



**CLOVER CORPORATION
LIMITED**

ABN 85 003 622 866

**Annual Report
For The Year Ended
31 July 2016**

CORPORATE DIRECTORY

Directors

Mr Peter R Robinson	Non-Executive Director and Chairman
Mr Graeme A Billings	Non-Executive Director
Mr Peter J Davey	Chief Executive Officer and Managing Director
Ms Cheryl L Hayman	Non-Executive Director
Mr Rupert A Harrington	Non-Executive Director
Dr Merilyn J Sleigh	Non-Executive Director

Secretary

Mr. Jaime Pinto

Registered Office

Unit 35E
1 International Drive
Westmeadows VIC 3049

Telephone: (03) 8347 5001
Facsimile: (03) 8347 5055

Auditors

PKF
Level 8
1 O'Connell Street
Sydney NSW 2000

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>

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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, children, and to the medical food markets.

CHAIRMAN'S REPORT

Clover Corporation Limited (Clover) reported a net profit after tax (NPAT) for the 12 months ended 31 July 2016 of \$2.2m (2015: profit of \$0.1m).

Sales revenue in FY2016 was \$42.9m (2015: \$29.9m) an increase of 43.4%.

	2016 Statutory \$000's	2015 Statutory \$000's
Sales Revenue	42,920	29,921
EBIT	2,830	(72)
Profit before tax	3,108	4
Profit after tax	2,213	100

Sales for the year have increased by 43% with traditional customers expanding their orders and new customers delivering strong revenue growth. Whilst the Cost of Goods rate remained unchanged the volume increase with reduced operating expense resulted in an improved profit result. The majority of customers have now moved to purchasing in US\$ which provides a natural hedge for the business reducing risk of fluctuating input prices.

Commercial

Clover has put in place a new commercial team focused on business development into new territories, markets and products. This has delivered new business, with a pipeline of other opportunities in place. Clover has moved to expand its market reach, looking outside the traditional infant formula market business to provide growth opportunities. However, many of these applications will take time to deliver as the company works with customers on product development and trials. The infant formula market remains a key growth opportunity as new customers are presented with Clover's unique product, regulations specify increased levels of Clover's DHA ingredient, and volume expands to meet the increasing China and Asian market demand.

China

Chinese demand for infant formula has increased, with Chinese consumers demanding imported product. This has moved Clover's customer base into new opportunities in Europe, Australia, and New Zealand, who are fulfilling the increased demand into China. Recent Chinese regulatory change requires manufacturers to only provide three brands of infant formula with three distinctly different formulations within each brand. Whilst the regulations take effect in October 2016, most of Clover's current customers are well positioned to be ready for the change in regulations with the potential for DHA to be used as a differentiator in the formula changes. However, the Chinese market may take some time to adapt to the new regulations as the distribution channel prepares to manage the change and manufacturers re-apply for Chinese accreditation to supply product.

Europe

The EU has released new infant formula regulations which apply to product sold within the EU. A significant change is that all infant formula in the EU must contain a minimum of 20 mg of DHA, an increase from the previous requirement (average of 10%), by the year 2020. EU customers are now preparing for the change which represents an opportunity for Clover as its key products are DHA encapsulated powders and DHA oils suitable for inclusion in infant formula. Clover's patented technology, licensed from CSIRO, protects DHA oil from oxidation, the principal cause of unpleasant smell or taste in oils.

CHAIRMAN'S REPORT (continued)

Clover's products, which have a much longer shelf life than competing products, help customers to achieve the increased DHA inclusion without impacting on the sensory aspects of their products.

Australia & New Zealand

Clover has started manufacturing its product at the New Zealand Waikato facility, in which the company invested in FYs14 and 15. The first production run took place in July 2016 with much of the expected output from this facility already pre-sold.

Both Australia and New Zealand have benefited from increased Chinese demand for imported infant formula product. New Zealand has experienced significant Chinese investment into new facilities and joint ventures established over the past eighteen months, with Clover working to develop these customers for future growth. Infant formula manufactured for export has also increased in Australia, with Clover benefiting from expanding sales to existing and new customers who are meeting the increased demand.

Americas

Clover is working with a new distributor in the USA to develop opportunities into the growing sports nutrition, food and wellbeing markets. The South American business has continued to grow with improved sales into infant formula products.

Research & Development

Clover has restructured its Research and Development team, having employed two experienced PhD's to add relevant expertise and complement the existing staff. The two additional staff are experts in the encapsulation and nutrition areas and represent an investment in the future of the organisation. During 2016 Clover has released two new products; an encapsulated oil targeting the hypoallergenic market which represents 20% of the infant formula market, and a food grade DHA oil which is aimed at the competitive direct oil inclusion market.

Preterm Clinical Trial

Clover previously conducted a clinical trial to test the effectiveness of Clover's DHA emulsion in reducing the incidence of Broncho-pulmonary Dysplasia (BPD) in infants born prematurely. Clover licensed the development and commercialisation of the DHA emulsion product to Premneo Pharmaceuticals Pty Ltd in October 2015, thereby ceasing its active involvement in the project. The trial finished in May 2016 with initial analysis indicating that the trial had not met the targeted end point. As a result, the relationship with the trial and Premneo has now concluded.

Expenditure

Clover has contained operating expenses in 2016 to \$5.8 million (2015 \$6.1 million) despite the major increase in production levels. At the same time, the Company has made changes to personnel and production processes, assisting the improved profit result and simultaneously establishing resources for the future.

Working Capital

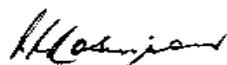
Inventories at year end were 2016: \$13.6m (2015: \$14.2m), with the company balancing its focus on inventory reduction against long lead times for delivery in the EU and fulfilling fluctuating customer demand. The overall cash position of the business at year end was \$8.2m (2015: \$9.5m). Clover continues to fund its business from operating cash flows without any bank debt. The business continues to review investment opportunities for expansion into aligned markets, processes and products.

CHAIRMAN'S REPORT (continued)

Dividend

Based on the performance of Clover in FY16 the Directors have decided to declare a fully franked final dividend for FY16 of 0.50 cents per share. The record date for this dividend will be 28 October 2016, with payment due on 21 November 2016.

The outlook for FY17 is positive as Clover develops new markets, product opportunities and the impact of regulatory change in China and the EU flows through to product applications.



Mr Peter R Robinson
Chairman

Date: 21 September 2016

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 3 sites;

- The Company's registered office and head office is located in Westmeadows, Victoria.
- A manufacturing plant for tuna oils and related products, Customer Service and 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, 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 tuna oil and a range of other encapsulated ingredients for use in infant formula.

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 be involved in research to determine the physiological benefits of lipids, particularly in relation to health and development of preterm infants. The Company 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 2016.

Directors

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

Name and qualifications

Mr Peter R Robinson, B.Com. (UNSW), FAICD
Appointed Chairman 13 December 2002
Non-Executive Director since August 1997

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 Robinson has held both executive and non-executive directorships for a period of 30 years. Mr Robinson has over 30 years' experience at general management and chief executive officer level. During this period Mr Robinson has had extensive experience in the pharmaceutical industry.

Mr Robinson joined Washington H. Soul Pattinson and Company Limited (WHSP) in 1978 and was appointed an Executive Director of WHSP in 1984. Mr Robinson retired from WHSP March 31 2015.

Other current listed company directorships:
Australian Pharmaceutical Industries Limited, Chairman appointed 2000.
CPL Limited, appointed 2015.
TPI Enterprises Limited, Chairman appointed 2013

Former listed company directorships in the past three years:
WHSP appointed 1984, retired March 2015.
New Hope Corporation Limited appointed 1997, retired March 2015.

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 listed company directorships:
GUD Holdings Limited, appointed 2011.
Korvest Limited, appointed 2013.
Korvest Limited, Chairman appointed 2014.
Azure Healthcare, Chairman appointed 2015

DIRECTORS' REPORT (continued)

Name and qualifications

Experience and special responsibilities

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

Executive Director since 11 November
2014

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

Non-Executive Director since 1 July 2015
Member of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Mr Harrington is a major shareholder and Executive Chairman of Advent, a leading Australian private equity manager. Mr Harrington has been involved in private equity since 1987 and is considered to be one of the founders of the Australian industry. Prior to Advent, Mr Harrington had 8 years' general management experience at both corporate and operational management levels.

During Mr Harrington's years at Advent he has been either a Director or Chairman of 26 investee companies, including businesses operating in the manufacturing, services and high-technology sectors spanning many facets of the investment process at all stages of the growth cycle.

Other current listed company directorships:
Integral Diagnostics Limited, appointed 2015.
Bradken Ltd, appointed 2015.

Ms Cheryl L Hayman, B.Com, GAICD

Non-Executive Director since 9 July 2008
Member of the Audit Committee
Member of the Remuneration Committee
Chair of the Nomination Committee

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.

Today Cheryl is a professional Non-Executive Director across public, government and not-for-profit company directorships:
Non-Executive Director, Houston's Farm since 2016.
Non-Executive Director, AIFST since 2016
Non-Executive Director, Peer Support Australia since 2007.

DIRECTORS' REPORT (continued)

Name and qualifications

Experience and special responsibilities

**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

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 currently serves as a director of Intersect Limited and Relationships Australia (NSW), and until recently was a director of ASX-listed biotech Tyrian Diagnostics Limited. She is also a member of the Council of the University of Technology Sydney.

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.

Former listed company directorships in the last three years: Tyrian Diagnostics Limited, appointed December 2008, resigned 25 August 2016.

Company Secretary

Mr Darren J Callahan, CPA
Resigned effective 25 September 2015

Mr Callahan is a Certified Practising Accountant with over 20 years' experience in executive finance roles across a broad range of industries.

Mr Jaime Pinto, B.Com, CA
Appointed 25 September 2015

Mr Pinto is a Chartered Accountant with over 20 years' experience in both professional practice and in senior commercial roles across a broad range of industries, and is currently Company Secretary of a number of listed and unlisted Companies.

DIRECTORS' REPORT (continued)

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 2016, the comparative period being the financial year ended 31 July 2015. Total revenue from sale of goods increased 43.4% to \$42,920,000. Net profit after tax is \$2,213,000 (2015: profit of \$100,000).

Review of Operations

A full review of operations is included in the Chairman's Report appearing on pages 4, 5 and 6 of this Annual Report.

DIRECTORS' REPORT (continued)

Employees

The consolidated entity had 33 employees as at 31 July 2016 (2015: 36 employees).

Events Subsequent to Reporting Date

No events have occurred subsequent to balance date that would materially affect the results for the financial year.

Significant changes in the State of the Affairs

Other than as stated above, and 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 0.5 cent per share for the 12 months ended 31 July 2015 was paid on 20 November 2015. The total final 2015 dividend paid was \$825,908.

The Directors have declared a fully franked final dividend of 0.50 cents per share (\$825,908) in respect of the year ended 31 July 2016. The record date for this dividend will be 28 October 2016 with payment due on 21 November 2016. An interim dividend of 0.25 cent per share was paid for FY2016. The total dividend paid in respect to FY2016 is 0.75 cent per share, an increase of 0.25 cents per share compared with the total dividend for FY2015.

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' REPORT (continued)

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
P R Robinson	14	14	-	-	-	-	-	-
G A Billings	13	13	2	2	4	4	3	3
P J Davey	14	14	-	-	-	-	-	-
R A Harrington	12	12	2	2	4	4	3	3
C L Hayman	12	12	2	2	4	4	3	3
Dr M J Sleigh	12	11	2	2	4	4	3	3

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.

DIRECTORS' REPORT (continued)

Remuneration Report

The Remuneration Report outlines the director and executive remuneration arrangements of the Company for the 2016 financial year in accordance with the requirements of the Corporations Act 2001 and its Regulations. It has been audited in accordance with section 300(A) 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. In the previous year's Remuneration Report, additional executives were included as KMP. However, following personnel and role changes during the previous and current financial year, the Directors and Chief Executive Officer determined that those persons having authority and responsibility for planning, directing and controlling activities are as listed below.

Name	Position
Directors	
P R Robinson	Non-Executive Chairman
G A Billings	Non-Executive Director
P J Davey	Chief Executive Officer and Managing Director
R A Harrington	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
D Callahan (resigned 25 September 2015)	Chief Financial Officer
P Sherman (appointed 16 May 2016)	Chief Financial Officer

(ii) Remuneration Policy

The Company operates from three 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.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(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 (bonus) and share-based long term incentive for the CEO;
- The mechanism to be used to review and benchmark the competitiveness of this TRP;
- The Key Performance Indicators (KPIs) to be set for the CEO;
- Changes in the amounts of different components of the TRP following annual performance review of the CEO;
- Decision on whether the Long Term Incentive 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 three year assessment period of the Long Term Incentive Plan, based on financial performance 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 Sleight (Chair), Cheryl Hayman, Rupert Harrington 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 13 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;
- considers matters related to Executive succession planning; and
- considers recommendations from the Nomination Committee in relation to Board succession planning, to ensure an appropriate mix of skills, experience, expertise and diversity (subject to the power of shareholders in General Meeting to elect or re-elect directors).

(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 2016 was \$299,970, 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
- recognise that given the small size of the Board, all Directors contribute extensively to the work of committees. As such, current policy is that no additional fees apply to Directors for their participation on Board committees.
- must be appropriate in the context of the overall financial performance of the company.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

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. Director fees are set at or below the 50th percentile for the relevant comparator group of companies. Remuneration consultants have been used in the past to assist in this process but none have been engaged for this purpose in the past two financial years.

The Board has to date selected a simple remuneration policy whereby only fees and statutory superannuation benefits are payable. The table on page 19 of this report shows fees paid to Non-Executive Directors for the 2016 and 2015 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.

TOTAL REMUNERATION PACKAGE						
Total fixed remuneration (cash salary, superannuation and non-monetary benefits)	+	Short term incentive (cash payment)	+	Long term incentive (performance rights)	=	Total Remuneration Package
FIXED		VARIABLE				

The Managing Director and specified Executives (Executives) are eligible for Short Term Incentive (STI) payments, while the Managing Director and Executives may also have access to a Long Term Incentive in the form of Performance Rights. No new offer of Performance Rights was made to the Managing Director or other Executives during the 2016 Financial Year.

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. 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 benchmark used for review of the Managing Director's fixed remuneration is the 50th percentile for equivalent companies, taking into account different mixes between fixed and at-risk consideration among these companies.

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 Key Performance Indicators (KPIs) (both financial and non-financial) established for the business.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

These are the basis for KPIs for the CEO, set by the Board, and for other Executives, set by the CEO according to the area of responsibility of each Executive.

A formal review of the achievement of each Executive is conducted by the CEO annually and proposed changes in fixed remuneration and the Short Term Incentive (STI) to be paid are submitted to the Board for approval. As noted in section (iii) above, the performance of the CEO against agreed KPI's is reviewed by the Remuneration Committee, and recommendations on adjustment to total fixed remuneration and payment of the Short Term Incentive 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 this percentage 25% (2015) and 30% (2016), while for other Executives, 10% applied in both years. 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, changes in the Company's circumstances during the year and exceptional contributions by particular Executives.

KPIs set for the CEO each year include financial, strategic and operational targets as summarised in the table below. KPIs for individual Executives reporting to the CEO include the overall financial goals for the Company, and otherwise focus principally on operational goals in areas contributing to the overall goals for the Company and for which the Executive are responsible.

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 increasing dividends each year.
Strategic	20-50%	Establishment of agreed strategic plans and progress towards their implementation.	Strategic KPI's address the medium term prospects for the company, including new products, markets, customers and alliances.
Operational	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).	Operational KPIs address particular challenges identified each year (but often on-going) for continued growth of the business for the future, in the key management areas of Sales and Marketing, R&D output, Manufacturing, Regulatory and Cash Management. Examples include turning the output from the Innovations team into profitable products attracting new sales. Adjustment to the changing nature of the market, raw material availability and manufacturing efficiency are all required to maintain both short term performance of the Company, and long term growth.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(vi) Long Term Incentive Plan

A Long Term Incentive (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 which are delivered according to the Terms of the Clover Corporation Long Term Incentive Plan (established in 2006) and an annual Letter of Invitation from the Board to the CEO, setting out the terms for vesting of performance rights at the end of the three year period from the date of offer (the 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 at the start of each 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 are set for each year of the 3 year assessment period, with vesting of Rights determined after the annual results for the company are released to the market at the end of the third year. For example, performance against hurdles set for the LTI offer made in July 2012 was assessed in September 2015, examining achievement in each of the three years since the offer date. Hurdles for vesting of Performance Rights reflect long term growth and financial performance of the Company relevant to growth in shareholder value, including such parameters as Earnings per Share growth over the three year period, Share Price and Return on Equity over the same period.

Executives may also be invited to participate in the Company's Long Term Incentive 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 vesting as a result of assessment of achievements against hurdles are purchased on-market by the Company on behalf of the CEO and Executives. Any Performance Rights not vesting at the end of the assessment period lapse. Unvested shares are not eligible for receipt of dividends.

No LTI offer was made to the CEO or Executives in respect of the financial year ended 31 July 2016.

During the financial year, the Company satisfied its obligations to employees eligible for the LTI plan in respect of a grant provided in 2012 (which vested effective 31 July 2015) by the purchase of 121,802 shares at an average price of 37 cents per share (plus brokerage), for a total consideration of \$44,650. There were no Performance Rights that remained unfulfilled as at 31 July 2016.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(viii) 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.

2016	Salary and Fees	Superannuation Contributions	STI Payment	Non-cash Benefits	LTI Remuneration	Total
Directors	\$	\$	\$	\$	\$	\$
P R Robinson	86,789	8,245	-	-	-	95,034
P J Davey	341,029	35,224	-	32,189	-	408,442
R A Harrington	46,789	4,445	-	-	-	51,234
C L Hayman	46,789	4,445	-	-	-	51,234
Dr M J Sleigh	46,789	4,445	-	-	-	51,234
G A Billings	46,789	4,445	-	-	-	51,234
	614,974	61,249	-	32,189	-	708,412

	Salary and Fees	Superannuation Contributions	STI Payment	Non-cash Benefits	LTI Remuneration	Total
Executive KMP	\$	\$	\$	\$	\$	\$
D Callahan 1	72,234	4,224	-	5,001	-	81,459
P Sherman 2	20,735	1,970	-	-	-	22,705
	92,969	6,194	-	5,001	-	104,164

1. D Callahan resigned as Chief Financial Officer on 25 September 2015
2. P Sherman was appointed as Chief Financial Officer on 16 May 2016

2015	Salary and Fees	Superannuation Contributions	STI Payment	Non-cash Benefits	LTI Remuneration	Total
Directors	\$	\$	\$	\$	\$	\$
P R Robinson	86,789	8,245	-	-	-	95,034
P J Davey 3	222,072	23,135	-	21,460	-	266,667
R A Harrington	3,899	370	-	-	-	4,269
C L Hayman	46,789	4,445	-	-	-	51,234
Dr M J Sleigh	46,789	4,445	-	-	-	51,234
G A Billings	46,789	4,445	-	-	-	51,234
	453,127	45,085	-	21,460	-	519,672

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(viii) Remuneration of Non-Executive Directors and Executive KMP (continued)

	Salary and Fees	Superannuation Contributions	STI Payment	Non-cash Benefits	LTI Rem- uneration	Total
Executive KMP	\$	\$	\$	\$	\$	\$
D Callahan 4	237,089	29,658	45,097	30,004	-	341,848
G Elliott 5	150,664	15,041	7,660	-	-	173,365
C Patch 5	206,828	22,789	14,247	18,805	-	262,669
D Pierotti 5	168,091	16,978	10,620	-	-	195,689
S Poothong 5	202,318	20,393	12,352	-	-	235,063
	964,990	104,859	89,976	48,809	-	1,208,634

3. P Davey was appointed Chief Executive Officer 11 November 2014

4. D Callahan was interim Chief Executive Officer 1 August 2014 – 11 November 2014

5 Refer Note (i) 'Key Management Personnel' on page 14

(ix) 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.

Managing Director Mr Peter Davey was employed by the Company under a contract of employment. The length of the contract is 3 years from 11 November 2014.

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
P R Robinson	1,396,441
G A Billings	50,000
P J Davey	23,454
C L Hayman	200,000
R A Harrington	57,748
Dr M J Sleigh	257,397
	<u>1,985,040</u>

DIRECTORS' REPORT (continued)

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.

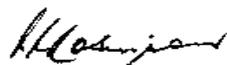
The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2016:

	\$
Taxation services	18,273
	<hr/> 18,273 <hr/>

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 65.

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



Peter R. Robinson
Chairman
Sydney
Date: 21 September 2016

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.

CORPORATE GOVERNANCE (continued)

Principle 1 – Lay solid foundations for management and oversight (continued)

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 or difference. The policy may be viewed in the Corporate Governance section of the Company's web site at 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 2016 the organisation had 33 employees. The proportion of women employees in the whole organisation as at 31 July 2016 was 43%. 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 2016 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.

The proportion of women on the Board of Directors as at 31 July 2016 was 33% with two of the five Non-Executive Directors being 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 G A Billings - Non-Executive
Mr R Harrington - Non-Executive
Ms C L Hayman - Non-Executive
Dr M J Sleigh - Non-Executive

CORPORATE GOVERNANCE (continued)

Principle 2 – Structure the Board to add value (continued)

Under the ASX Corporate Governance Principles and Recommendations Mr P R Robinson does not qualify as independent as he was a Director of Washington H. Soul Pattinson and Company Limited, a major shareholder of the Company, during the previous financial year.

Although Mr Robinson does not meet the criteria for independence in accordance with the ASX Corporate Governance Principles and Recommendations, all Directors are committed to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered. As a result of such consideration, the Board believes that Mr Robinson can be considered to be acting independently in the execution of his duties.

The Company has established a Nomination Committee which currently consists of the Chairman of the Board and 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 committee 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 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.

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.

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.

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. Each Director independently completes a 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.

CORPORATE GOVERNANCE (continued)

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.

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.

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. 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, Chief Financial Officer 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.

CORPORATE GOVERNANCE (continued)

Principle 4 – Safeguard integrity in financial reporting (continued)

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 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 Chairman and CEO are responsible for determining disclosure obligations and the Company Secretary is the nominated continuous disclosure officer for the Company.

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.

CORPORATE GOVERNANCE (continued)

Principle 7 – Recognise and manage risk (continued)

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Notes	2016 \$'000	2015 \$'000
Revenue	2	42,920	29,921
Cost of goods sold		(34,257)	(23,878)
Gross profit		8,663	6,043
Other income	2	278	79
Marketing and sales expenses		(2,217)	(1,972)
Administration and corporate expenses		(2,454)	(2,548)
Research and development expenses		(1,162)	(1,598)
Profit before income tax	3	3,108	4
Income tax (expense)/credit	4	(895)	96
Profit after tax for the period attributable to members of the parent entity		2,213	100
Other comprehensive (loss)/profit			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		(148)	(20)
Other comprehensive (loss)/profit for the period		(148)	(20)
Total comprehensive (loss)/income for the period		2,065	80
Earnings per share (EPS)			
Basic earnings per share (cent per share)	21	1.34	0.06
Diluted earnings per share (cent per share)	21	1.34	0.06

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

CLOVER CORPORATION LIMITED
ABN 85 003 622 866

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2016

	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	6	8,230	9,551
Trade and other receivables	7	10,865	5,453
Inventories	8	13,632	14,177
Other current assets - prepayments	9	374	293
		33,101	29,474
Non-current assets			
Available for sale financial assets	10	7	8
Property, plant and equipment	11	2,695	3,087
Deferred tax assets	12	2,111	2,084
Intangible assets	13	1,907	1,907
		6,720	7,086
Total assets		39,821	36,560
Current liabilities			
Trade and other payables	14	8,453	6,322
Current tax liabilities		468	-
Short-term provisions	15	505	654
		9,426	6,976
Non-current liabilities			
Deferred tax liabilities	16	146	172
Long-term provisions	15	35	24
		181	196
Total liabilities		9,607	7,172
Net assets		30,214	29,388
Equity			
Issued capital	17	32,920	32,920
Foreign currency reserves	18	(166)	(18)
Accumulated losses		(2,540)	(3,514)
Total equity		30,214	29,388

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 2016

	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Foreign Currency Reserves \$'000	Total \$'000
Balance at 1 August 2014	32,920	(2,788)	2	30,134
Profit attributable to members of the entity	-	100	-	100
Dividend paid	-	(826)	-	(826)
Translation gain	-	-	(20)	(20)
Balance at 31 July 2015	32,920	(3,514)	(18)	29,388
Balance at 1 August 2015	32,920	(3,514)	(18)	29,388
Profit attributable to members of the entity	-	2,213	-	2,213
Dividend paid	-	(1,239)	-	(1,239)
Foreign currency translation reserve	-	-	(148)	(148)
Balance at 31 July 2016	32,920	(2,540)	(166)	30,214

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 2016

	Notes	2016 \$ '000	2015 \$ '000
Cash flows from operating activities			
Receipts from customers		37,338	32,127
Payments to suppliers and employees		(37,397)	(29,534)
Interest received		76	76
Income tax received/(paid)		(80)	437
Net cash inflow/ (outflow) from operating activities	19	(63)	3,106
Cash flows from investing activities			
Purchases of plant and equipment		(19)	(758)
Net cash outflow from investing activities		(19)	(758)
Cash flows from financing activities			
Dividends paid	5 (a)	(1,239)	(826)
Net cash outflow from financing activities		(1,239)	(826)
Net increase/(decrease) in cash held		(1,321)	1,522
Cash and cash equivalents at the beginning of the period		9,551	8,029
Cash and cash equivalents at the end of the period	6	8,230	9,551

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Clover Corporation Limited (“the Company”) and controlled entities (“the consolidated entity”). 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 21 September 2016 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 accounting policies adopted are consistent with those of the previous financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (i) Changes in accounting policy and disclosures, standards and interpretations (continued)

There are no new or revised Accounting Standards and Interpretations issued by the AASB in respect of the reporting period beginning 1 August 2015 that have any significant impact on the consolidated entity in the current year or could impact on future periods.

(a) (ii) Early adoption of standards

The consolidated entity has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 August 2015.

(a) (iii) New accounting standards for application in future periods

The following Standards and Interpretations issued or amended are applicable to the consolidated entity but are not yet effective and have not been adopted in preparation of the financial statements at the reporting date. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 11 Construction Contracts, AASB 18 Revenue and related Interpretations.

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Accordingly, revenue will be recognised through application of the following steps:

- (i) Identify the contract(s) with a customer.
- (ii) Identify the performance obligations in the contract.
- (iii) Determine the transaction price.
- (iv) Allocate the transaction price to the performance obligations in the contract
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, and it is available for early adoption. It is not anticipated that the Group will apply the standard until the year commencing 1 August 2018. However, its impact will be determined in advance of the year ending 31 July 2017.

AASB 9 Financial Instruments

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139, superseding versions issued in December 2009 and December 2010.

AASB 9 is effective for annual reports beginning on or after 1 January 2018. While AASB 9 is available for early adoption, it is not anticipated that the Group will apply the standard until the year commencing 1 August 2018. However, its impact will be determined in advance of the year ending 31 July 2017.

The final version of AASB 9:

- (i) Introduces a new expected loss impairment model that will require more timely recognition of expected credit losses;
- (ii) Confirms previous amendments relating to new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (iii) Includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139;
- (iv) Provides that where the fair value option is used for financial liabilities the change in fair value is to be accounted for by presenting that part attributable to change in credit risk in other comprehensive income, and the remainder in profit or loss.

AASB 16 Leases.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Standard requires lessees to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

Though the standard can be early adopted that cannot be prior to the adoption of AASB 15. It is not anticipated that the Group will apply the standard until the year commencing 1 August 2019. However, its impact will be determined in advance of the year ending 31 July 2018.

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of consolidation (continued)

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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income tax (continued)

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

Inventories 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.

Plant and equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 statement of comprehensive income during the financial period in which they are incurred.

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:

Class of Asset	Depreciation Rates
Leasehold improvements, at cost	6.66% - 15.00%
Plant and equipment, at cost	5.00% - 33.33%
Furniture and equipment, at cost	4.80% - 40.00%

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included 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.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Those financial instruments entered into by the consolidated entity are classified and measured as set out below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, prices quoted in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- c. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a consolidated entity of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Trade debtors and other receivables are recognised at the amount due. The consolidated entity establishes a provision for any doubtful debts based on a review of all outstanding amounts at period end. Bad debts are written off when they are identified.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(iii) Held-to-maturity investments (continued)

If during the period the consolidated entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative instruments

The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the consolidated entity's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) 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. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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.

(i) Intangibles

Patents and trademarks

Patents and trademarks, where material, are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 5 years.

Research and development costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangibles (continued)

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.

(j) 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.

(k) 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.

(l) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue (continued)

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(m) Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant funds to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis

(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 Company 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 balance 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) 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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(s) 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.

(t) Comparative figures

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

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Critical accounting estimates and judgements (continued)

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 13 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.

A Group entity historically has experienced tax losses and has entitlement to a tax offset with a combined tax effected value of \$813,000. These losses and offsets do not expire and, notwithstanding the current tax position of the entity, management has judged on the basis of forecasts that the tax loss and offset be recognised as a deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
2. Revenue and other income		
Operating activities:		
Sales of goods	42,920	29,921
	<u>42,920</u>	<u>29,921</u>
Other income:		
Interest revenue	76	76
Other revenue	202	3
	<u>278</u>	<u>79</u>
Total revenue	<u>43,198</u>	<u>30,000</u>
3. Expenses		
Profit before income tax includes the following items:		
Employee benefits expense:	<u>3,903</u>	<u>4,517</u>
Inventory impairment charge:	<u>808</u>	<u>(363)</u>
Depreciation and amortisation:		
- leasehold improvements	164	163
- plant and equipment	239	393
- office furniture and equipment	28	35
- amortisation	0	58
	<u>431</u>	<u>649</u>
Minimum lease payments:		
- operating lease	<u>387</u>	<u>371</u>
4. Income tax expense/(credit):		
(a) The components of tax expense/(credit) comprise:		
Current tax	1,029	(524)
Deferred tax liability	(26)	13
Deferred tax asset	(27)	437
Under/(over) provision	(81)	(22)
	<u>895</u>	<u>(96)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
4. Income tax expense/(credit)		
(continued)		
(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%	932	2
Tax effect amounts:		
- Research and development claim	(38)	(91)
- Sundry other	82	15
- (Over) Provision in prior years	(81)	(22)
Income tax expense/(credit) attributable to profit	895	(96)
5. Dividends		
(a) Dividend paid during the period		
Final dividend for the year ended 31 July 2015 of 0.50 cent per share (2014FY: 0.50 cent per share) fully franked at the tax rate of 30%, paid 20 November 2015	826	826
Interim dividend for the year ended 31 July 2016 of 0.25 cent per share (2015FY: nil) fully franked at the tax rate 30%, paid 2 May 2016	413	-
	1,239	826
Franking account balance		
Franking credits available for subsequent financial years	4,797	4,830

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

Consolidated
2016 2015
\$'000 \$'000

5. Dividends (continued)

(b) Dividends declared after balance date

The Directors have declared a final dividend for the financial year ended 31 July 2016 of 0.5 cent per share (2015: final 0.5 cent per share) fully franked at 30%, payable on 21 November 2016, but not recognised as a liability at the end of the financial period. The record date for this dividend will be 28 October 2016.

6. Cash and cash equivalents

Cash at bank	7,223	7,536
Cash on deposit, at call	1,007	2,015
	8,230	9,551

7. Trade and other receivables

Current

Trade debtors	10,219	4,778
Other debtors	646	303
Income tax receivable	0	372
Total current trade and other receivables	10,865	5,453

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 60 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.

A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. These amounts are included in impairment expense in the statement of profit or loss.

Refer to Note 25 for more information on credit risk of trade and other Receivables.

8. Inventories

Raw materials, at lower of cost & net realisable value	4,066	7,477
Goods in transit	2,404	2,102
Finished goods, at lower of cost & net realisable value	7,162	4,598
Total inventories	13,632	14,177

9. Other current assets

Prepayments	374	293
	374	293

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
10. Available for sale financial assets		
Listed investment, at fair value		
-shares in listed corporation	7	8
11. Property, plant and equipment		
Leasehold improvements, at cost	1,632	1,632
Less: accumulated depreciation	(680)	(516)
Total leasehold improvements	952	1,116
Plant and equipment, at cost	7,210	7,167
Less: accumulated depreciation	(5,500)	(5,261)
Total plant and equipment	1,710	1,906
Furniture and equipment, at cost	194	198
Less: accumulated depreciation	(161)	(133)
Total furniture and equipment	33	65
Total property, plant and equipment	2,695	3,087

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

Leasehold improvements

Balance at beginning of the period	1,116	1,279
Additions, net of disposals	-	-
Depreciation expense	(164)	(163)
Carrying amount at the end of the period	952	1,116

Plant and equipment

Balance at beginning of the period	1,906	1,596
Additions, net of disposals	19	703
Foreign Currency Translation	24	0
Depreciation expense	(239)	(393)
Carrying amount at the end of the period	1,710	1,906

Furniture and equipment

Balance at the beginning of the period	65	99
Additions, net of disposals	(4)	1
Depreciation expense	(28)	(35)
Carrying amount at the end of the period	33	65

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
12. Deferred tax assets		
Deferred tax asset	<u>2,111</u>	<u>2,084</u>

The deferred tax assets balance comprises the following temporary differences:

Impairment of inventory	409	201
Provisions	242	237
Income tax losses and tax offsets	813	809
Other temporary differences	<u>647</u>	<u>837</u>
	2,111	2,084
Reconciliation:		
Opening balance	2,084	1,647
Charges to income statement	<u>27</u>	<u>437</u>
Closing balance	<u>2,111</u>	<u>2,084</u>

13. Intangible assets

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

There were no acquisitions of controlled entities in 2016 (2015: None). Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included in marketing and sales expense in the statement of comprehensive income. Goodwill has an indefinite life.

(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 2016 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
14. Trade and other payables		
Current		
Trade creditors	5,096	4,597
Sundry creditors and other accruals	3,357	1,725
	8,453	6,322
15. Provisions		
Aggregate employee entitlements:		
Current	505	654
Non-current	35	24
Total employee entitlements	540	678
16. Deferred tax liabilities		
The deferred tax liability balance comprises the following timing differences:		
Unrealised exchange gains	(14)	12
Depreciating assets	160	160
	146	172
Reconciliation:		
Opening balance	172	159
Charge / (benefit) to income statement	(26)	13
Closing balance	146	172

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
17. Issued capital		
(a) Issued and paid up capital		
165,181,696 (2015:165,181,696) fully paid ordinary shares	<u>32,920</u>	32,920
Total contributed equity	<u>32,920</u>	32,920

The Company has issued share capital amounting to 165,181,696 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.

(a) Movement in ordinary shares

There were no movements in issued capital during the financial period.

Options

There are no options over the unissued capital of the Company at the end of the financial period.

(b) 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 2016 net debt was \$ nil (2015: \$ nil).

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.

CLOVER CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

18. Reserves

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

Foreign currency translation	(166)	(18)
Total	(166)	(18)

19. Parent company information

	2016	2015
	\$'000	\$'000
Current assets	9,540	10,528
Non-current assets	17,288	15,157
Total assets	26,828	25,685
Current liabilities	2,267	1,703
Non-current liabilities	146	172
Total liabilities	2,413	1,875
Net assets	24,415	23,810
Equity		
Issued capital	32,920	32,920
Accumulated losses	(8,505)	(9,110)
Total equity	24,415	23,810
Net profit for the period before other comprehensive income	1,841	553
Total comprehensive income for the period	1,841	553
Earnings per share (cents per share)	1.11c	0.33c

Controlled entities:	Country of Incorporation	Percentage Owned	
		2016	2015
		%	%
Nu-Mega Lipids Pty Limited	Australia	100	100
Nu-Mega Ingredients Pty Limited	Australia	100	100
Subsidiaries:			
- Nu-Mega Ingredients Limited	United Kingdom	100	100
- Nu-Mega Ingredients Limited	United States of America	100	100
- Nu-Mega Ingredients Limited	New Zealand	100	100

Contingent liabilities

There are no contingent liabilities at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$ '000	\$ '000
20. Reconciliation of cash flow		
Reconciliation of cash flow from operating activities to operating profit		
Profit for the period	2,213	100
Non cash items :		
- Amortisation and depreciation	431	649
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
(Increase)/Decrease in receivables	(5,442)	1,841
(Increase)/Decrease in other assets	(422)	20
(Increase)/Decrease in inventories	543	2,327
(Decrease)/Increase in payables	1,965	(2,273)
(Decrease)/Increase in deferred tax liabilities	(26)	13
Decrease/(Increase) in deferred tax assets	(27)	(437)
(Decrease)/Increase in current tax liabilities	840	765
(Decrease)/Increase in employee entitlements	(138)	101
Net cash inflow/(outflow) from operating activities	(63)	3,106

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

21. Earnings per share

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

	2016	2015
	\$ 000	\$ 000
(a) Reconciliation of earnings to net profit or loss		
Profit attributable to members of the parent entity	<u>2,213</u>	100
Earnings used to calculate basic and diluted EPS	<u>2,213</u>	100
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted earnings per share		
	<u>165,181,696</u>	165,181,696
(c) Basic and Diluted earnings per share (cents per share)		
	<u>1.34c</u>	0.06c

22. 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	105,000	119,500
- Taxation services	18,273	8,180
	<u>123,273</u>	127,680

23. 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 19.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

24. 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
Directors	
P R Robinson	Non-Executive Chairman
G A Billings	Non-Executive Director
P J Davey	Chief Executive Officer and Managing Director
C L Hayman	Non-Executive Director
R A Harrington	Non-Executive Director
Dr M J Sleigh	Non-Executive Director
Executive KMP	
D Callahan	Chief Financial Officer
P Sherman	Chief Financial Officer

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. The table below summarises the total compensation:

	2016	2015
	\$	\$
Short-term benefits 1	745,133	1,578,362
Long-term benefits 1	67,443	149,944
	812,576	1,728,306

1. Refer Note (i) 'Key Management Personnel' on page 14 for changes in recognition of KMP

(b) Performance rights:

All 121,802 Performance Rights that had vested as at the end of the previous year, relating to grants provided in 2014, were satisfied by the Company during the current financial year by the on market purchase of 121,802 Clover shares at an average price of 37 cents per share (plus brokerage), for a total consideration of \$44,650. There were no Performance Rights offers that remained unfulfilled as 31 July 2016.

(c) Shareholding:

	Balance 31 July 2015	Exercise of Rights	Shares Purchased & Sold	Balance 31 July 2016
Directors				
P R Robinson	1,387,108	-	9,333	1,396,441
G A Billings	50,000	-	-	50,000
P J Davey	23,454	-	-	23,454
C L Hayman	200,000	-	-	200,000
Dr M J Sleigh	230,000	-	27,397	257,397
R A Harrington	-	-	57,748	57,748
	1,890,562	-	94,478	1,985,040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

25. Management of financial risk

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

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 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.

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 no borrowings, though the opportunity to achieve the most advantageous rates of deposit interest is considered in conjunction with managing exposures to other financial risks. 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 balance sheet 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 2016, the consolidated entity had the following financial assets and liabilities denominated in foreign currency.

	2016	2015
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	666	2,998
Trade and other receivable	2,749	284
Total financial assets	3,415	3,282
Financial liabilities		
Trade and other payables	(2,984)	(2,006)
Total financial liabilities	(2,984)	(2,006)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

25. Management of financial risk (continued)

(a) Foreign currency risk (continued)

At 31 July 2016, 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)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Change in Profit				
USD/AUD + 5%	3	(85)	3	(85)
USD/AUD - 5%	(3)	94	(3)	94
EURO/AUD + 5%	(19)	(10)	(19)	(10)
EURO/AUD - 5%	21	11	21	11
GBP/AUD + 5%	(1)	(6)	(1)	(6)
GBP/AUD - 5%	1	6	1	6
NZD/AUD + 5%	(3)	28	(3)	28
NZD/AUD - 5%	3	(31)	3	(31)

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 balance 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 balance date is representative of what the consolidated entity was, and is expecting, to be exposed to in the next twelve months from balance 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

25. Management of financial risk (continued)

(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 Managing Director.

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 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade receivables :		
Within terms	10,219	4,778
Over terms	-	-
Total	10,219	4,778

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

25. Management of financial risk (continued)

(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, 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 plant, equipment and investments in working capital.

Consolidated	Balance as at 31 July 2016 \$'000	Less than 1 year \$'000	1-5 years \$'000	Over 5 years \$'000
Realisable cash flows from financial assets				
Cash and cash equivalents	8,230	8,230	-	-
Trade and other receivables	10,865	10,865	-	-
Anticipated cash inflows	<u>19,095</u>	<u>19,095</u>	<u>-</u>	<u>-</u>
Financial liabilities and obligations due for payment				
Trade and other payables	(8,454)	(8,454)	-	-
Leasing commitments	(816)	(445)	(371)	-
Anticipated cash outflows	<u>(9,270)</u>	<u>(8,899)</u>	<u>(371)</u>	<u>-</u>
Net inflow/(outflow)	<u>9,825</u>	<u>10,196</u>	<u>(371)</u>	<u>-</u>

(e) Fair value

All assets and liabilities recognised in the balance sheet, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

26. 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 Group, 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Australia / New Zealand	22,596	11,876	6,720	7,086
Asia	16,198	13,256	-	-
Europe	1,933	2,377	-	-
Americas	2,193	2,412	-	-
Total	42,920	29,921	6,720	7,086

During the financial year there were 2 customers who represented 37% and 12% of total sales respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Consolidated	
	2016	2015
	\$'000	\$'000
27. 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	445	416
Later than 1 year but not later than 5 years	371	814
Total operating leases	816	1,230

(b) Capital expenditure commitments:

There are no capital expenditure commitments.

28. Events subsequent to reporting date

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

29. 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 2016 and of its performance for the period ended on that date; and

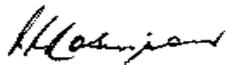
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(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.

(d) 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 2016.

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



Peter R. Robinson

Chairman

Sydney

Date: 21 September 2016

Independent Auditor's Report To the Members of Clover Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Clover Corporation Limited, which comprises the consolidated statement of financial position as at 31 July 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, 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.

Opinion

In our opinion:

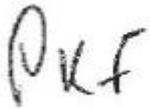
- (a) the financial report of Clover Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the year ended 31 July 2016. 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.

Opinion

In our opinion, the Remuneration Report of Clover Corporation Limited for the year ended 31 July 2016 complies with section 300A of the *Corporations Act 2001*.



PKF

Chartered Accountants

Dated this 21st day of September 2016, Sydney



CLAYTON HICKEY

Partner

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
To the Directors of Clover Corporation Limited**

I declare that, to the best of my knowledge and belief, during the year ended 31 July 2016 there have been:

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

PKF

Chartered Accountants

Dated this 21st day of September 2016, Sydney

CLAYTON HICKEY

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 August 2016

Substantial shareholders

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

Washington H. Soul Pattinson and Company Limited	47,161,939 ordinary shares
Brickworks Limited ¹	47,161,939 ordinary shares
Farjoy Pty Ltd	20,417,299 ordinary shares

¹ 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 August 2016

Category	Number of holders of ordinary shares
1 – 1,000	143
1,001 – 5,000	596
5,001 – 10,000	429
10,001 – 100,000	709
100,001 and over	130
Total Number of Holders	2,007
Total number of holders of less than a marketable parcel, being 1,099 shares @ 0.455	151

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.

CLOVER CORPORATION LIMITED
ABN: 85 003 622 866

ASX Additional Information - Continued

Twenty largest shareholders as at 31 August 2016*

Rank	Name	Number of Fully Paid Ordinary Shares	Percentage of Issued Ordinary Shares (%)
1	Washington H Soul Pattinson and Company Limited	47,161,939	28.55
2	Farjoy Pty Limited	20,417,299	12.36
3	Evelin Investments Pty Limited	7,550,000	4.57
4	National Nominess Limited	4,833,863	2.93
5	Mr Mark Camilleri and Mrs Victoria Camilleri <Camilleri Super Fund A/C>	3,612,260	2.19
6	HSBC Custody Nominees (Australia) Limited – A/C 2	3,102,724	1.88
7	Citicorp Nominees Pty Limited	2,840,025	1.72
8	BNP Paribas Noms Pty Ltd	2,788,444	1.69
9	JP Morgan Nominees Australia Limited	2,280,896	1.38
10	Incani & Papadopoulos Super Pty Ltd	2,150,000	1.30
11	Lawn Views Pty Ltd	2,000,000	1.21
12	Bega Cheese Limited	1,998,100	1.21
13	Connaught Consultants (Finance) Pty Limited <Super Fund A/C>	1,665,600	1.01
14	Mr Peter Howells	1,258,138	0.76
15	Mr Charles Neil Hamish Drummond	1,101,685	0.67
16	Mr Carl Anthony Oesterheld	1,100,000	0.67
17	Mr Pei Yin Foo	1,018,000	0.62
18	EDM Transport Pty Ltd <EDM Super>	1,000,000	0.61
19	McNiel Nominees Pty Limited	1,000,000	0.61
20	Gadikeshga Pty Ltd <Ellice Superfund A/C>	947,000	0.57
Total top 20 shareholders		109,825,973	66.49
Total number of shares on issue		165,181,696	

* 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