Non-Executive Directors are responsible for appointing, briefing external consultants and managing this process. At other times, increases in fixed remuneration are determined by consideration of CPI salary increases applied across the whole company, and use of published information on CEO/MD salaries in the top 500 ASX-listed companies and in companies from related industries of similar market capitalisation and financial status, as described for review of fees for Non-Executive Directors.

The Company's Executive remuneration is directly linked to its business strategy. The Board engages in an annual strategy review with management, identifying key goals and challenges for the year and the longer term. Following this, business plans and an annual budget are prepared and approved, with KPIs (both financial and non-financial) established for the business.

## DIRECTORS' REPORT *continued*

These are the basis for KPIs for the CEO, set by the Board, and for other Executives, set by the CEO.

A formal review of the achievement of each Executive is conducted by the CEO annually and proposed changes in fixed remuneration and the STI to be paid are submitted to the Board for noting. As noted in section (iii) above, the performance of the CEO against agreed KPIs is reviewed by the Remuneration Committee, and recommendations on adjustment to total fixed remuneration and payment of the STI are made to the Board, for approval.

The STI is a variable cash payment with the maximum payment based on a percentage of the Executive's total fixed remuneration. For the Managing Director 50% applied in 2020 (50% in 2019), while for other Executives, 10-20% applied in 2020 (10-20% applied in 2019). The Company awards STI payments on evidence that the Executives have achieved stretching work plan objectives and dealt with unexpected challenges in a way that contributes to both short-term performance and long term prospects of the Company. The Board retains discretion to vary STI payments outside of the set formula to recognise overall company performance and changes in the Company's circumstances during the year.

KPIs set for the CEO and individual executives each year include financial, strategic and operational targets as summarised in the table below. The financial targets are set at two levels, with the initial target establishing a gateway to an entitlement to an STI payment.

KPI type	Percent contribution to STI	Description – Examples	Link to Company Strategy
Financial	40-60%	Achievement of revenue, profit and free cash flow targets set for the year in the annual budget.	Sets target for growth in sales and profits for each year, contributing to increasing shareholder value. Net free cash flow provides for further investment in the business and capacity to pay dividends each year.
Sustainability	20-40%	Establishment of agreed plans to secure the sustainability of the company and progress towards their implementation.	Sustainability KPIs address the medium to long term prospects for the company, including developing new products, technologies, expanding markets, contracting with customers and suppliers, forming alliances, and contributing to mitigation of business risk.
Strategic	20-50%	Commercial development of new products from the R&D team; expansion of sales – new products, new customers; meeting regulatory challenges; manufacturing efficiencies and cost effective sourcing of raw materials; effective management of inventory, debtors and creditors (working capital requirements).	Strategic KPIs address key priorities for the company to advance to the next stage of its planned strategic direction, in the key management areas of Sales and Marketing, R&D output, Manufacturing, Regulatory and Cash Management. Examples include fast-tracking the output from the R&D team into profitable products attracting new sales. Adjustment to the changing nature of the market, to raw material availability and to manufacturing efficiency are all required to maintain both short term performance of the Company, and longer term growth.

### vi. Long Term Incentive Plan

An LTI may be offered each year to the CEO at the discretion of the Board. The incentive, when offered, is in the form of Performance Rights (rights to receive shares in the Company) which are delivered according to the terms of the Clover Corporation LTI Plan and a Letter of Invitation from the Board to the CEO, setting out the terms for vesting of Performance Rights at the end of an assessment period. Performance Rights are issued for nil consideration and entitle the recipient to receive one Clover Corporation share at no cost for each Performance Right that vests at the end of the assessment period.

The number of Performance Rights offered for a financial year is determined from a percentage of the CEO's total fixed remuneration for that year. This dollar value is converted into a number of Performance Rights based on the Volume Weighted Average Price of Clover Corporation shares on the ASX for the two week period up to and including the last day of the previous financial year. Hurdles for vesting of Performance Rights reflect long term growth and financial performance of the Company relevant to current and future growth in shareholder value, including such parameters as Earnings per Share (EPS) growth over a three year period, Return on Equity (ROE) over the same period, and achievements in building the company's product portfolio, as reflected in New Product Sales.

Executives may also be invited to participate in the Company's LTI Plan. Performance Rights offered are on the same basis as for the CEO with the number calculated by taking a percentage of the Executive's total fixed remuneration for that year and converting this value to the number of Performance Rights granted using the same methodology as for the CEO, as described above.

Shares underlying Performance Rights that vest as a result of achievement of performance hurdles are either purchased on-market by the Company on behalf of the CEO and Executives, or shares can be issued provided that in the case of the CEO (who is also a director of the Company) shareholder approval is obtained. Any Performance Rights not vesting at the end of the assessment period lapse.

In the 2020 financial year the Company issued 1,128,408 shares to the Clover Corporation Ltd Employee Incentive Plans Trust (Clover EIPT). The Clover EIPT issued shares to plan participants upon exercising of the approved Rights.

The grants which were current during the financial year were:

Year of Offer	Performance conditions	Targeted result for year ended 31 July 2018	Targeted result for year ended 31 July 2019	Targeted result for year ended 31 July 2020	Targeted result for year ended 31 July 2021	Targeted result for year ended 31 July 2022
2017	Target – EPS	2.9c	3.4c	3.8c	-	-
	Max – EPS	3.7c	4.3c	4.6c	-	-
2017	Target – ROE (%)	14.7%	16.4%	17.8%	-	-
	Max – ROE (%)	18.8%	20.8%	22.8%	-	-
2018	Target – EPS	-	-	-	8.03c	-
	Max – EPS	-	-	-	9.18c	-
2019	Target – EPS	-	-	-	-	9.50c
	Max – EPS	-	-	-	-	10.70c

Note – 50% of the Performance Rights that are subject to a particular performance condition vest on achievement of the target, and a further 50% on achievement of the maximum. In relation to the 2018 and 2019 Performance Rights, the financial performance condition accounted for 50% of the total potential LTI and the other 50% is based upon achieving certain levels of New Product Sales.

As at 31 July 2020 the following are the performance rights whose conditions have been met, and their vesting profile:

	Balance at 31 July 2020	Rights granted plan dated	Rights exercisable after
P Davey	470,821	2017	31 July 2020
P Sherman	51,788	2017	31 July 2020
	<b>522,609</b>		

The most recent performance assessment period of the above 2017 Performance Rights ended on 31 July 2020 and the board of directors of the Company determined that the relevant performance conditions had been satisfied for the FY20 period. In consequence, the 2017 Performance Rights that have vested can now be exercised.

	Rights whose conditions were fulfilled in year ending 31 July 2018	Rights whose conditions were fulfilled in year ending 31 July 2019	Rights whose conditions were fulfilled in year ending 31 July 2020	Sub total Rights whose conditions were fulfilled	Rights yet to be fulfilled, subject to achievement of targets and service conditions	Rights Exercised & Exercisable	Total open Rights
	#	#	#	#	#	#	#
P Davey	329,736	329,736	156,940	816,411	240,173	(816,411)	240,173
P Sherman	36,362	36,362	17,263	89,988	26,231	(89,988)	26,231
	<b>366,098</b>	<b>366,098</b>	<b>174,203</b>	<b>906,399</b>	<b>266,404</b>	<b>(906,399)</b>	<b>266,404</b>

	Fair value of the rights as compensation \$	Fair value of the rights as compensation \$	Fair value of the rights as compensation \$	Fair value of the rights as compensation* \$
P Davey	514,388	1,015,586	282,460	1,812,434
P Sherman	56,726	111,999	31,048	199,773
	<b>571,114</b>	<b>1,127,585</b>	<b>313,508</b>	<b>2,012,207</b>

\* Note: The actual value of the Performance Rights will be dependent on the Clover share price at the time of vesting. Rights valued at 31 July 2020 ASX market price of \$2.22

## DIRECTORS' REPORT *continued*

### vii. Remuneration of Non-Executive Directors and Executive KMP

The following tables disclose details of the remuneration of the Directors and Executive KMP of the consolidated entity.

2020	Salary and Fees \$	Superannuation Contributions \$	STI Remuneration \$	Non-cash Benefits \$	LTI Remuneration \$	Total \$
<b>Directors</b>						
R A Harrington	114,624	10,889	-	-	-	125,513
G A Billings <sup>3</sup>	69,622	6,614	-	-	-	76,236
P J Davey <sup>1,2</sup>	441,094	25,000	197,060	5,906	282,460	951,521
I D Glasson	64,675	6,144	-	-	-	70,819
C L Hayman	64,675	6,144	-	-	-	70,819
Dr M J Sleigh <sup>3</sup>	69,622	6,614	-	-	-	76,236
	<b>824,312</b>	<b>61,406</b>	<b>197,060</b>	<b>5,906</b>	<b>282,460</b>	<b>1,371,144</b>
<b>Executive KMP</b>						
P A Sherman <sup>1,2</sup>	235,947	22,415	42,919	-	31,048	332,329
	<b>235,947</b>	<b>22,415</b>	<b>42,919</b>	<b>-</b>	<b>31,048</b>	<b>332,329</b>

<sup>1</sup> STI consist of amounts accrued in respect to year ending 31 July 2020

<sup>2</sup> LTI consists of fair value of rights whose conditions were fulfilled in year ending 31 July 2020

<sup>3</sup> ARC & Remuneration Committee Chair positions remuneration includes additional \$5,000pa

2019	Salary and Fees \$	Superannuation Contributions \$	STI Remuneration \$	Non-cash Benefits \$	LTI Remuneration \$	Total \$
<b>Directors</b>						
R A Harrington	97,867	9,297	-	-	-	107,164
G A Billings	58,528	5,560	-	-	-	64,088
P J Davey <sup>4,5</sup>	416,805	22,813	196,753	15,458	1,015,578	1,667,407
I D Glasson	58,528	5,560	-	-	-	64,088
C L Hayman	58,528	5,560	-	-	-	64,088
Dr M J Sleigh	58,528	5,560	-	-	-	64,088
	<b>748,784</b>	<b>54,350</b>	<b>196,753</b>	<b>15,458</b>	<b>1,015,578</b>	<b>2,030,923</b>
<b>Executive KMP</b>						
P A Sherman <sup>4,5</sup>	218,866	22,029	43,073	-	111,996	395,964
	<b>213,756</b>	<b>22,029</b>	<b>43,073</b>	<b>-</b>	<b>111,996</b>	<b>395,964</b>

<sup>4</sup> STI consist of amounts accrued in respect to 2019 (paid in 2020)

<sup>5</sup> LTI consists of an accrual value for performance rights that are expected to vest in 2020, and 2021, as noted above

### viii. Employment Contracts

There are no specific employment contracts with Non-Executive Directors. Non-Executive Directors are appointed under a letter of appointment and are subject to election and rotation requirements as set out in the ASX listing rules and the Company's constitution, per the 'Board Nomination Policy and Procedure for Selection and Appointment of Directors' policy, which can be viewed in the Corporate Governance section of the Company's website at [www.clovercorp.com.au](http://www.clovercorp.com.au).

Managing Director Mr Peter Davey was employed by the Company under a contract of employment dated 24 October 2017. The contract provides for base salary and continuing access to incentive remuneration subject to Remuneration Committee approval, 6 months' termination notice by either party, and non-solicitation and non-compete clauses.

#### Other Executives (standard contract)

All other Executives have rolling contracts. The Company may terminate the Executive's employment agreement by providing between one and three months' written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration), together with statutory termination entitlements. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

## Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Ordinary Shares	Performance Rights*
R A Harrington	471,781	-
G A Billings	50,000	-
P J Davey	213,444	470,821
I D Glasson	60,000	-
C L Hayman	230,000	-
Dr M J Sleigh	312,397	-
	1,337,622	470,821

\* There are an additional 240,173 performance rights available to Mr Davey subject to meeting relevant performance and employment conditions

## Auditor's Independence and Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the APES110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2020:

	\$
Taxation structural and compliance services	38,504
	38,504

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* has been received by the Directors, and a copy is attached at page 53.

Signed in accordance with a resolution of the Board of Directors.



Rupert Harrington  
Chairman  
Melbourne

Date: 18 September 2020

# CORPORATE GOVERNANCE

The Board of Clover Corporation Limited is committed to ensuring its policies and practices reflect good corporate governance and recognises that for the success of the Company an appropriate culture needs to be nurtured and developed throughout all levels of the Company.

This statement outlines the Company's Corporate Governance practices in place throughout the year, unless otherwise stated, and has been summarised into sections in line with the 8 core principles set out in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition".

## Principle 1 – Lay solid foundations for management and oversight

The Board is ultimately responsible for the operations, management and performance of the Company. In discharging this responsibility, the Board delegates to senior management whose role it is to manage the Company in accordance with the directions and policies set by the Board. The Board monitors the activities of senior management in the performance of their delegated duties.

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

Responsibilities of the Board include the following:

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

The Board has delegated responsibility for the following to management:

- Day to day management of the Company;
- Production of performance measurement reports;
- Managing the compliance and risk management systems;
- Management of staff including, appointment, termination, staff development and performance measurement.

The CEO is responsible for ensuring that the responsibilities delegated by the Board to management are properly discharged.

The performance of the CEO is evaluated by the Board with reference to the overall performance of the Company, its subsidiaries and associates in which the CEO represents the Company. Both qualitative and quantitative measures are used to evaluate performance.

The CEO evaluates the performance of the other senior executives and reports to the Board. The Board also reviews the performance of these executives via their attendance at Board meetings and the monthly Board reports.

The performance of the senior executives of the Company was assessed, as set out above, during the reporting period.

The Board is responsible for evaluating candidates and recommending individuals for appointment as Directors. The Company undertakes appropriate background and screening checks prior to nominating a Director for election by shareholders.

The Company maintains written agreements with each Director and senior Executives that sets out the terms of their appointment and outlines all relevant roles and obligations.

The Company Secretary is accountable to the Board, through the Chairman, and is responsible for advising the Board and its Committees on governance matters, monitoring the Board and ensuring Committee policies and procedures are followed, and coordinating the timely completion of Board and Committee papers.

## Diversity

The Company values and respects the skills that people with diverse backgrounds, experiences and perspectives bring to the organisation. The Company is committed to rewarding performance and providing opportunities that allow individuals to reach their full potential irrespective of background or difference. When appointing or promoting people within the organisation the most suitably qualified candidates are selected. As a result, diversity is promoted throughout the organisation.

In March 2012, the Company established a Diversity Policy to formalise its commitment to providing equal access to opportunities irrespective of background, beliefs or other factors. The policy may be viewed in the Corporate Governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au). The policy governs the conduct of the Company, its wholly owned subsidiaries and all Directors and employees of those entities.

The Company has adopted the ASX Corporate Governance Principles and Recommendations on diversity. As at 31 July 2020 the organisation had 49 employees. The proportion of women employees in the whole organisation as at 31 July 2020 was 37%. While the Company believes that this represents a good level of gender diversity, it will continue to ensure that neither gender nor any other differences interfere with the employment of individuals based on their suitability for the position available.

The proportion of women in senior executive positions as at 31 July 2020 was 17%. The Company's objective is to incrementally grow this as vacancies allow and suitably qualified candidates are available. The aim is to achieve female representation of 30% or more. The small number of senior executive positions within the organisation and the low turnover rate limits the opportunity to increase female representation in this area.

Two of the five Non-Executive Directors are women. The Board will continue to assess candidates on their skills, knowledge and experience and on the relevance of these to the Company's needs.

#### **Principle 2 – Structure the Board to add value**

The Company's constitution states that its Board is to comprise no less than three and no more than ten Directors. The names and details of the Directors of the Company at the date of this statement are set out in the Directors' Report.

At the date of this report the Board consisted of five Non-Executive Directors and one Executive Director. Each Director has undertaken to provide the Board with all information that is relevant to the assessment of his/her independence in a timely manner. The Board has assessed the independence of its members and is of the view that the following Directors are independent:

Mr R A Harrington – Non-Executive

Mr G A Billings – Non-Executive

Mr I D Glasson – Non-Executive

Ms C L Hayman – Non-Executive

Dr M J Sleigh – Non-Executive

The Company has established a Nomination Committee which currently consists of four independent Non-Executive Directors and is chaired by one of the independent Non-Executive directors. The Committee periodically reviews the Board's membership having regard to the Company's particular needs, both present and future. Where a Board member is due for re-election at the next Annual General Meeting, that Director abstains from consideration of their nomination for re-election.

The Company has a Board Nomination Policy that sets out the process by which new Director candidates are identified and selected, the use of professional intermediaries and the requirement for a diverse range of candidates to be considered. This policy may be viewed in the Corporate Governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au).

The Nomination Committee considers the structure, balance and skills of the Board in making decisions regarding appointment, retirement and nominations for re-election. When a vacancy occurs, the necessary and desirable skills, expertise and experience required to complement the Board are identified and a process to identify the most appropriate candidates is implemented. The committee engages recruitment consultants and other independent experts to undertake research and assessment as required.

Directors are initially appointed by the full Board, subject to election by the shareholders of the Company at the next Annual General Meeting. Under the Constitution, one third of the Board is required to retire from office each year. Retiring Directors may stand for re-election subject to approval by the Board.

The company has an established induction procedure which allows new Board appointees to participate fully and actively in Board decision making at the earliest opportunity.

## CORPORATE GOVERNANCE *continued*

The Board considers that the current Directors bring an appropriate mix of skills, breadth and depth of knowledge and experience and diversity to meet the Board's responsibilities and objectives. The range of skills and experience possessed by the each of the Directors is set out in the Directors' Report, and is summarised in the table below:

Skill Category	Description of Attribute	Current Board Representation
Board experience and governance	Demonstrated commitment to highest standards of governance, listed company expertise and member of governance body	Five Directors
Executive leadership, Capability as Board Chair or Committee Chair	Sustainable success in business at a Senior Executive level in relevant industries, including health, science, finance, investment, consumer goods	Five Directors
Healthcare, infant formula, nutrition sector experience, and working in the health sciences	Relevant business or Board experience in operational sectors, local or international; Knowledge of managing research, science and development in a high technology environment	Five Directors
Strategy Development	Experience in developing, implementing and challenging plans of action designed to achieve long term company goals and sustainable competitive advantage and growth	Five Directors
Financial and Risk Management	Experience in financial accounting and reporting, corporate finance, internal controls and/or experience in business risk management at a Board level in listed entity	Five Directors
Wholesale and Distribution; Inventory Management and Control	Knowledge of supply chain and inventory management; Experience working with manufacturing, production, supply chain, logistics and distribution nuances	Three Directors
Business Acquisition, Capital Projects and Integration	Experience working with large scale capital outlays and long-term investment horizons; M&A, new business acquisition experience, track record in developing an asset or business portfolio over the long term that remains resilient to systemic risk	Four Directors
Remuneration, Organisation Development	Background in an industry that has faced disruptive change; anticipating risks and facing major market change. Board Remuneration Committee membership or management in relation to remuneration, and organisational development or transformation	Five Directors
Technical IP Development, and Protection	Development and management of IP, trademarks and protection mechanisms for competitive advantage, both local and global scale; Knowledge and experience in commercialising new product development	Four Directors
Marketing, Sales and Communications	Senior executive experience in Marketing, Communications and Brand development; detailed understanding of corporate purpose to create long-term company value, external relationship building and valuable customer experiences	Three Directors

In the discharge of their duties and responsibilities the Directors, either individually or jointly, have the right to seek independent professional advice at the Company's expense. In respect of advice to individual Directors, the prior approval of the Chairman is required; such approval is not to be unreasonably withheld. The Chairman is entitled to receive a copy of any such advice obtained.

The Chairman is responsible for monitoring and assessing the performance of individual Directors, each Board committee and the Board as a whole. The Chairman interviews each Director and provides feedback regarding their performance. In 2020 each Director independently completed an external confidential assessment of the performance of the Board. The results of the assessments are compiled into a written report which is presented to the Board and discussed. The performance of each Director of the Company was assessed during the reporting period.

### Principle 3 – Act ethically and responsibly

#### Code of Conduct

The Company has an established code of conduct dealing with matters of integrity and ethical standards. The Board recognises the need for the Directors and employees to adhere to the highest standards of behaviour and business ethics.

All Directors and employees are expected to abide by the code of conduct which covers a number of areas including the following:

- Professional conduct and ethical standards;
- Compliance with laws and regulations;
- Relationships with shareholders, customers, suppliers and competitors;
- Confidentiality and continuous disclosure;
- Standards of workplace behaviour and equal opportunity;
- Privacy and anti-discrimination;
- Proper use of Company assets;
- The environment; and
- Investigation and reporting of breaches of the code.

#### Share Trading

The Company has established a share trading policy which may be viewed in the Corporate Governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au).

### Principle 4 – Safeguard integrity in financial reporting

The Company has an established Audit Committee, which has a formal charter outlining the committee's function, composition, authority, responsibility and reporting. The Audit Committee charter may be viewed in the Corporate Governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au).

There are currently four members of the Audit Committee, all of whom are non-executive Directors and are considered to be independent (refer to principle 2 above).

Mr Billings, who is the Chair of the Audit Committee, is not the Chairman of the Board. The Chairman of the Board is not a member of the Audit Committee (but may attend committee meetings in an *ex officio* capacity). The details of the Audit Committee members at the date of this statement and their attendance at meetings are set out in the Directors' Report.

The Non-Executive Chairman, CEO, and Company Secretary may attend Audit Committee meetings by invitation. The external auditors, PKF, are requested by the Audit Committee to attend appropriate meetings to report on the results of their half-year review and of their planning for and result of the full year audit.

The function of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements;
- The application and adequacy of risk management systems within the Company.

The CEO and the Chief Financial Officer are required to state in writing to the Board, by submission to the Audit Committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards. A declaration under Section 295A of the Corporations Act from the CEO and Chief Financial Officer has been received in respect of the current reporting period.

### Principle 5 – Make timely and balanced disclosure

The Board recognises the need to ensure that all investors have equal and timely access to material information regarding the Company and for announcements to be factual, clear, balanced and complete.

The Company has established a Continuous Disclosure Policy to ensure compliance with the ASX and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX company announcements platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities or which would materially influence the decision making of investors. Internal procedures are in place to ensure that relevant information is communicated promptly. The Company Secretary is the nominated continuous disclosure officer for the Company.

## CORPORATE GOVERNANCE *continued*

### Principle 6 – Respect the rights of security holders

The Board is committed to ensuring that shareholders are fully informed of all material matters affecting the Company in a timely manner.

The dissemination of information is mainly achieved as follows:

- An Annual Report is distributed (electronically if preferred) to shareholders in November each year;
- A newsletter is periodically distributed to shareholders;
- Announcements to the ASX and press releases advising of events which are of particular significance to the progress and prospects of the Company; and
- Significant information is also posted on the Company's website.

In addition, shareholders are encouraged to attend and participate in the Annual General Meeting (AGM) of the Company.

The external auditor attends the AGM to answer shareholders' questions with regard to the conduct of the audit and the content of the Auditor's Report.

### Principle 7 – Recognise and manage risk

The Company is committed to identifying and managing areas of significant business risk to protect shareholders, employees, earnings and the environment. Arrangements in place include:

- Regular detailed financial, budgetary and management reporting;
- Procedures to manage financial and operational risks;
- Established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters;
- Comprehensive insurance and risk management programs;
- Procedures requiring Board approval for all borrowings, guarantees and capital expenditure beyond minor levels;
- Where applicable, the utilisation of specialised staff and external advisors; and
- Regular operational audits undertaken by major customers.

Management is responsible for the design and implementation of a risk management and internal control system which manages the material business risks of the Company and reporting to the Board on whether those risks are being managed efficiently. Management reported to the Board on an ongoing basis during the current reporting period.

The Board of Directors regularly reviews the external risks to the Company. The Board reviews and approves management's plans to reduce the impact of potential risks and monitors progress against these plans.

The Company does not have an internal audit function. Management is responsible for the design and implementation of a risk management and internal control system which manages the material business risks of the Company and reporting to the Board on whether those risks are being managed efficiently. Management reported to the Board on an ongoing basis. The Board of Directors regularly reviews the external risks of the Company. The Board reviews and approves management's plans to reduce the impact of potential risks and monitors progress against these plans.

The Company does not have any exposure to economic, environmental and social sustainability risks to disclose during the reporting period.

The CEO and the Chief Financial Officer are required to state in writing to the Board, by submission to the Audit Committee, that the risk management and internal control compliance systems are operating efficiently and effectively. In their declaration under section 295A of the Corporations Act the CEO and Chief Financial Officer have made this statement in respect of the current reporting period.

### Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration Committee which currently consists of four independent, non-executive Directors. The Committee makes recommendations to the full Board on remuneration matters and other terms of employment for Executive Directors and Non-Executive Directors.

Senior executive performance is continually monitored by the CEO and the CEO's performance is subject to continuous monitoring by the full Board.

The remuneration of the CEO is reviewed annually by the Remuneration Committee, which consists of only Non-Executive Directors. The remuneration of the senior executive staff is reviewed annually by the full Board after taking into consideration the recommendations of the Remuneration Committee and the CEO.

The CEO and senior executive staff are remunerated by way of salary, performance incentive payments, non monetary benefits, and superannuation contributions.

Non-Executive Director's fees are reviewed periodically by the full Board after taking into consideration the Company's performance, market rates, level of responsibility and the recommendations of the Remuneration Committee. Non-Executive Directors are remunerated by way of fees in the form of cash and superannuation contributions and are not entitled to receive bonus payments or any equity based remuneration.

Remuneration is set so as to attract and retain suitable personnel and to motivate them to pursue the long term growth and success of the Company.

Further information of Directors' and Executive remuneration is set out in the Remuneration Report.

*For further information concerning the corporate governance practices of the Company refer to the corporate governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au).*



# FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

		2020 \$'000	2019 \$'000
	<b>Notes</b>		
Revenue	2	88,281	76,682
Other (expense)/income	2	(78)	732
Interest expense*		(588)	(330)
Raw materials, consumables & conversion costs		(58,566)	(52,762)
Marketing and sales expenses		(3,795)	(3,595)
Administration and corporate expenses		(5,361)	(4,989)
Research and development expenses		(2,195)	(1,750)
Share of net profit of investments accounted for under the equity method		(42)	(24)
Profit before income tax	3	17,656	13,964
Income tax (expense)	4	(5,169)	(3,863)
<b>Profit after tax for the period attributable to members of the parent entity</b>		<b>12,487</b>	<b>10,101</b>
<b>Other comprehensive profit/(loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		14	(8)
<b>Other comprehensive profit/(loss) for the year</b>		<b>14</b>	<b>(8)</b>
<b>Total comprehensive profit for the year</b>		<b>12,501</b>	<b>10,093</b>
<b>Earnings per share (EPS)</b>			
Basic earnings per share (cent per share)	20	7.51	6.12
Diluted earnings per share (cent per share)	20	7.45	6.07

\* Interest expense of \$330,000 was reported in 'Administration and corporate expenses' in July 2019

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2020

		2020 \$'000	2019 \$'000
	<b>Notes</b>		
<b>Current assets</b>			
Cash and cash equivalents	6	9,241	8,271
Trade and other receivables	7	16,781	18,446
Inventories	8	31,933	27,681
Other current assets – prepayments		1,118	958
		<b>59,073</b>	<b>55,356</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	5,756	5,777
Right of use assets	10	93	-
Investments in associates	11	13,580	10,461
Deferred tax assets	4	1,077	1,250
Intangible assets	12	1,907	1,907
		<b>22,413</b>	<b>19,395</b>
<b>Total assets</b>		<b>81,486</b>	<b>74,751</b>
<b>Current liabilities</b>			
Trade and other payables	13	8,009	12,517
Interest bearing liabilities	14	1,616	1,473
Lease liability		97	-
Current tax liabilities		584	2,970
Short-term provisions	15	630	603
		<b>10,936</b>	<b>17,563</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	14	12,904	11,986
Long-term provisions	15	77	61
		<b>12,981</b>	<b>12,047</b>
<b>Total liabilities</b>		<b>23,917</b>	<b>29,610</b>
<b>Net assets</b>		<b>57,569</b>	<b>45,141</b>
<b>Equity</b>			
Issued capital	16	35,368	32,920
Reserves	17	237	(166)
Retained profits		21,964	12,387
<b>Total equity</b>		<b>57,569</b>	<b>45,141</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Issued capital \$'000	Retained profits \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 1 August 2018	32,920	5,383	-	(158)	38,145
Profit attributable to members of the entity	-	10,101	-	-	10,101
Dividend paid	-	(3,097)	-	-	(3,097)
Foreign currency translation reserve	-	-	-	(8)	(8)
<b>Balance at 31 July 2019</b>	<b>32,920</b>	<b>12,387</b>	<b>-</b>	<b>(166)</b>	<b>45,141</b>
Balance at 1 August 2019	32,920	12,387	-	(166)	45,141
Share issue for period	2,448	-	-	-	2,448
Profit attributable to members of the entity	-	12,487	-	-	12,487
Dividend paid	-	(2,910)	-	-	(2,910)
Share-based payment reserve	-	-	389	-	389
Foreign currency translation reserve	-	-	-	14	14
<b>Balance at 31 July 2020</b>	<b>35,368</b>	<b>21,964</b>	<b>389</b>	<b>(152)</b>	<b>57,569</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

		2020 \$ '000	2019 \$ '000
	Notes		
<b>Cash flows from operating activities</b>			
Receipts from customers		89,786	73,493
Payments to suppliers and employees		(75,157)	(65,464)
Interest paid		(588)	(318)
Income tax paid		(7,380)	(2,920)
<b>Net cash inflow from operating activities</b>	19	<b>6,661</b>	<b>4,791</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(556)	(108)
Proceeds from sale of financial assets		-	4
Investment in Associates		(3,461)	(10,485)
<b>Net cash outflow from investing activities</b>		<b>(4,017)</b>	<b>(10,589)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	5 (a)	(2,910)	(3,097)
Repayment of interest bearing liabilities		(1,564)	(5,058)
Lease payments		(108)	-
Receipt of interest bearing liabilities		2,908	14,330
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1,674)</b>	<b>6,175</b>
<b>Net increase in cash held</b>		<b>970</b>	<b>377</b>
Cash and cash equivalents at the beginning of the period		8,271	7,894
<b>Cash and cash equivalents at the end of the period</b>	6	<b>9,241</b>	<b>8,271</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Clover Corporation Limited (“the Company”) and controlled entities (“the consolidated entity” or “the Group”). Clover Corporation Limited is a listed public company, incorporated and domiciled in Australia.

### Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated entity has applied the relief available to it in ASIC Corporations Instrument (Rounding in Financial/ Directors' Reports) 2016/191 and accordingly amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The financial report was authorised for issue on 18 September 2020 by the Board of Directors.

### A. (i) Changes in accounting policy and disclosures, standards and interpretations

This Note 1 details the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

The consolidated entity has adopted all amendments to Australian Accounting Standards which became applicable for the consolidated entity from 1 August 2019.

#### AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 August 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. The consolidated entity has applied the modified retrospective approach (with the application of practical expedients) equating the 'right-of-use' asset (ROUA) with the value of the lease liability, thus requiring no restatement of retained profits or prior period comparatives.

Subject to exceptions, a ROUA has been capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a ROUA is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease has also be recognised. Straight-line operating lease expense recognition has been replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (operating activities) component.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### *Impact on adoption*

	<b>\$'000</b>
Operating lease commitments as at 1 August 2019	251
less short-term leases not recognised as right-of-use assets	(32)
	219
Discounted at the incremental borrowing rate of 8%	204
Lease liability recognised at 1 August 2019	204

#### **A. (ii) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 July 2020. The consolidated entity has assessed that there will not be a significant impact arising on adoption of these new or amended Accounting Standards and Interpretations.

#### **B. Principles of consolidation and investment in associates**

##### **Investment in controlled entities**

The consolidated financial statements incorporate the financial statements of Clover Corporation Limited and entities controlled by the Company and its subsidiaries. Control is achieved when the Company is exposed or has rights to variable returns for its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 July.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 consolidated entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

##### **Investment in associates**

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### C. Income tax

The income tax expense (credit) for the period comprises current income tax expense (credit) and deferred tax expense (credit).

Current income tax expense (credit) charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. In determining the current tax position, Research and Development incentive allowances are accounted as tax credits, reducing income tax payable and current tax expense.

Deferred income tax expense (credit) reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense (credit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### *Tax consolidation*

Clover Corporation Limited and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under tax consolidation legislation.

### D. Inventories

Raw materials, work in progress and finished goods are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

### E. Property, plant and equipment

Each class of property, plant and equipment is carried at cost, less where applicable any accumulated depreciation and impairment losses (which are accounted in accordance with policy 1(j)).

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the operating profit or loss during the financial period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### *Depreciation*

The depreciable amount of all fixed assets including capitalised lease assets, are depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of asset</b>	<b>Depreciation Rates</b>		
Buildings, at cost	4.00%	-	15.00%
Plant and equipment, at cost	5.00%	-	33.33%
Furniture and equipment, at cost	4.80%	-	40.00%

The residual values, useful lives and methods of depreciation or property plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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 are recognised in the statement of comprehensive income.

### *De-recognition*

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in operating profit or loss.

### **F. Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### **G. Leases**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts of lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **H. Financial instruments**

Financial instruments are recognised initially on the date that the consolidated entity becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs, except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred.

### *Financial assets*

All recognised financial assets are subsequently measured at either amortised cost using the effective interest rate method or fair value depending on their classification.

The consolidated entity's financial assets are measured at amortised cost and comprise trade and other receivables and cash and cash equivalents.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

### *Allowance for expected credit losses (ECL)*

For trade receivables and contract assets, the consolidated entity applies a simplified approach in calculation of ECLs. Thus, the consolidated entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The consolidated entity's current impairment allowance has been based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The loss allowance is recognised in profit or loss.

### *Financial liabilities*

The consolidated entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the consolidated entity comprise trade payables, bank and other loans and lease liabilities.

#### **I. Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **J. Intangibles**

##### *Goodwill*

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of the consideration transferred and the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the consolidated entity's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

#### **K. Foreign currency transactions and balances**

##### *Functional and presentation currency*

The functional currency of each of the consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

##### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### L. Cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in at-call deposits with banks or financial institutions, net of bank overdrafts, and investments in money market instruments with less than 14 days to maturity.

### M. Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable, after taking into account any trade discounts and volume rebates allowed, to the extent that it is probable that economic benefit will flow to the consolidated entity and the revenue can be reliably measured.

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract; identifies the performance obligations in the contract; and determines the transaction price; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue from sale of inventory is recognised at the point in time when control of the assets are transferred to the customer, which is generally upon delivery.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

#### *Contract assets*

A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Group performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### *Contract liabilities*

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### N. Trade and other payables

Trade and other payables represent liabilities outstanding at the end of the reporting period for goods and services received by the consolidated entity during the reporting period, which remain unpaid. Amounts are unsecured and are presented as current liabilities. They are normally settled in accordance with the terms agreed with the respective creditors.

### O. Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with entitlements arising from wages, salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

### P. Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, from which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### Q. Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards in respect of shares, in the form of performance rights, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). 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 consolidated entity's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether 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 award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

#### R. Goods & services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### S. Earnings per share

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

##### *Diluted earnings per share*

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

#### T. Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers.

#### U. Comparative figures

Where required by the Accounting Standards comparative figures have been adjusted to conform with changes in presentation in the current financial period.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### V. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data; obtained both externally and within the consolidated entity.

#### Key estimate

##### *Impairment*

The consolidated entity assesses impairment at each reporting date by evaluating conditions and events specific to the consolidated entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations performed. In assessing recoverable amounts a number of key estimates are made.

##### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

#### Key judgements

##### *Impairment of goodwill:*

Goodwill is allocated to the tuna oil cash-generation units which are based on the controlled entity's' principal activities. The Company assessed the recoverable amount of goodwill and determined that no impairment was required at reporting date. Recoverable amounts of relevant assets are reassessed using value-in-use calculations that incorporate various key assumptions.

Refer to Note 12 for further details on the assumptions used in these calculations.

##### *Inventory realisation:*

The measurement of inventory at the lower of cost and net realisable value requires judgements to be made in respect of the forecast demand for the consolidated entity's products and the matching of raw material purchasing and the manufacturing process to meet forecasts. The possibility that inventory lines may exceed optimum levels or be obsolete is factored into adjustments necessary to measure inventory at net realisable value, should it be determined to be lower than cost.

Certain lines of inventory are carried at net realisable value, that being lower than cost (refer to Note 8). The impact of net realisable value adjustments on the financial result for the year is disclosed in Note 3.

##### *Income tax:*

Deferred tax assets are recognised for unused tax losses and tax offsets to the extent that it is probable that taxable profit will be available against which the losses and offsets can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

	Consolidated	
	2020 \$'000	2019 \$'000
<b>2. REVENUE AND OTHER INCOME</b>		
<b>Operating activities:</b>		
Sales of goods	88,281	76,682
<b>Other income:</b>		
Net exchange gains	-	716
Proceeds on sale of investments	-	4
Interest revenue	2	12
	2	732
<b>Total revenue</b>	<b>88,283</b>	<b>77,414</b>

The disaggregation of revenue from contracts with customers is as follows:

**Timing of revenue:**

Goods transferred at a point in time	88,281	76,682
--------------------------------------	--------	--------

**Geographical location:**

Australia / New Zealand	46,021	38,713
Asia	26,307	28,101
Europe	11,505	5,944
Americas	4,448	3,924
	88,281	76,682

**3. EXPENSES**

Profit before income tax includes the following items:

<b>Employee benefits expense:</b>	6,984	7,334
<b>Inventory impairment charge/(recoveries):</b>	(230)	(417)
<b>Depreciation and amortisation:</b>		
– buildings	205	194
– plant and equipment	308	195
– office furniture and equipment	56	20
– right-of-use assets	110	-
	679	409
<b>Net exchange losses</b>	78	-
<b>Interest expense</b>	590	330
<b>Minimum lease payments:</b>		
– operating lease	97	127
– short term leases	365	-

**4. INCOME TAX EXPENSE:**

**A. The components of tax expense comprise:**

Current tax	4,996	4,611
Deferred tax asset	173	(748)
	5,169	3,863

**B. Reconciliation of income tax expense/(credit):**

The aggregated amount of income tax expense attributable to the period differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

Prima facie tax payable on profit before income tax at 30%	5,297	4,189
<b>Tax effect amounts:</b>		
– Research and development claim	(121)	(148)
– Sundry other	(7)	(178)
<b>Income tax expense/(credit) attributable to profit</b>	<b>5,169</b>	<b>3,863</b>

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2020 \$'000	2019 \$'000
<b>C. Deferred tax assets</b>		
Deferred tax asset	1,077	1,250
The deferred tax assets balance comprises the following temporary differences:		
Impairment of inventory	106	236
Provisions	538	331
Unrealised foreign exchange	245	(122)
Other temporary differences	188	805
	<b>1,077</b>	<b>1,250</b>
Reconciliation:		
Opening balance	1,250	502
(Charges) / credits to income statement	(173)	748
Closing balance	<b>1,077</b>	<b>1,250</b>

### 5. DIVIDENDS

#### A. Dividend paid during the period

Final dividend for the year ended 31 July 2019 of 1.75 cent per share (2018FY: 1.25 cent per share) fully franked at the tax rate of 30%, paid 20 November 2019	2,910	2,065
Interim dividend for the year ended 31 July 2020 of 0.00 cent per share (2019FY: 0.625 cent per share)	0	1,032
	<b>2,910</b>	<b>3,097</b>

#### Franking account balance

Franking credits available for subsequent financial years	12,328	6,614
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The above available amounts are based on the balance of the dividend franking account at the period end adjusted for franking credits that will arise from the payment of the current tax liability; franking debits that will arise from payment of dividends recognised as a liability at period end; and franking credits that will arise from dividends recognised as a receivable at period end.

There were no dividend or distribution reinvestment plans operating during the financial period.

#### B. Dividends declared after reporting date

The Directors have declared a final dividend for the financial year ended 31 July 2020 of 2.5 cent per share (2019: final 1.75 cent per share) fully franked at 30%, payable on 18 November 2020, but not recognised as a liability at the end of the financial period. The record date for this dividend will be 28 October 2020.

	Consolidated	
	2020 \$'000	2019 \$'000
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	9,241	8,271
	<b>9,241</b>	<b>8,271</b>

## 7. TRADE AND OTHER RECEIVABLES

### Current

Trade debtors	16,719	17,428
Less allowance for expected credit losses	-	(9)
Other debtors	62	1,027
<b>Total current trade and other receivables</b>	<b>16,781</b>	<b>18,446</b>

### Provision for impairment of receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement between 30 and 120 days and therefore are classified as current. Other receivables generally arise from transactions outside the usual operating activities of the consolidated entity. Settlement timeframes may vary, though their classification is current.

Refer to Note 24 for more information on credit risk of trade and other receivables.

## 8. INVENTORIES

Raw materials	12,624	13,127
Goods in transit	1,603	1,310
Finished goods	17,706	13,244
<b>Total inventories</b>	<b>31,933</b>	<b>27,681</b>

## 9. PROPERTY, PLANT AND EQUIPMENT

Land, at cost	2,000	2,000
Buildings, at cost	4,003	3,845
Less: accumulated depreciation	(1,333)	(1,128)
<b>Total Buildings</b>	<b>2,670</b>	<b>2,717</b>
Plant and equipment, at cost	4,458	4,229
Less: accumulated depreciation	(3,537)	(3,239)
<b>Total plant and equipment</b>	<b>921</b>	<b>990</b>
Furniture and equipment, at cost	445	294
Less: accumulated depreciation	(280)	(224)
<b>Total furniture and equipment</b>	<b>165</b>	<b>70</b>
<b>Total property, plant and equipment</b>	<b>5,756</b>	<b>5,777</b>

Reconciliation of the carrying amounts of each class of asset at the beginning and the end of the current financial period:

<b>Land</b>		
Balance at beginning of the period	2,000	2,000
Carrying amount at the end of the period	2,000	2,000

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2020 \$'000	2019 \$'000
<b>Buildings</b>		
Balance at beginning of the period	2,717	2,911
Additions	158	-
Depreciation expense	(205)	(194)
Carrying amount at the end of the period	2,670	2,717
<b>Plant and equipment</b>		
Balance at beginning of the period	990	1,124
Additions, net of disposals	247	46
Foreign currency translation	(8)	15
Depreciation expense	(308)	(195)
Carrying amount at the end of the period	921	990
<b>Furniture and equipment</b>		
Balance at the beginning of the period	70	27
Additions, net of disposals	151	62
Foreign currency translation	-	1
Depreciation expense	(56)	(20)
Carrying amount at the end of the period	165	70

### 10. RIGHT OF USE ASSETS

Right of use assets – premises	204	-
Less: accumulated depreciation	(111)	-
	93	-
Balance recognised upon transition	204	-
Depreciation expense	(111)	-
Carrying amount at end of period	93	-

### 11. INVESTMENT IN ASSOCIATES

Investment in Melody Dairies, at cost	13,580	10,461
<b>Total Investment in associates</b>	<b>13,580</b>	<b>10,461</b>

Through an agreement with three other investing parties on 5 November 2018 the consolidated entity has a 41.9% interest in Melody Dairies, a limited partnership established for the purpose of undertaking construction and operation of a manufacturing facility in New Zealand. The objective of the project is to enable expansion of the consolidated entity's capacity to deliver its products to the market, through its equity interest in the project.

The consolidated entity's interest in Melody Dairies is accounted using the equity method in the consolidated financial statements. As of the reporting date, the consolidated entity's investment is represented by its share of assets under construction, cash and related working capital amounts to an equity accounted total of \$13,622,000, net of \$42,000 in equity accounted operating losses.

### 12. INTANGIBLE ASSETS

Goodwill on acquisition, at cost	1,907	1,907
<b>Total intangible assets</b>	<b>1,907</b>	<b>1,907</b>

There were no acquisitions of controlled entities in 2020 (2019: None).

#### A. Impairment assessment

Goodwill is allocated to the tuna oil cash-generating unit which is based on the controlled entities' principal activities.

During the 31 July 2020 financial year, the Company assessed the recoverable amount of goodwill relating to the tuna oil segment and determined that goodwill is not impaired. The recoverable amount of the cash-generating unit, being the assets of the cash-generating unit and goodwill, was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period approved by the Board of Directors. The cash flows are discounted using a rate of 12% and 2% annual growth rates. Management believes that any reasonable possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount of the cash generating unit to exceed its recoverable amount.

	Consolidated	
	2020 \$'000	2019 \$'000
<b>13. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade creditors	6,298	7,967
Sundry creditors and other accruals	1,711	4,550
	<b>8,009</b>	<b>12,517</b>
<b>14. INTEREST BEARING LIABILITIES</b>		
Current interest bearing liabilities	1,616	1,473
Non-current interest bearing liabilities	12,904	11,986
	<b>14,520</b>	<b>13,459</b>

#### A. Assets pledged as security

The interest bearing liabilities are secured by a first mortgage over the investment in Melody Dairies (with a carrying value of \$13.58m), land and buildings (with a carrying value of \$4.67m), as well as a general charge over the consolidated entity's assets.

#### 15. PROVISIONS

Aggregate employee entitlements:

Current	630	603
Non-current	77	61
Total employee entitlements	<b>707</b>	<b>664</b>

#### 16. ISSUED CAPITAL

##### A. Issued and paid up capital

166,310,104 (2019:165,181,696) fully paid ordinary shares	35,368	32,920
Total contributed equity	<b>35,368</b>	<b>32,920</b>

The Company has issued share capital amounting to 166,310,104 ordinary shares of no par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

##### B. Movement in ordinary shares

The Company issued 1,128,408 shares during the financial period at a value of \$2,448,000.

##### *Rights to capital*

At the reporting date there were 650,619 performance rights offers whose conditions had been met, entitling recipients to one share per right, which vest in 2021, and an additional 336,287 performance rights available, subject to meeting relevant conditions.

##### C. Capital management

The Company's objective in managing capital is to continue to provide shareholders with attractive investment returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 31 July 2020 gross debt was \$14,520,000 (2019: \$13,459,000).

There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2020 \$'000	2019 \$'000
<b>17. RESERVES</b>		
Foreign currency translation	(152)	(166)
Share-based payment reserve	389	-
<b>Total</b>	<b>237</b>	<b>(166)</b>

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign subsidiaries.

The Long Term Incentive Plan grants shares in the Company to certain employees. The fair value of performance rights granted under the Long Term Incentive Plan is recognised as an employee expense with a corresponding increase in the equity reserve.

### Share-based payments

Certain employees (including key management personnel) have been granted performance rights under the consolidated entity's Long Term Incentive Plan during the current and previous financial year.

The performance rights do not give the holder a legal or beneficial interest in ordinary fully paid shares in the Company until those rights vest. Prior to vesting, performance rights do not carry a right to vote or receive dividends. When the performance rights have vested, ordinary fully paid shares will be allocated, and these shares will rank equally with existing shares.

The following table summarises the performance conditions in respect of grants active during the current and prior year.

	Targeted result year ended 31 July 2019 (tranche 2)	Targeted result year ended 31 July 2020 (tranche 3)	Targeted result year ended 31 July 2021	Targeted result year ended 31 July 2022
Issue date	August 2017	August 2017	August 2018	August 2019
Vesting and test date	July 2019	July 2020	July 2021	July 2022
Performance conditions				
Target – EPS	3.4c	3.8c	-	-
Max – EPS	4.3c	4.6c	-	-
Target – ROE (%)	16.4%	17.8%	-	-
Max – ROE (%)	20.8%	22.8%	-	-
Target – EPS	-	-	8.03c	-
Max – EPS	-	-	9.18c	-
Target – EPS	-	-	-	9.50c
Max – EPS	-	-	-	10.70c

50% of the performance rights that are subject to a particular condition vest on achievement of the target, and a further 50% on achievement of the maximum. In relation to the rights issued in 2018 and 2019, the performance condition shown in the table accounts for 50% of the total potential LTI and the other 50% is based upon achievement of targeted levels of new product sales.

The movement in the number of rights on issue is summarised in the following table.

Number of rights	Opening balance	Granted			Closing balance	Weighted average fair value of grants issued \$'000
		Fulfilled	(Vested)	To be fulfilled		
<b>31 July 2019</b>						
Total rights	455,790	455,746	-	405,740	1,317,276	\$1,550
<b>31 July 2020</b>						
Total rights	1,317,276	-	(1,128,408)	147,420	336,288	\$576

The weighted average fair value of the performance rights granted to employees was historically determined on the basis of the price paid by the Company to acquire the settlement shares on market.

In the current financial year the weighted average fair value of the rights granted has been calculated by an independent valuer at the date the rights were granted, using a binomial option pricing model. Particulars in respect of the fair value of performance rights granted during the year is set out below:

Weighted average fair value	\$2.77
Weighted average life of the rights	2.3 years
Expected share price volatility	55%
Risk-free interest rate	0.63%

	Consolidated	
	2020 \$'000	2019 \$'000
<b>18. PARENT COMPANY INFORMATION</b>		
Current assets	5,576	5,899
Non-current assets	22,253	22,063
<b>Total assets</b>	<b>27,829</b>	<b>27,962</b>
Current liabilities	512	189
<b>Total liabilities</b>	<b>512</b>	<b>189</b>
<b>Net assets</b>	<b>27,315</b>	<b>27,773</b>
<b>Equity</b>		
Issued capital	35,368	32,920
Accumulated losses	(8,053)	(5,147)
<b>Total equity</b>	<b>27,315</b>	<b>27,773</b>
Net profit for the period before other comprehensive income	3	9,910
Total comprehensive income for the period	3	9,910
Earnings per share (cents per share)	0.0c	6.0c

	Country of Incorporation	Percentage Owned	
		2020 %	2019 %
<b>Controlled entities:</b>			
Clover Corporation Ltd Employee Incentive Plans Trust	Australia	100	100
Nu-Mega Ingredients Pty Limited	Australia	100	100
<b>Subsidiaries:</b>			
– Nu-Mega Ingredients Limited	United Kingdom	100	100
– Nu-Mega Ingredients Limited	United States of America	100	100
– Nu-Mega Ingredients (NZ) Limited	New Zealand	100	100
– Nu-Mega Ingredients NL B.V.	Netherlands	100	100

#### Contingent liabilities

There are no contingent liabilities at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2020 \$'000	2019 \$'000
<b>19. RECONCILIATION OF CASH FLOW</b>		
Reconciliation of cash flow from operating activities to operating profit		
Profit for the period	12,487	10,101
<b>Non cash items:</b>		
– Amortisation and depreciation	679	409
– Foreign exchange on international assets & liabilities	67	-
– Employee benefits not paid in cash	590	-
<b>Change in assets and liabilities, net of the effects of purchase of subsidiaries</b>		
Decrease/(Increase) in receivables	1,666	(3,189)
(Increase)/Decrease in other assets	(160)	(302)
(Increase)/Decrease in inventories	(4,252)	(7,913)
(Decrease)/Increase in payables	(2,247)	4,689
(Decrease)/Increase in employee entitlements	43	45
Decrease/(Increase) in deferred tax assets	174	(748)
(Decrease)/Increase in current tax liabilities	(2,386)	1,699
Net cash inflow from operating activities	6,661	4,791

## 20. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

### A. Reconciliation of earnings to net profit or loss

Profit attributable to members of the parent entity	12,487	10,101
Earnings used to calculate basic and diluted EPS	12,487	10,101

### B. Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share

166,310,104	165,181,696
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### C. Weighted average number of ordinary shares outstanding during the period used in the calculation diluted earnings per share

166,636,294	166,498,972
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### D. Basic earnings per share (cents per share)

7.51c	6.12c
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### E. Diluted earnings per share (cents per share)

7.45c	6.07c
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2020 \$	2019 \$
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## 21. AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity in respect of:

– Auditing and reviewing the financial reports of the Company and the controlled entities	95,000	93,000
– Taxation structuring and compliance services	38,504	29,975
	133,504	122,975

## 22. RELATED PARTY TRANSACTIONS

### A. Ultimate parent entity:

Clover Corporation Limited is the ultimate parent entity of the consolidated entity.

### B. Ownership interests:

Information in relation to ownership interest in controlled entities is provided in Note 18.

## 23. KEY MANAGEMENT PERSONNEL COMPENSATION

A. Names and positions held in the consolidated entity of key management personnel in office at any time during the period were:

Name	Position
<b>Directors</b>	
R A Harrington	Non-Executive Chairman
G A Billings	Non-Executive Director
P J Davey	Chief Executive Officer and Managing Director
I D Glasson	Non-Executive Director
C L Hayman	Non-Executive Director
Dr M J Sleigh	Non-Executive Director

### Executive KMP

P A Sherman	Chief Financial Officer and Company Secretary
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Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. The table below summarises the total compensation:

	2020 \$	2019 \$
Short-term benefits	1,389,965	1,299,313
Long-term benefits	313,508	1,127,574
	<b>1,703,473</b>	<b>2,426,887</b>

### B. Performance rights:

There were 522,609 Performance Rights offers available to key management personnel whose conditions have been met as at 31 July 2020, which vest during 2021 or 2022. There were an additional 266,404 Performance Rights offers available to key management personnel, subject to meeting relevant conditions. The right to convert 383,790 Performance Rights to key management personnel was satisfied in financial year ending 31 July 2020.

### C. Shareholding:

	Balance 31 July 2019	Shares Purchased & (Sold)	Balance 31 July 2020
<b>Directors</b>			
R A Harrington	433,751	38,030	471,781
G A Billings	50,000	-	50,000
P J Davey	23,454	189,990	213,444
I D Glasson	60,000	-	60,000
C L Hayman	200,000	30,000	230,000
Dr M J Sleigh	312,397	-	312,397
	<b>1,079,602</b>	<b>258,020</b>	<b>1,337,622</b>

## 24. MANAGEMENT OF FINANCIAL RISK

The consolidated entity's principal financial instruments consist of cash, deposits with bank, accounts receivable, payables and borrowings.

### Financial risk management policies

The consolidated entity manages its exposure to key financial risks, including interest rate and currency risk in accordance with the consolidated entity's financial risk management policies. The majority of sales are transacted in US dollars and Australian dollars. The objective of the policies is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with the audit and risk committee under the authority of the board. The board reviews and agrees policies for managing each of the risks identified below, including the review of credit risk policies and future cash flow requirements.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### Specific financial risk exposures and management

The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. Interest rate risk is not significant given the consolidated entity has minimal borrowings. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign exchange risk and assessments of market forecasts for foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk is monitored through the development of future rolling cash flow forecasts.

#### A. Foreign currency risk

As a result of the consolidated entity having cash balances, trade receivables and trade payables denoted in foreign currency, the consolidated entity's statement of financial position can be affected by movements in the relevant exchange rates relative to the Australian dollar. The consolidated entity utilises foreign exchange hedges to manage its exposure to currency fluctuations arising from the purchase of goods and services in foreign currency.

At 31 July 2020, the consolidated entity had the following financial assets and liabilities denominated in foreign currency.

	2020 \$'000	2019 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	442	3,414
Trade and other receivable	13,412	15,165
<b>Total financial assets</b>	<b>13,854</b>	<b>18,579</b>
<b>Financial liabilities</b>		
Trade and other payables	(14,736)	(2,797)
<b>Total financial liabilities</b>	<b>(14,736)</b>	<b>(2,797)</b>

At 31 July 2020, had the Australian Dollar moved as illustrated in the table below with all other variables held constant, profit after tax and equity would have been affected as follows:

Foreign exchange movement	Post Tax Profit Higher/(Lower)		Change in Equity Higher/(Lower)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Change in Profit</b>				
AUD:USD + 5%	(369)	(607)	(369)	(607)
AUD:USD - 5%	408	671	408	671
AUD:EUR + 5%	(116)	(47)	(116)	(47)
AUD:EUR - 5%	128	52	128	52
AUD/NZD + 5%	(11)	(85)	(11)	(85)
AUD/NZD - 5%	12	94	12	94

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonable estimates of movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecasters' expectations.
- The reasonable movement of 5% was calculated by taking the spot rates for each currency as at reporting date, moving this spot rate by 5% and then re-converting the foreign currency into Australian dollars at the revised spot rate.
- The net exposure at reporting date is representative of what the consolidated entity was, and is expecting, to be exposed to in the next twelve months from reporting date.

#### B. Price risk

The consolidated entity's exposure to commodity and price risk is considered minimal. There are annual fixed price purchase contracts in place for forecast raw material requirements. From time to time it may be necessary to purchase raw materials from outside of the agreements.

### C. Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets.

The consolidated entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the consolidated entity's policy to securitize its trade and other receivables.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters monitored by the CEO.

These risk limits are regularly monitored. A breakdown of receivables showing those within/out of terms is shown below. Receivable balances are monitored on an ongoing basis to minimize the occurrence of bad debts.

#### Trade receivables as at 31 July 2020

	Consolidated	
	2020 \$'000	2019 \$'000
<b>Trade receivables:</b>		
Within terms	16,068	17,410
Over terms	651	18
<b>Total</b>	<b>16,719</b>	<b>17,428</b>

For the remaining financial assets there are no significant concentrations of credit risk within the consolidated entity and financial instruments are spread amongst a number of AAA rated financial institutions.

### D. Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet these obligations to repay their financial liabilities and other obligations as and when they fall due.

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of cash balances, borrowings, working capital and leasing.

#### Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the consolidated entity's ongoing operations such as property, plant, equipment and investments in working capital.

Consolidated	Balance as at 31 July 2020 \$'000	Less than 1 year \$'000	1-5 years \$'000	Over 5 years \$'000
<b>Realisable cash flows from financial assets</b>				
Cash and cash equivalents	9,241	9,241	-	-
Trade and other receivables	17,899	17,899	-	-
<b>Anticipated cash inflows</b>	<b>27,140</b>	<b>27,140</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities and obligations due for payment</b>				
Trade and other payables	(10,902)	(10,902)	-	-
Interest bearing liabilities	(14,520)	(1,473)	(8,875)	(4,172)
Leasing liabilities	(97)	(97)	-	-
<b>Anticipated cash outflows</b>	<b>(25,519)</b>	<b>(12,472)</b>	<b>(8,875)</b>	<b>(4,172)</b>
<b>Net inflow/(outflow)</b>	<b>1,621</b>	<b>14,668</b>	<b>(8,875)</b>	<b>(4,172)</b>

### E. Interest rate risk

The consolidated entity's primary interest rate risk arises from long-term borrowings. The consolidated entity's bank loans outstanding, totalling \$14,520,000 (2019: \$13,459,000) are principal and interest payment loans, bearing interest at a weighted average current annual rate of 3.93%.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### F. Fair value

All assets and liabilities recognised in the statement of financial position, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value, unless otherwise stated in the applicable notes.

The carrying amounts of cash and bank balances, other receivables and other payables approximate their fair values due to their short term nature.

### 25. OPERATING SEGMENTS

#### Identification of reportable segments

The consolidated entity operates in the industry of manufacturing tuna oil and encapsulated products in Australia. Whereas in the previous financial year, a treasury segment was separately disclosed, the Chief Executive Officer and the Board of Directors consider that there is no true separation of the treasury function from the primary business and operating segment of the consolidated entity, nutritional oil and microencapsulated powders. Financial information about the business as a whole is reported to and reviewed by the Chief Executive Officer and Board of Directors on a monthly basis, in order to assess performance and determine the allocation of resources.

#### 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Australia / New Zealand	46,021	38,713	21,336	18,145
Asia	26,307	28,101	-	-
Europe	11,505	5,944	-	-
Americas	4,448	3,924	-	-
<b>Total</b>	<b>88,281</b>	<b>76,682</b>	<b>21,336</b>	<b>18,145</b>

During the financial year there were 2 customers who represented 41% and 18% of total sales respectively (2019: 41% and 20% respectively).

Greater than 90% of total sales revenue is generated by the export market.

	Consolidated	
	2020 \$'000	2019 \$'000

### 26. CAPITAL AND LEASING COMMITMENTS

#### A. Operating lease commitments

Operating leases primarily related to premises, contracted for but not capitalised in the financial statements:

Payable:

Not later than 1 year	-	131
Later than 1 year but not later than 5 years	-	120
<b>Total operating leases</b>	<b>-</b>	<b>251</b>

Lease liabilities for the current year have been transitioned to Balance Sheet upon transition to AASB 16

#### B. Capital commitment

Melody Dairy capital commitment

Payable not later than 1 year	-	3,654
	-	3,654

### 27. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since 31 July 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### 28. CONTINGENT LIABILITIES

There are no contingent liabilities at the reporting date.

# DIRECTORS' DECLARATION

The Directors of Clover Corporation Limited declare that in their opinion:

- a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 July 2020 and of its performance for the period ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and
- c. there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 July 2020.

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



**Rupert Harrington**  
Chairman  
Melbourne

Date: 18 September 2020

## REPORT ON THE FINANCIAL REPORT

### Opinion

We have audited the accompanying financial report of Clover Corporation Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 31 July 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's consolidated financial position as at 31 July 2020 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

#### Key audit matter – Inventory existence and valuation

As at 31 July 2020, the carrying value of inventory was \$31,933,000 (2019: \$27,681,000) as disclosed in note 8 of the financial report.

The Group's manufacturing planning processes consider forecast customer demand and access to materials from a range of suppliers. These factors impact on the quantity of raw material and finished goods inventory on hand, and necessitate minimum inventory levels to ensure that the Group's sales objectives continue to be met.

A standard cost system is used to account for inputs to inventory. Management conducts regular analysis to determine the cost of inventory, and whether adjustment to the carrying amount is required to reflect net realisable value, if that is lower than cost.

Inventory is the most significant of the Group's assets, and accordingly we considered it a Key Audit Matter.

#### How our audit addressed this matter

Our procedures included but were not limited to:

- attending and observing year-end inventory counts performed by Management at locations of significance;
- accessing and assessing information in support of inventory held at other locations;
- testing the accuracy of perpetual inventory records for a sample of products to check descriptions, quantities and the recording of inventory movements;
- evaluating the design of processes to capture the costs of purchase and conversion and those other costs incurred in bringing inventories to their present location and condition;
- testing on a sample basis the reasonableness of standard costs compared to actual costs of purchase and production;
- considering the turnover cycle of inventory, assessing the allocation of purchase price and efficiency variances; and
- challenging the adequacy of adjustments made to inventory for it to be measured at the lower of cost and net realisable value on the basis of actual and forecast sales activity, and Management's assessment of qualitative factors.

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#### *Key audit matter – Revenue recognition*

The Group's sales revenue amounted to \$88,281,000 during the year (2019: \$76,682,000). Note 1(m) *Revenue* describes the accounting policies applicable to distinct revenue streams, noting that revenue from the sale of goods, after adjusting for discounts or allowances, is recognised upon the delivery of goods to customers. Shipments dispatched but not yet delivered to customers are classified as goods in transit inventories.

On the basis of the significance of the account and the processes used to determine the recognition point, we have considered revenue recognition as a Key Audit Matter.

#### *How our audit addressed this matter*

Our procedures included but were not limited to:

- evaluating a sample of contracts, identifying contracted performance obligations, and agreeing revenue amounts to the records accumulated as inputs to the financial statements, including supporting billing systems and bank records; these procedures enabled our assessment of the values recorded and the timing of revenue recognition aligned to fulfilment of the Group's performance obligations, transferred at a point in time;
- evaluating the cut-off process and its reliability to fairly account for dispatches not yet transferred to customers at the reporting date and the recognition of revenue in accordance with the Group's accounting policies; and
- assessing the consistency of the Group's accounting policies in respect of revenue recognition with the criteria prescribed by the applicable standard, AASB 15 *Revenue from contracts with customers*.

#### *Key audit matter – Investment in associate (Melody Dairies)*

A controlled entity's 41.9% equity interest in Melody Dairies constitutes significant influence over a production facility. The objective of the investment in the facility is to enable expansion of the Group's capacity to deliver its products to the market.

The Group's investment is initially recognised at cost under the equity method, and the carrying amount is thereafter adjusted for the Group's share of the profit or loss of the investee, as described in note 11.

The equity accounted carrying amount of the investment is also disclosed in note 11 as \$13,580,000 (2019: \$10,461,000) and note 14 includes related amortised bank borrowings secured by the Group's investment.

On the basis of the significance of the investment and its related borrowings we have considered this a Key Audit Matter.

#### *How our audit addressed this matter*

Our procedures included but were not limited to:

- obtaining a detailed understanding of the terms and conditions of the partnership arrangement, and evaluating the appropriateness of Management's assessment that the nature of the Group's investment in the production facility is that characterised as an investor of significant influence;
- validating the accounting treatment of the investment under the equity method in accordance with AASB 128 *Investment in Associates and Joint Ventures*;
- inquiring of Management and assessing whether there are any impairment indicators obligating the Group to perform an impairment analysis under AASB 136 *Impairment of Assets*; and
- assessing the appropriateness of the disclosures included in note 11 and the validity of classifying borrowings between current and non-current liabilities as disclosed in note 14.

#### *Other Information*

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the financial report and our Auditor's Report thereon. The Directors are responsible for other information in the annual report.

Our opinion on the financial report does not cover the other information and, accordingly, we do not express any form of assurance conclusion thereon, with the exception of our opinion on the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 the other information we obtained prior the date of the Auditor's Report, we are required to report that fact. We have nothing to report in this regard.

#### *Directors' responsibility for the Financial Report*

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 or cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 the Directors.
- 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 and conditions that may cast significant doubt on the Group'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 financial report or, if such disclosures are inadequate, to modify our opinion on the financial report. 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those that were of most significance in the audit of the financial report of the current year 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 THE REMUNERATION REPORT

#### *Opinion*

We have audited the Remuneration Report included in pages 12 to 16 of the Directors' Report for the year ended 31 July 2020. In our opinion, the Remuneration Report of Clover Corporation Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**PKF**  
Melbourne, 18 September 2020



**Steven Bradby**  
Partner

AUDITOR'S INDEPENDENCE DECLARATION UNDER  
SECTION 307C OF THE CORPORATIONS ACT 2001 TO  
THE DIRECTORS OF CLOVER CORPORATION LIMITED



In relation to our audit of the financial report of Clover Corporation Limited for the year ended 31 July 2020, 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*; and
- b. no contraventions of any applicable code of professional conduct.

A stylized signature of the PKF firm, consisting of the letters 'PKF' in a cursive, handwritten style.

**PKF**  
Melbourne, 18 September 2020

A handwritten signature in black ink, appearing to read 'S. Bradby'.

**Steven Bradby**  
Partner

# ADDITIONAL ASX INFORMATION

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report.

## Shareholdings as at 31 July 2020

### Substantial shareholders

The number of shares held by substantial shareholders and their associates is set out below:

Washington H. Soul Pattinson and Company Limited	33,423,035 ordinary shares
Brickworks Limited <sup>1</sup>	33,423,035 ordinary shares

<sup>1</sup> Details included on substantial shareholder notice dated 18 November 2013. Shares held by Brickworks Limited represent a technical relevant interest as a result of Brickworks Limited's shareholding in Washington H. Soul Pattinson & Company Limited.

## Distribution of shareholders as at 31 July 2020

Category	Number of holders of ordinary shares
1 – 1,000	1,607
1,001 – 5,000	2,402
5,001 – 10,000	942
10,001 – 100,000	927
100,001 and over	98
<b>Total Number of Holders</b>	<b>5,976</b>
<b>Total number of holders of less than a marketable parcel, being 226 shares @ 2.22</b>	<b>207</b>

## Voting rights

On a show of hands every Shareholder present in person or by proxy at a general meeting shall have one vote.

Where a poll is demanded, every Shareholder present in person or by proxy at a general meeting shall have one vote for every ordinary share held.

## Twenty largest shareholders as at 31 July 2020\*

Rank	Name	Number of Fully Paid Ordinary Shares	Percentage of Issued Ordinary Shares (%)
1	WASHINGTON H SOUL PATTINSON & CO LTD	33,423,035	20.10
2	J P MORGAN NOMINEES AUSTRALIA LTD	12,411,640	7.46
3	UBS NOMINEES LTD	10,434,600	6.27
4	CITICORP NOMINEES PTY LTD	9,446,012	5.67
5	NATIONAL NOMINEES LTD	8,540,202	5.14
6	EVELIN INVESTMENTS PTY LTD	7,550,000	4.54
7	BNP PARIBAS NOMS PTY LTD	6,185,330	3.72
8	NEWECONOMY COM AU NOMINEES PTY LTD	4,254,599	2.56
9	BNP PARIBAS NOMINEES PTY LTD	2,553,982	1.54
10	NEWECONOMY COM AU NOMINESS PTY LTD	2,129,570	1.28
11	INCANI & PAPADOPPOULOS SUPER PTY LTD	2,010,000	1.21
12	BNP PARIBAS NOMINEES PTY LTD	2,000,769	1.20
13	MR PETER HOWELLS	1,500,000	0.90
14	CUSTODIAL SERVICES LTD	1,078,419	0.65
15	MR GARRIE ELLICE	1,020,000	0.61
16	CS THIRD NOM PTY LTD	947,104	0.57
17	MR PEI YIN FOO	900,000	0.54
18	MS NINA TSCHERNYKOW	858,881	0.52
19	CONNAUGHT CONSULTANTS (FINANCE) PTY LTD	821,400	0.49
20	GANESH SUPER FUND	774,696	0.47
		<b>108,840,239</b>	<b>65.44</b>
		<b>57,469,865</b>	<b>34.56</b>

\* As shown on the register, beneficial holdings may differ.

### Securities quoted by the ASX

All of the Company's issued ordinary shares are quoted by the ASX under the code CLV.

### Register of securities

New South Wales      Computershare Investor Services Pty Limited  
 Level 3, 60 Carrington Street  
 Sydney NSW 2000  
 Telephone: 1300 850 505



## CORPORATE DIRECTORY

### Directors

Mr Rupert A Harrington	Non-Executive Director and Chairman
Mr Graeme A Billings	Non-Executive Director
Mr Peter J Davey	Chief Executive Officer and Managing Director
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

Telephone: (03) 8347 5000

Facsimile: (03) 8347 5055

### Auditors

PKF Melbourne Audit & Assurance Pty Ltd  
Level 12  
440 Collins Street  
Melbourne VIC 3000

### Share Registry

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000

Telephone: 1300 850 505

### Australian Securities Exchange Code

Ordinary Shares CLV

### Website

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

