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## **Clover Corporation Limited**

ASX Appendix 4E  
Preliminary Final Report  
31<sup>st</sup> July 2015

*Lodged with the ASX under Listing Rule 4.3A*

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The reporting period is the financial year ended 31 July 2015 with the corresponding period being the financial year ended 31 July 2014.

## Results for Announcement to the Market

- Total revenue increased 9.9% to \$30.0m;
- Net profit after tax is \$0.1m (2014: profit of \$1.0m);
- For a further explanation of the financial period operating result, please refer to the Review of Operations.

		% Change	Amount of Change \$'000		\$'000
<b>Revenue</b> from ordinary activities	Up	9.9%	2,692	to	30,000
<b>Profit/(Loss)</b> from ordinary activities after tax attributable to members	Down	89.6%	867	to	100
<b>Net profit/(loss)</b> for the period attributable to members	Down	92.3%	949	to	80

Dividends/distributions	Amount per security	Franked %
<b>This Period</b>		
Final dividend	0.50 cent	100%
Interim dividend	- cent	100%
<b>Previous corresponding period</b>		
Final dividend	0.50 cent	100%
Interim dividend	0.50 cent	100%

**Record date** for determining entitlements to the final dividend: **30 October 2015**

**Payment date** for determining entitlements to the final dividend: **20 November 2015**

**Dividend reinvestment plans**

There is no dividend reinvestment plan as at 31 July 2015.

**Explanation of Operating Results**

For a further explanation of the financial period operating result, please refer to the Review of Operations.

**NTA Backing**

	<b>2015</b>	<b>2014</b>
Net tangible asset backing per ordinary share after tax	16.63 cents	17.05 cents

**EPS**

	<b>2015</b>	<b>2014</b>
Basic Earnings per Share	0.06 cent	0.59 cent
Diluted Earnings per Share	0.06 cent	0.59 cent

**Explanation of Profit after tax**

For an explanation of the financial year operating results, please refer to the Review of Operations.

**Explanation of Net Profit**

For an explanation of the financial year operating results, please refer to the Review of Operations.

**Explanation of Dividends**

For an explanation of the dividend declared, please refer to the Review of Operations.

**Other information**

This report is based on accounts which are in the process of being audited and an unqualified audit opinion is expected to be issued.

## Review of Operations

Clover Corporation Limited (Clover) has reported a net profit after tax (NPAT) of \$0.1m for the 12 months ended 31<sup>st</sup> July 2015 (2014:NPAT of \$1.0m).

Sales revenue in FY2015 was \$29.9m (2014: \$27.2m) an increase of 10.0%.

	2015 Statutory \$000's	2014 Statutory \$000's
Sales Revenue	29,921	27,190
EBIT	(72)	1,114
Profit before tax	4	1,232
Profit after tax	100	967

Sales for the year have grown 10% with some recovery of traditional markets and customers and encouraging growth in sales to new customers. The business continued to experience margin pressure during the financial year due to a change in product sales, competitor activity and the weakening Australian dollar against the United States dollar.

### Commercial

Clover has focused on building its commercial team, recently employing two senior sales professionals to develop new markets and maximise existing markets, as well as evolve our products to new applications and customers. Whilst it is early in the process we have had some success attracting new customers. The business has promoted its technology, quality and regulatory knowledge with customers to jointly develop new opportunities and extend its products into aligned markets including Food, Pharmaceutical and Nutraceuticals.

### Asia

The South East Asian market has had a slow recovery with key customers picking up business, and we expect this trend to continue into the New Year. The regulatory market in China is undergoing constant change and many companies are waiting to see how new regulations will impact their brands and market access. The region remains a key growth market for infant formula and a focus for Clover.

### Europe

The EU has remained slow, with the majority of customers using straight oil rather than powder (encapsulated oil) ingredients to formulate their products. Unencapsulated oil forms part of Clover's product mix, but attracts a low margin. The EU is considering new regulations which will result in the level of DHA lipids included in infant formula increasing. This will provide Clover with an opportunity to supply additional Driphorm powder products to the market.

### Australia & New Zealand

The local markets have previously been negatively impacted by the changing market dynamics for infant formula in China, driven by demand moving to online infant formula purchases, as well as the change in regulations, which have reduced Clover's sales during FY14 and FY15.

On the positive side, in recent times we have seen signs of a sales shift back to the region as China has awarded licenses to Australian and New Zealand manufacturers for infant formula import and Chinese manufacturers have formed alliances with local ANZ suppliers. We expect this trend to continue into FY16 opening up further sales opportunities for Clover.

Clover is well placed to take advantage of the renewed activity in New Zealand through its investment in a spray drying facility in Waikato which is due to come on line in October 2015. This will provide manufacturers with product made in the region and will be capable of supporting demand for new products.

### **Americas**

Clover has added new business during FY15 in South America and will look to expand in this region with its unique products and high quality DHA oils.

### **Research & Development**

Clover has continued its Research and Development activities with many long term projects underway to enhance our existing offerings as well as provide new products to new and existing customers. R&D expenditure was \$1.6m in FY15 (FY14: \$1.9m).

### **Preterm Clinical Trial**

A large amount of attention during the year has been on the Preterm clinical trial and delivering a forward focussed commercial outcome for the product on the basis of successful trial results. The project is in the final stage of a Phase 3 clinical trial to test the effectiveness of Clover's DHA emulsion in reducing the incidence of Broncho-pulmonary Dysplasia (BPD) in infants born prematurely. The trial is expected to be complete by December 2015 with results issued in first half 2016 after the completion of data analysis and report writing. This emulsion is the first high dose DHA enteral product permitted for use in pre-term infants; on 24<sup>th</sup> September 2014 this emulsion and associated delivery system received Generally Regarded as Safe (GRAS) status for use in pre-term infants.

### **Expenditure**

During the year the company has invested in its people, in process and product development, with a commitment to positioning the business for future growth. Overall operating expenditure for FY15 was \$6.1m, 10% down on the previous year (FY14: \$6.8m). Clover's cost of goods has been impacted by the change in customer demand for alternative products and the weakening Australian dollar, which has reduced manufacturing margins, since some ingredients for our products are sourced in USD. The company is pursuing cost reductions in production and in ingredient sourcing and is continually evaluating hedging activity to alleviate some of this impact. Inventories at year end were FY15: \$14.2m (FY14: \$16.5m) reflecting a focus on inventory reduction. The overall cash position of the business at year end was \$9.5m (FY14: \$8.0m) and provides strong support to the ongoing operations and investment capacity of the business.

### **Dividend**

The Directors have decided to declare a fully franked final dividend for FY15 of 0.50 cent per share. The record date for this dividend will be 30 October 2015, with payment due on 20 November 2015.

The outlook for FY16 is encouraging with revenue growth from new customers in New Zealand and Australia coupled with the introduction of new product offerings from the Waikato spray dryer.



ABN 85 003 622 866

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PRELIMINARY FINAL REPORT  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2015

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2015**

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	Notes	31-Jul-15 \$'000	31-Jul-14 \$'000
Sale of goods	1	29,921	27,190
Cost of goods sold		<u>(23,878)</u>	<u>(19,271)</u>
<b>Gross profit</b>		<b>6,043</b>	7,919
% of revenue		20.2%	29.1%
Other income	1	79	118
Sales and marketing expenses		(1,972)	(1,872)
Administration and corporate expenses		(2,548)	(2,834)
Research and development expenses		(1,598)	(1,923)
Other expenses		<u>-</u>	<u>(176)</u>
Profit before income tax		4	1,232
Income tax credit/(expense)		<u>96</u>	<u>(265)</u>
<b>Profit after tax for the period</b>		<u>100</u>	<u>967</u>
<b>Other comprehensive loss</b>			
Foreign currency translation adjustment, net of 30% tax		<u>(20)</u>	<u>62</u>
<b>Other comprehensive (loss)/credit for the period</b>		<u>(20)</u>	<u>62</u>
<b>Total comprehensive (loss)/credit for the period</b>		<u>80</u>	<u>1,029</u>
<b>Earnings per share (EPS)</b>			
Basic earnings per share (cent per share)		0.06	0.59
Diluted earnings per share (cent per share)		0.06	0.59

Weighted average number of shares used in calculating basic and diluted earnings per share is 165,181,696.

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JULY 2015**

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	Notes	31-Jul-15 \$'000	31-Jul-14 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		9,551	8,029
Trade and other receivables		5,453	8,060
Inventories		14,177	16,504
Other current assets		293	313
		<b>29,474</b>	<b>32,906</b>
<b>Non-Current Assets</b>			
Financial assets		8	7
Property, plant and equipment		3,087	2,974
Deferred tax assets		2,084	1,647
Intangible assets		1,907	1,964
		<b>7,086</b>	<b>6,592</b>
<b>Total Assets</b>		<b>36,560</b>	<b>39,498</b>
<b>Current Liabilities</b>			
Trade and other payables		6,322	8,627
Short-term provisions		654	530
		<b>6,976</b>	<b>9,157</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		172	159
Long-term provisions		24	48
		<b>196</b>	<b>207</b>
<b>Total Liabilities</b>		<b>7,172</b>	<b>9,364</b>
<b>Net Assets</b>		<b>29,388</b>	<b>30,134</b>
<b>Equity</b>			
Issued capital		32,920	32,920
Foreign currency translation reserves		(18)	2
Accumulated losses		(3,514)	(2,788)
<b>Total Equity</b>		<b>29,388</b>	<b>30,134</b>

The 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 2015**

Consolidated	Issued Capital \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
<b>Balance at 1 August 2013</b>	<b>32,920</b>	<b>(451)</b>	<b>(60)</b>	<b>32,409</b>
Profit for the period	-	967	-	967
Dividend paid	-	(3,304)	-	(3,304)
Foreign currency translation reserve	-	-	62	62
<b>Balance at 31 July 2014</b>	<b>32,920</b>	<b>(2,788)</b>	<b>2</b>	<b>30,134</b>
<b>Balance at 1 August 2014</b>	<b>32,920</b>	<b>(2,788)</b>	<b>2</b>	<b>30,134</b>
Profit for the period	-	100	-	100
Dividend paid	-	(826)	-	(826)
Foreign currency translation reserve	-	-	(20)	(20)
<b>Balance at 31 July 2015</b>	<b>32,920</b>	<b>(3,514)</b>	<b>(18)</b>	<b>29,388</b>

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2015**

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	31-Jul-15 \$ '000	31-Jul-14 \$ '000
<b>Cash flows from operating activities</b>		
Receipts from customers	32,127	33,140
Payments to suppliers and employees	(29,534)	(28,024)
Interest received	76	118
Income tax paid	437	(2,036)
<b>Net cash inflow from operating activities</b>	<b>3,106</b>	<b>3,198</b>
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	(758)	(180)
<b>Net cash outflow from investing activities</b>	<b>(758)</b>	<b>(180)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(826)	(3,304)
<b>Net cash outflow from financing activities</b>	<b>(826)</b>	<b>(3,304)</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,522</b>	<b>(286)</b>
Cash at the beginning of the year	<b>8,029</b>	<b>8,315</b>
<b>Cash at the end of the year</b>	<b>9,551</b>	<b>8,029</b>

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2015**

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	31-Jul-15 \$'000	31-Jul-14 \$'000
<b>1. Operating Result</b>		
Profit before income tax expense includes the following items of income and expense which, together with other disclosures in this report are relevant in explaining the financial performance for the year:		
<b>Revenue</b>		
Sale of goods	29,921	27,190
Interest revenue	76	118
Other	3	-
<b>Total Revenue</b>	<b>30,000</b>	<b>27,308</b>
 <b>Depreciation and Amortisation expenses</b>	 <b>(649)</b>	 <b>(498)</b>

**2. Dividends**

		<b>Amount per security CPS</b>
<b>Final dividend</b>		
Final dividend not recognised in accumulated losses expected to be paid on 20 November 2015	<b>\$ 825,908</b>	<b>0.50c</b>
Final dividend for previous corresponding year paid on 21 November 2014	<b>\$ 825,908</b>	<b>0.50c</b>

**Interim dividend**

No interim dividend was declared in respect of the current financial year ended 31 July 2015 (2014: 0.50 cent).

**Dividend declared after balance date**

The Directors have declared a final dividend for the financial year ended 31 July 2015 of 0.50 cent per share (2014: final 0.50 cent per share) fully franked at 30%, payable on 20 November 2015, but not recognised as a liability at the end of the financial period. The record date for this dividend will be 30 October 2015.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 JULY 2015 (continued)**

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**3. Segment information**

**Identification of reportable segments**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors in assessing performance and in determining the allocation of resources.

The Company operates in the industry of manufacturing tuna oil and encapsulated products in Australia. The operating segments have been identified by management as tuna oil and microencapsulated powders. Financial information about each of these segments is reported to the Chief Executive Officer and Board of Directors on a monthly basis.

The following represents profit and loss information for reportable segments for the financial year ended 31 July 2015.

**Primary Reporting – Business Segments**

	Tuna oil and microencapsulated powders		Investment/Treasury		Economic Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Revenue</b>						
Sales revenue	29,921	27,190	-	-	29,921	27,190
Other revenue	-	-	79	118	79	118
<b>Total segment revenue</b>	<b>29,921</b>	<b>27,190</b>	<b>79</b>	<b>118</b>	<b>30,000</b>	<b>27,308</b>
<b>Total revenue consolidated</b>					<b>30,000</b>	<b>27,308</b>
<b>Results</b>						
Operating (loss)/profit	(75)	1,114	79	118	4	1,232
(Loss)/profit before income tax	(75)	1,114	79	118	4	1,232
Income tax credit/(expense)					96	(265)
<b>Profit for the year</b>					<b>100</b>	<b>967</b>

**4. Audit**

This report is based on financial statements that have been audited by Company auditors PKF, whom have issued an unqualified audit report.