



ABN 85 003 622 866  
PO Box 2521, Gladstone Park, VIC 3043  
Unit 35E, 1 International Drive, Westmeadows, VIC 3049

## **Clover Corporation Limited**

### **ASX Appendix 4D**

### **Half Year Financial Report**

**31 January 2017**

*Lodged with the ASX under Listing Rule 4.2A*

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#### **Reporting Period**

The reporting period is the half year ended 31 January 2017 with the previous corresponding period the half year ended 31 January 2016.

## Results for Announcement to the Market

		% Change	Amount of Change \$'000		\$'000
<b>Revenue</b> from ordinary activities	Down	1.3%	(264)	to	19,446
<b>Profit</b> from ordinary activities after tax attributable to members	Up	29.5%	236	to	1,037
<b>Net profit</b> for the period attributable to members	Up	29.5%	236	to	1,037

### Explanation of Operating Results

Clover Corporation Limited ("Clover Corporation") has reported a profit after tax of \$1.0 million for the half year ended 31 January 2017 (2016: \$0.8million), an increase of 29.5%.

For a further explanation of the half-year operating result, please refer to the Directors' Report in the financial report for the half year ended 31 January 2017.

<b>Dividends/distributions</b>	Amount per security	Franked amount per security
Final dividend – 31 July 2016	0.50 cent	0.50 cent
Interim dividend – 31 January 2017	0.25 cent	0.25 cent

### NTA Backing

	31-Jan-17	31-Jul-16
Net tangible asset backing per ordinary share	17.23 cents	17.14 cents

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## Results for Announcement to the Market – Continued

### Controlled entities acquired or disposed of

#### Disposed entities

No entity was disposed of during the half-year ended 31 January 2017.

#### Acquired entities

No entity was acquired during the half-year ended 31 January 2017.

### Additional dividend/distribution information

A fully franked final dividend of 0.50 cent per share for the period ended 31 July 2016 was paid during the half year ended 31 January 2017. A fully franked interim dividend of 0.25 cent per share has been declared for half year ended 31 January 2017. The record date for the dividend is Tuesday 11 April 2017, with a payment date of Monday 1 May 2017.

### Dividend reinvestment plans (“DRP”)

There are no dividends or distribution reinvestment plans as at 31 January 2017

### Foreign Accounting Standards

N/A

### Independent Review Report

Refer to the attached Clover Corporation Limited 31 January 2017 Half Year Report for the Independent Review Report to the Members of Clover Corporation Limited.



ABN 85 003 622 866

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REPORT  
FOR THE HALF YEAR ENDED 31 JANUARY 2017

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**CLOVER CORPORATION LIMITED**  
**ABN 85 003 622 866**

## **CORPORATE DIRECTORY**

### **Directors**

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

### **Secretary**

Paul Sherman

### **Registered Office**

Unit 35E  
1 International Drive  
Westmeadows VIC 3049  
Phone: +61 38347 5001  
Fax: +613 8347 5055

### **Auditors**

PKF Melbourne  
12/440 Collins St,  
Melbourne VIC

### **Share Registry**

Computershare Investor Services Pty Limited  
60 Carrington Street  
Sydney NSW 2000

### **Australian Securities Exchange Code**

Ordinary Shares                      CLV

### **Website**

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

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## **DIRECTORS' REPORT**

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The directors of Clover Corporation Limited (the Company) present the following report for the six months to 31 January 2017.

### **Directors**

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

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

### **Review of Operations**

Clover Corporation Limited (Clover) has reported a net profit after tax of \$1.037 million for the half year ended 31 January 2017 (2016: \$0.801 million) an increase of 29.5%. While sales revenue decreased 1.3% to \$19.4 million (2015: \$19.7 million), the gross margin for the period improved, with a broader spread of sales to new customers and new products. The resetting of the Company's terms of trade with key customers has provided the protection of a natural hedge on foreign exchange purchases which has assisted in realising profit objectives.

### **Financial Highlights**

- Clover has continued to increase its customer base across geographies and products resulting in an improved profit margin. This is a welcome reversal of a trend of recent years, during which profit margin on some of the Company's older products has declined. Extensive business development activities and technical collaborations with prospective customers has enabled Clover to find and win new accounts. These strategic efforts of the past two years are now impacting the company's profitability, as lengthy product trials by customers, often taking twelve to twenty-four months, are successfully completed and new orders are placed.
- Changes in the regulations on sale of infant formula in China have affected Clover's product sales. Demand from Clover's more traditional customers have generally maintained the levels of the previous year, despite a general trend to reducing inventory whilst manufacturers engage in a process to achieve new licenses for their China product sales.
- The Company's balance sheet remains strong with cash at \$8.7 million and net current assets of \$24.0 million (2016: \$23.7 million). The inventory position remains a key focus, currently at \$13.8 million (2016: \$13.6 million).

### **Operational Highlights**

- Clover has appointed new distributors in both the Infant Formula and Food Ingredients sectors across some smaller markets in S.E. Asia, and in the USA and Europe. These distributors have relationships and expertise to focus on Clover's product categories and, at the same time, to service markets requiring local capabilities. These distributors are providing introductions for Clover's rebuilt sales and business development and technical teams with a range of potential new customers.
- The company continues to invest in its future through Research and Development with the addition of essential equipment to support the specialised expertise added to the team in 2016. This will allow innovation projects, including product development in collaboration with customers, to be fast tracked to pilot production stage. It has already seen the release of new products on trial with existing and new customers. As an example, in September 2016 Clover launched a new

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**DIRECTORS' REPORT continued**

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concentrated Docosahexaenoic Acid (DHA) encapsulated product targeting the Sports Nutrition and Food Ingredients markets.

- The New Zealand Spray dryer facility, in which Clover invested in 2015/16, is now fully operational with the first sales of NZ-produced products recorded during the half year.

With continuing business development activities, and increasing level of enquiry, the Company is expecting demand patterns from customers to improve in the second half of the financial year.

**Dividend**

After careful consideration of the company's short term cash requirements, the Board has declared a fully franked interim dividend of 0.25 cent per share in respect of the financial period ended 31 January 2017.

For more information please refer to:  
[www.clovercorp.com.au](http://www.clovercorp.com.au)


**Rounding of Amounts**

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

**Auditors Independence Declaration**

The auditor's independence declaration for the half-year ended 31 January 2017 has been received and is set out on page 17.

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



**Peter Robinson**  
**Director**  
**Melbourne**  
**Date: 21 March 2017**

**Clover Corporation Limited**  
**Half Year ended 31 January 2017**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR TO 31 JANUARY 2017**

	Notes	31-Jan-17 \$'000	31-Jan-16 \$'000
Revenue		19,446	19,710
Cost of goods sold		<u>(14,737)</u>	<u>(15,920)</u>
Gross profit		4,709	3,790
Other (expense)/income	2	(163)	252
Sales and marketing expenses		(1,056)	(950)
Administration and corporate expenses		(1,584)	(1,314)
Research and development expenses		<u>(484)</u>	<u>(690)</u>
Profit before income tax		1,422	1,088
Income tax expense		<u>(385)</u>	<u>(287)</u>
Profit after tax for the period		<u>1,037</u>	<u>801</u>
Other comprehensive income			
Foreign currency translation adjustment		<u>(66)</u>	<u>(58)</u>
Other comprehensive income for the period		<u>(66)</u>	<u>(58)</u>
Total comprehensive income for the period		<u>971</u>	<u>743</u>
Earnings per share (EPS)			
Basic earnings per share (cent per share)		0.63	0.48
Diluted earnings per share (cent per share)		0.63	0.48

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



**Clover Corporation Limited**  
**Half Year ended 31 January 2017**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2017**

	Notes	31-Jan-17 \$'000	31-Jul-16 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		8,733	8,230
Trade and other receivables		6,561	10,865
Inventories		13,797	13,632
Other current assets		214	374
		29,305	33,101
<b>Non-Current Assets</b>			
Financial assets		6	7
Property, plant and equipment		2,902	2,695
Deferred tax assets		1,816	2,111
Intangible assets		1,907	1,907
		6,631	6,720
<b>Total Assets</b>		35,936	39,821
<b>Current Liabilities</b>			
Trade and other payables		4,394	8,453
Current tax liabilities		422	468
Short-term provisions		510	505
		5,326	9,426
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		205	146
Long-term provisions		46	35
		251	181
<b>Total Liabilities</b>		5,577	9,607
<b>Net Assets</b>		30,359	30,214
<b>Equity</b>			
Issued Capital		32,920	32,920
Reserves		(232)	(166)
Accumulated losses		(2,329)	(2,540)
<b>Total Equity</b>		30,359	30,214

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

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**Clover Corporation Limited**  
**Half Year ended 31 January 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR TO 31 JANUARY 2017**

	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
<b>Balance at 1 August 2015</b>	<b>32,920</b>	<b>(3,515)</b>	<b>(18)</b>	<b>29,387</b>
Profit for the period	-	801	-	801
Dividend Paid	-	(826)	-	(826)
Foreign Currency Translation Reserve	-	-	(58)	(58)
<b>Balance at 31 January 2016</b>	<b>32,920</b>	<b>(3,540)</b>	<b>(76)</b>	<b>29,304</b>
<b>Balance at 1 August 2016</b>	<b>32,920</b>	<b>(2,540)</b>	<b>(166)</b>	<b>30,214</b>
Profit for the period	-	1,037	-	1,037
Dividend Paid	-	(826)	-	(826)
Foreign Currency Translation Reserve	-	-	(66)	(66)
<b>Balance at 31 January 2017</b>	<b>32,920</b>	<b>(2,329)</b>	<b>(232)</b>	<b>30,359</b>

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

**Clover Corporation Limited**  
**Half Year ended 31 January 2017**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR TO 31 JANUARY 2017**

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	Note	31-Jan-17 \$ '000	31-Jan-16 \$ '000
<b>Cash flows from operating activities</b>			
Receipts from customers		23,563	14,214
Payments to suppliers and employees		(21,732)	(15,998)
Interest received		23	35
Income tax received / (paid)		(71)	64
<b>Net cash inflow / (outflow) from operating activities</b>		<b>1,783</b>	<b>(1,685)</b>
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment		(454)	(0)
<b>Net cash outflow from investing activities</b>		<b>(454)</b>	<b>(0)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	3	(826)	(826)
<b>Net cash outflow from financing activities</b>		<b>(826)</b>	<b>(826)</b>
<b>Net increase / (decrease) in cash held</b>		<b>503</b>	<b>(2,511)</b>
Cash at the beginning of the period		8,230	9,551
<b>Cash at the end of the period</b>		<b>8,733</b>	<b>7,040</b>

This 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 HALF YEAR TO 31 JANUARY 2017**

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**1. Significant accounting policies**

**Basis of preparation**

The interim condensed consolidated financial statements of Clover Corporation Limited and its controlled entities ('the Company') for the half-year ended 31 January 2017 have been prepared in accordance with the requirements of Australian Accounting Standard AASB 134 Interim Financial Reporting. The Financial Statements were authorised for issue in accordance with a resolution of the directors on 21 March 2017.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 July 2016, and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements of the ASX listing rules.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 July 2016, except for the impact, if any, of adoption of new standards and interpretations noted below.

**New/Amended Accounting Standards and Interpretations**

**(i) New standards and interpretations**

In the half year the Company has reviewed all of the revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company and effective for annual reporting periods beginning on or after 1 August 2016. It has been determined that there is no impact on the Company, material or otherwise, of those pronouncements.

**(ii) Early adoption of standards**

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

**Clover Corporation Limited**  
**Half Year ended 31 January 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR TO 31 JANUARY 2017 (continued)**

	31-Jan-17 \$'000	31-Jan-16 \$'000
<b>2. 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 half year:		
<b>Other income:</b>		
Foreign exchange (loss)/gain	(186)	217
Interest revenue	23	35
	(163)	252
<b>Depreciation and amortisation expenses</b>	(258)	(207)
<b>3. Dividends</b>		
<b>(a) Dividends paid during the year</b>		
Final dividend for the period ended 31 July 2016 of 0.50 cent per share (31 July 2015: 0.50 cent per share) fully franked at the tax rate 30%.	(826)	(826)
<b>(b) Dividends declared</b>		
On 22 November 2016, the Company paid the final dividend in respect of the year ended 31 July 2016 of 0.50 cent per share (31 July 2015: final dividend 0.50 cent per share).		
The Directors have declared a fully franked interim dividend of 0.25 cent per share in respect of the financial period ended 31 January 2017.		
<b>4. Events subsequent to reporting date</b>		
No events have occurred subsequent to balance date which would materially affect the half year financial report.		

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR TO 31 JANUARY 2017 (continued)**

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**5. Geographical Information**

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

	Revenue from external customers		Non current assets	
	Jan 2017 \$'000	Jan 2016 \$'000	Jan 2017 \$'000	Jul 2016 \$'000
Australia/NZ	4,678	9,788	6,631	6,720
Asia	12,053	8,206	-	-
Europe	1,609	764	-	-
Americas	1,106	952	-	-
<b>Total</b>	<b>19,446</b>	<b>19,710</b>	<b>6,631</b>	<b>6,720</b>

**6. Contingent liabilities**

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

**7. Capital Commitments**

The company has entered into a conditional contract to purchase the production facilities from the landlord, with the intention to fully fund from debt. A \$0.35m deposit on the facility was paid prior to 31 January 2017, with the \$3.15m balance to be paid subsequent to 31 January 2017, subject to meeting regulatory approval.

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**DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity as set out in this financial report:
1. give a true and fair view of the consolidated entity's financial position as at 31 January 2017 and of its performance for the half year ended on that date; and
  2. comply with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Peter R Robinson**  
**Director**

**Melbourne**  
**21 March 2017**

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

**Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying condensed half-year financial report of Clover Corporation Limited (the consolidated entity) which comprises the statement of financial position as at 31 January 2017, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Clover Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of Clover Corporation Limited a written auditor's independence declaration, a copy of which is referenced in the directors' report.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed half-year financial report of Clover Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**PKF Melbourne Audit & Assurance Pty Ltd**  
Melbourne, 21 March 2017

**Steven Bradby**  
Director

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

In relation to our review of the financial report of Clover Corporation Limited for the half-year ended 31 January 2017, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

**PKF Melbourne Audit & Assurance**

**Steven Bradby**

**Director**

**Melbourne, 21 March 2017**

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