CLOVER CORPORATION LIMITED

ABN 85 003 622 866

Annual Report For the Year Ended 31 July 2021

CORPORATE DIRECTORY

Directors

Mr Rupert A Harrington	Non-Executive Director and Chairman
Mr Graeme A Billings	Non-Executive Director
Mr Peter J Davey	Chief Executive Officer and Managing Director
Mr Ian D Glasson	Non-Executive Director
Ms Toni L Brendish	Non-Executive Director
Dr Simon P Green	Non-Executive Director

Secretary
Mr Andrew G M Allibon

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Level 12
440 Collins Street
Melbourne VIC 3000

Share Registry
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Level 3, 60 Carrington Street
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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.

Purpose Statement

In collaboration with key market participants, Clover develops customised high value nutritional ingredients that enhance the wellbeing and dietary needs of their customers.

CHAIRMAN'S REPORT

Dear Shareholders

On behalf of the Board of Directors of Clover Corporation Ltd ("Clover" or "Company") I am pleased to present our Annual Report for FY21.

Shareholders would be aware that Clover like much of the world has been impacted by the global COVID-19 pandemic which has reduced sales for many of our customers combined with challenging conditions in supplying infant formula into the China market. The Company continues to see good opportunities for growth in health foods segments, however development of these markets was constrained due to COVID.

The Company has continued to maintain a focus on the health and safety of its employees operating under COVID-19 safe plans. Many staff have been asked to work from home for much of the year whilst a core operational staff have maintained the day-to-day production of the business. Thankfully no staff have contracted COVID-19 during the year. The Company has not received any financial assistance from the government.

As highlighted at the half year, Clover experienced challenging trading conditions as our major customers delayed new projects, reduced their orders due to lower consumer demand and the challenges of servicing the China market. The FY21 financial summary is:

- Revenues of $60.5m (FY20: $88.3m)
- Net Profit after tax of $6.0m (FY20: $12.5m)
- Excluding the Melody Dairies operating loss and IP legal defence costs, the underlying NPAT for FY21 would be $7.3m

Due to good cash management, the balance sheet remains strong with cash of $9.1m (FY20: $9.2m) that places the business well to support growth opportunities and service existing debt.

Clover has continued its strong focus in the development of new products and in expanding into new markets outside its traditional infant milk powder customer base. The Company maintains a strong global pipeline of new opportunities with new products, customers and markets. This has resulted in the Company launching new products through the FY21 which have gained immediate sales. The targeted customers are now trialling these ingredients to develop their own new products which will be released in the future. The Company continues to work with customers in developing encapsulated products for the planned legislated changes in Omega 3 levels in infant milk powder segment in China. Whilst it has experienced delays due to COVID-19 conditions, a reasonable conversion of this pipeline should provide a base for future growth for the Company.

Clover has and will continue to invest in its people to ensure timely responses to customers and the ongoing development and growth of the business. The Company also focuses on improving competitive capability with the investment in Melody Dairies expected to be fully operational and at least cash neutral in FY22. The R&D facility in Brisbane has been relocated to a larger facility that will include a new pilot production plant that will improve confidentiality of product development plans and reduce development time cycles.

CHAIRMAN'S REPORT

Based on the performance of Clover in FY21 the Directors have declared a fully franked final dividend for FY21 of 0.5 cent per share making the total dividend payable for the year ended 31 July 2021 1.0cps (FY20: 2.5cps).

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

Mr Rupert A Harrington

Chairman

Date: 20 September 2021

MANAGING DIRECTOR'S REPORT

Our Company has experienced a challenging year with many of our customers impacted by COVID-19. Our larger customers have delayed projects and reduced their orders in the face of lower consumer demand and the challenges of servicing the China market. This has ultimately impacted Clover's revenue for the year ended 31 July 2021 at $60.5 million (FY20: $88.3 million), a decrease of 31.5% on the prior year. Net Profit After Tax for the year ended 31 July 2021 is reported at $6.0 million (FY20: $12.5 million).

Whilst our current results are disappointing, I continue to be very proud of our employees, they have maintained flexibility, not missed an order, added new customers, and continued to provide revenue and profitability under very trying circumstances. I am heartened with the potential for the future of the business with new opportunities coming from new customers and products.

COVID-19

During the year Clover has continued to operate under a COVID-19 safe plan which has forced the business to operate under stringent conditions to maintain the safety of our employees and the quality of our product. The majority of our staff have worked from home. We have had limited opportunity to travel and hold face to face meetings. All customer communication has been through e-mail, online via video or phone calls making new customer development more challenging than ever. To combat these challenges, the Company has developed online programmes to provide workshops with customers creating new innovations that has attracted opportunities that will be realised in future years.

No financial assistance has been received or sought through the pandemic. COVID-19 has caused the closure of some customers for short periods, delayed the reduction in new product launches and slowed traditional demand. As the vaccine rolls out, we expect markets to open and business to return to a more normalised pattern. In July 2021, Clover was able to attend its first trade show in China. This trade show provided an excellent opportunity to contact customers and develop new opportunities which has resulted in immediate new business which highlights the importance of needing to get back in front of customers at the earliest opportunity.

China

The Chinese government has legislated that the standard for infant formula will change, requiring all infant formula to incorporate a minimum of 15mg/100Kcal of DHA and equivalent dosing of ARA (DHA and ARA are both fatty acids critical in human development and naturally occurring in a mother's breast milk). Clover's microencapsulated oil products which protect the oils from sensory issues of smell and fishy taste are well suited to assist customer's increasing the level of DHA and ARA. Clover has worked closely with several Chinese infant formula customers to qualify our ingredients to meet the new Chinese infant formula standard. Clover's products have been and will continue to be listed as registered ingredients in Chinese and Western infant formula customers licence applications for sale through the China retail channel. The Company has developed relationships with a range of distributors who provide a supply chain into infant formula customers. The new legislation takes effect in February 2023, but we do not expect many infant formula customers to alter their formulations until the legislated date.

Clover supplies many of the Western infant formula brands globally who have found it difficult trading in the China market. The dynamics of the China distribution channel have changed through legislation and government controls. At the same time, the traditional Daigou channel reliant on Chinese students and travellers has virtually disappeared due to COVID-19.

Europe

Clover's European demand has remained flat for the financial year delivering $10.4m (FY20 $11.5m) in revenue. Most infant formula customers have experienced lower demand because of COVID-19 and from the China market. The mix of the Company's business has shifted to a broader range of small to medium customers reducing exposure to a limited number of accounts previously serviced. Clover has recently started selling refined Tuna oil in the EU market to its infant formula customers, recording its first sale in the last quarter of FY21. The EU infant formula regulation changes (the EU changed legislation in February 2020 for infant formula to contain a min 20mg/100Kcal of DHA) are expected to deliver additional growth opportunities as the market moves from current COVID-19 restrictions.

Asia & ANZ

The Asian, Australian and New Zealand markets have been impacted the most by COVID-19 and trading conditions into China. Many customers have experienced significant channel disruption and reduced sales. Infant formula customers are shifting their channel strategies and market focus, which we expect will deliver improved conditions in the future. Clover has successfully added new products and customers in consumer led segments with nutraceutical and health food products, that are relatively modest with longer term prospects of growth.

Clover has a 41.9% share in a Company called Melody Dairies Limited Partnership, based in New Zealand which has built a spray dryer. Construction was completed in early 2021 but has struggled to get government regulatory and customer acceptance testing due to COVID-19 market and travel restrictions. This has resulted in Melody Dairies running at a loss for the year. Clover's share of the loss was $0.7m. Clover has now started manufacturing on the dryer for approved customers with several others going through the process. The dryer is expected to deliver a break-even position for the 2022 year, which will benefit the partnership and Clover's FY22 operating result. The dryer is strategically important to Clover providing improved cost and security of supply.

Americas

The Americas have not delivered growth across the year with many projects on hold due to customers having their staff work from home. Our pipeline of opportunities is strong with many customers considering or trialling new applications in the nutraceutical and health food market. Travel and trade shows are the key to the USA growth and under current COVID-19 conditions we will be limited in supporting this growth from our Australian based research and development (R&D) personnel.

Research & Development

Clover's R&D continues to drive the future growth of the Company. Our R&D department maintains a pipeline of new products with excellent progress and prospects for future market growth. Clover has launched a high % encapsulated EPA powder. EPA is an Omega 3 fatty acid recognised for its qualities in reducing inflammation and is being used in nutraceuticals and food for special medical purposes. In July of this year, our R&D facility relocated to a larger premise to support the ongoing development opportunities and provide the necessary footprint to incorporate a pilot production plant to fast-track development of new products. We had been using a 3rd party to support trials which was hampered by COVID-19 and ongoing cost and access challenges. The R&D team work closely with customers to help them solve problems and develop new products. This is a key advantage in driving opportunities for Clover.

Balance Sheet and operating expenditure

The Company maintains a strong balance sheet, recording positive cashflow for the year, with minimal existing net debt levels, positioning it well for future investments.

Overall operating expenses were reduced in FY21 to $8.7m (FY20 $11.4m) through disciplined management of all discretionary expenditure.

Clover has continued to incur significant legal expenses in enforcing its intellectual property rights against Pharmamark Nutrition Pty Ltd and an individual.

The stronger Australian dollar to US dollar through 2021 has further impacted the financial performance. Given that more than 50% of sales are invoiced in US dollars, translation back into Australian dollars have reduced reported revenues. On a like for like foreign exchange basis of FY20, revenue would have been $3.1m higher.

Looking forward

The fundamentals of the business remain strong with opportunities for growth across markets and segments currently impacted by COVID-19.

Clover will launch newly developed products and re-engage with customers to progress the new product and application pipeline in China, Europe, and the USA as restrictions ease.

The Company will maintain focus on obtaining raw materials and supply chain management to ensure customers are well serviced. To support future growth, Clover will also increase vertical integration into its supply chain, establishing partners in supply and logistics and add value through potential strategic acquisition and/or partnership.

Clover expects to capitalise on the above opportunities once markets and borders re-open, however the timing is unknown. It is therefore difficult to provide meaningful guidance at this time.

Mr Peter J Davey
Managing Director & CEO
Date: 20 September 2021

ABOUT CLOVER

Company Focus:

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

Company History:

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

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

Company Operations:

Clover operates from two Australian controlled sites and one 41.9% owned New Zealand location:

- The Company's registered office and manufacturing plant for tuna oils and related products, Head Office, Customer Service, Quality Assurance, and Sales and Marketing departments are located in Altona, Victoria.

- Innovation, Research & Development, Product Development, Technical Support departments are located in Brisbane, Queensland.

- Melody Dairies Spray Drying facility which is managed and run by New Zealand Food Innovation Waikato located in Hamilton, New Zealand.

Company Technology and Products.

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

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

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

DIRECTOR'S 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 2021.

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	Experience and special responsibilities
Mr Rupert A Harrington **BTech, MSc, CDipAF, MAICD.** Non-Executive Director since 1 July 2015 Appointed Chairman 21 September 2017 Chair of the Nomination Committee 	Rupert Harrington is an experienced Director with a wealth of experience in business strategy and M & A. Mr Harrington's earlier career was in operational management in the UK and Australia. His career since 1987 has been in Private Equity where he has an excellent track record of delivering results for investors in sectors including: health, technology, industrial services and manufacturing. Mr. Harrington is Non-Executive Director of Pro Pac Packaging (ASX: PPG) and Integral Diagnostics (ASX: IDX).
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 	Mr Billings has been a Chartered Accountant since 1980. Mr Billings was a partner at Coopers and Lybrand and then PricewaterhouseCoopers (PwC) for 24 years. Mr Billings was head of PwC's Melbourne Assurance practice for a number of years as well as Global Leader of PwC's Industrial Products and Manufacturing industry group. Mr Billings brings a range of financial, corporate governance, internal control, commercial and corporate transactional skills to the Company. Other current non-executive Company directorships: GUD Holdings Limited, Appointed Non-Executive Director 2011 / Chairman appointed 2020 Austco Healthcare, Chairman appointed 2015 Previously Graeme was Chairman of Korvest Ltd (resigned in August 2021) and a Non-Executive Director and Audit Committee Chair of DomaCom Ltd (resigned in June 2021).

Name and qualifications	**Experience and special responsibilities**

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

Managing 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.

Other current Non-Executive Company directorships:
Chairman Melody Dairies Ltd Partnership, appointed 30 October 2018.

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

Non-Executive Director since 1 February 2017
Member of the Audit Committee
Chair of the Remuneration Committee
Member of the Nomination Committee

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

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

Other current Company Non-Executive directorships:
Ricegrowers Ltd, appointed 2016.

DIRECTOR'S REPORT

Name and qualifications	Experience and special responsibilities

Ms Toni L Brendish
B.Com, Grad Dip Business Admin, FAICD.
Non-Executive Director since 20 October 2020
Member of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Toni Brendish was most recently Chief Executive of Westland Milk Products in the South Island of New Zealand. Westland produces a range of Dairy products including Infant Formula base powder and was New Zealand's second largest Co-operative prior to being acquired by the Chinese Multinational; Yili.

Prior to joining Westland Ms Brendish worked for the Danone Group for 11 years running their Infant Formula and Dairy businesses including Manufacturing sites across Australia and New Zealand, Malaysia and Indonesia.

She has also worked for Kimberly-Clark, Colgate Palmolive and other Blue Chip FMCG organisations.

Dr Simon P Green
BSc(Hons), PhD, GAICD
Non-Executive Director since 20 October 2020
Member of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Simon has 30 years of experience in the biotechnology industry focused on the discovery, development and commercialisation of life saving medicines.

He was actively involved in CSL's global expansion over a 17 year period and held roles as Senior Vice President, Global Plasma R&D and General Manager of CSL's manufacturing plants in Germany and Australia.

Simon is currently the founder and CEO of Immunosis Pty Ltd, a start-up diagnostics company.

He is also a Partner and investment advisor at BioScience Managers, a healthcare investment firm and serves on the scientific advisory board for Imunexus Pty Ltd.

Simon previously served as a Non-Executive Director for Acrux Pty Ltd, an ASX listed company from 2016-2019.

Mr Andrew G M Allibon,
B.Bus, CA
Chief Financial Officer & Co. Secretary

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

Principal Activities

The principal activities of the consolidated entity during 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 2021, the comparative period being the financial year ended 31 July 2020. Total revenue from sale of goods decreased 31.5% to $60,505,000. Net profit after tax is $6,004,000 (FY20: profit of $12,487,000).

Review of Operations

A full review of operations is included in the Chairman's Report appearing on page 4 and the Managing Director's report appearing on pages 6 to 8 of this Annual Report.

Employees

The consolidated entity had 53 employees as at 31 July 2021 (FY20: 49 employees).

Events Subsequent to Reporting Date

No matter or circumstance has arisen since 31 July 2021 that has significantly affected or may significantly affect the consolidated entity's state of affairs in future financial years.

Significant changes in the State of the Affairs

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

Likely Developments

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

Dividends

A fully franked final dividend of 2.5 cent per share for the 12 months ended 31 July 2020 was paid on 18 November 2020. The total final FY20 dividend paid was $4,157,752.

The Directors have declared a fully franked final dividend of 0.5 cent per share ($831,550) in respect of the year ended 31 July 2021. The record date for this dividend will be 26 October 2021 with payment due on 16 November 2021. An interim dividend of 0.5 cent per share was paid for FY21.

The total dividend declared in respect to FY21 is 1.0 cent per share, a decrease of 1.5 cent per share compared with the total dividend declared for FY20.

Environmental Regulations

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

Directors' Meetings

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

	Directors Meetings		Nomination Committee Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
Director	**Number Eligible to Attend**	**Number Attended**	**Number Eligible to Attend**	**Number Attended**	**Number Eligible to Attend**	**Number Attended**	**Number Eligible to Attend**	**Number Attended**
R A Harrington	15	15	2	2	-	-	-	-
G A Billings	13	13	2	2	4	4	6	6
P J Davey	15	15	-	-	-	-	-	-
I D Glasson	13	13	2	2	4	4	6	6
C L Hayman	3	3	1	1	1	1	2	2
Dr M J Sleigh	3	3	1	1	1	1	2	2
Ms T L Brendish	11	11	1	1	3	3	4	4
Dr S P Green	11	11	1	1	3	3	4	4

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

The Company has ongoing litigation proceedings against Pharmamark and an individual in relation to breaches of Intellectual Property. Excluding these proceedings, 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.

Unissued shares or interests under option

As of the date of this report there are 86,942 Performance Rights offers whose conditions have been met, entitling recipients to one share per right for issue in FY21. An additional 536,831 performance rights are available, subject to meeting relevant conditions.

REMUNERATION REPORT (audited)

The Remuneration Report outlines the director and executive remuneration arrangements of the Company for the 2021 financial year in accordance with the requirements of the Corporations Act 2001 and its Regulations. It has been audited in accordance with section 300 of the Corporations Act 2001 (as amended).

(i) Key Management Personnel

Key Management Personnel (KMP) in this report are those individuals having responsibility for planning, directing and controlling the major activities of the Company during the financial year. They include Non-Executive Directors, CEO and CFO. 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			
R A Harrington	Non-Executive Chairman		
G A Billings	Non-Executive Director		
P J Davey	Chief Executive Officer and Managing Director		
I D Glasson	Non-Executive Director		
T L Brendish	Non-Executive Director	Appointed	20 Oct 21
Dr S P Green	Non-Executive Director	Appointed	20 Oct 21
C Hayman	Non-Executive Director	Resigned	20 Oct 21
M Sleigh	Non-Executive Director	Resigned	20 Oct 21
Executive KMP			
P J Davey	Chief Executive Officer and Managing Director		
P A Sherman	Chief Financial Officer and Company Secretary	Resigned	10 May 21
A G M Allibon *	Chief Financial Officer and Company Secretary	Appointed	11 May 21

* Appointed as Company Secretary on 11 May 2021 and CFO effective 2 August 2021 having served on an interim basis from 11 May 2021

(ii) Remuneration Policy

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

Through an effective remuneration framework, the Company aims to:

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

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 include reviewing and making recommendations to the Board on the following issues:

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

The Remuneration Committee consists of four independent Non-Executive directors, Mr Ian Glasson (Chair), Ms Toni Brendish, Dr Simon Green and Mr Graeme Billings. The Company Secretary or head of Human Resources 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 14 of this report.

The Board is responsible for reviewing and resolving on recommendations from the Remuneration Committee, including :

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

(iv) Non-Executive Directors' Remuneration

A remuneration pool of $500,000 for the payment of Non-Executive directors was approved by shareholders at the Annual General Meeting held in November, 2011. Total Non-Executive Directors' remuneration including superannuation paid at the statutory prescribed rate for the year ended 31 July 2021 was $431,719 which is within the approved amount.

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

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

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. Remuneration consultants have been used regularly to assist in this process.

The Board has to date employed a simple remuneration policy whereby only fees and statutory superannuation benefits are payable. The table on pages 21-22 of this report shows fees paid to Non-Executive Directors for the 2021 and 2020 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)	+	STI (cash payment)	+	LTI (performance rights)	=	Total Remuneration Package
FIXED		VARIABLE				

The Managing Director and specified Executives (Executives) are eligible for STI payments, while the Managing Director and Executives may also have access to an LTI in the form of Performance Rights. The most recent LTI Offer was made to the CEO and Executives in August 2021.

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. It was last reviewed in FY19 for setting remuneration from FY20.

Non-Executive Directors are responsible for appointing, briefing external consultants and managing this process. At other times, increases in fixed remuneration are determined by consideration of CPI salary increases applied across the whole Company, and use of published information on CEO/MD salaries in the top 500 ASX-listed companies and in companies from related industries of similar market capitalisation and financial status, as described for review of fees for Non-Executive Directors.

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

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

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

REMUNERATION REPORT (Continued)

The STI is a variable cash payment with the maximum payment based on a percentage of the Executive's total fixed remuneration. For the Managing Director 50% applied in FY21 (50% in FY20), while for other Executives, 10-20% applied in FY21 (10-20% applied in FY20).

The Company awards STI payments on evidence that the Executives have achieved stretching work plan objectives and dealt with unexpected challenges in a way that contributes to both short-term performance and long-term prospects of the Company. The Board retains discretion to vary STI payments outside of the set formula to recognise overall Company performance and changes in the Company's circumstances during the year.

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

For FY21, the financial targets were not met, which has meant that the 'gateway' was not met. The Board whilst having discretion on changes in the company circumstances has considered this position and confirmed that no STI will be awarded for the FY21 year. This is noted on page 21.

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

(vi) Long Term Incentive Plan

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

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

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

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

In the 2021 financial year the Company issued 129,207 shares to the Clover Corporation Ltd Employee Incentive Plans Trust (Clover EIPT). The Clover EIPT will issue shares to plan participants upon exercising of the approved Rights in accordance with the achievement of performance hurdles.

REMUNERATION REPORT (Continued)

The grants which were current during the financial year were:

Year of Offer	Performance conditions	Targeted result for year ended 31 July 2021	Targeted result for year ended 31 July 2022	Targeted result for year ended 31 July 2023
2018	Target – EPS	8.03c	-	-
	Max - EPS	9.18c	-	-
2019	Target – EPS	-	9.50c	-
	Max - EPS	-	10.70c	-
2020	Target – EPS	-	-	9.84c
	Max - EPS	-	-	11.40c

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

As at 31 July 2021 the following are the performance rights for KMP whose conditions have been met, and their vesting profile:

	As at 31 July 2021	**Rights granted plan dated**	**Rights exercisable after**
P Davey	68,104	2018	31 July 2021
P Sherman *	-	2018	31 July 2021
	68,104		

The most recent performance assessment period of the above 2018 Performance Rights ended on 31 July 2021 and the board of directors of the Company determined that the relevant performance conditions had been satisfied for the FY21 period. In consequence, the 2018 Performance Rights that have vested can now be exercised.

* Mr Sherman having resigned in May 2021 is not entitled to any 2018 vesting rights as he was not employed at the time of vesting.

REMUNERATION REPORT (Continued)

	Rights whose conditions were fulfilled in years preceding 31 July 2019	Rights whose conditions were fulfilled in year ending 31 July 2020	Rights whose conditions were fulfilled in year ending 31 July 2021	Sub total Rights whose conditions were fulfilled	Rights yet to be fulfilled, subject to achievement of targets and service conditions	Rights Exercised & Exercisable	Total open Rights
	#	#		#	#	#	#
P Davey	**659,470**	156,940	68,104	884,514	213,027	(816,410)	281,131
P Sherman	**72,726**	17,263	-	89,989	-	(89,989)	-
	732,196	**174,203**	**68,104**	**974,503**	**213,027**	**(906,399)**	**281,131**

	Fair value of the rights as compensation	Fair value of the rights as compensation *
	$	
P Davey	282,461	118,501
P Sherman	31,048	-
	313,509	**118,501**

* Note: The actual value of the Performance Rights will be dependent on the Clover share price at the time of vesting. Rights valued at 31 July 2021 ASX market price of $1.74

(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.

2021		Salary and Fees	Superannuation Contributions	STI Remun-eration	Non-cash Benefits	LTI Rem-uneration	Total
Directors		**$**	**$**	**$**	**$**	**$**	**$**
R A Harrington		116,168	11,084	-	-	-	127,252
G A Billings	3	70,491	6,726	-	-	-	77,217
P J Davey	1,2	453,630	24,167	-	5,906	118,501	602,204
I D Glasson	3	69,321	6,615	-	-	-	75,936
C L Hayman		19,991	1,899	-	-	-	21,890
Dr M J Sleigh	3	15,538	1,476	-	-	-	17,014
Ms T L Brendish		51,304	4,901	-	-	-	56,205
Dr S P Green		51,304	4,901	-	-	-	56,205
		847,747	**61,769**	**-**	**5,906**	**118,501**	**1,033,923**

	Salary and Fees	Superannuation Contributions	STI Remun-eration	Non-cash Benefits	LTI Rem-uneration	Total
Executive KMP	**$**	**$**	**$**	**$**	**$**	**$**
P A Sherman 1,2	266,752	22,222	-	-	-	288,974
	266,752	**22,222**	**-**	**-**	**-**	**288,974**

1. STI gateway not achieved – no accrual recognised in FY21 (payable FY22)
2. LTI consists of fair value of rights whose conditions were fulfilled in year ending 31 July 2021
3. ARC & Remuneration Committee Chair positions remuneration includes additional $5,000pa

REMUNERATION REPORT (Continued)

2020	Salary and Fees	Superannuation Contributions	STI Remun-eration	Non-cash Benefits	LTI Rem-uneration	Total
Directors	**$**	**$**	**$**	**$**	**$**	**$**
R A Harrington	114,624	10,889	-	-	-	125,513
G A Billings	69,622	6,614	-	-	-	76,236
P J Davey 4,5	441,094	25,000	197,060	5,906	282,461	951,521
I D Glasson	64,675	6,144	-	-	-	70,819
C L Hayman	64,675	6,144	-	-	-	70,819
Dr M J Sleigh	69,622	6,614	-	-	-	76,236
	824,312	**61,405**	**197,060**	**5,906**	**282,461**	**1,371,144**

	Salary and Fees	Superannuation Contributions	STI Remun-eration	Non-cash Benefits	LTI Rem-uneration	Total
Executive KMP	**$**	**$**	**$**	**$**	**$**	**$**
P A Sherman 4,5	235,947	22,415	42,919	-	31,048	332,329
	235,947	**22,415**	**42,919**	**-**	**31,048**	**332,329**

4. STI consist of amounts accrued in respect to FY20 (paid in FY21)
5. LTI consists of fair value of rights whose conditions were fulfilled in year ending 31 July 2020

(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, per the 'Board Nomination Policy and Procedure for Selection and Appointment of Directors' policy, which can be viewed in the Corporate Governance section of the Company's website at www.clovercorp.com.au.

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

Other Executives (standard contract)

All other Executives have rolling contracts. The Company may terminate the Executive's employment agreement by providing between 1 and 3 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.

REMUNERATION REPORT (Continued)

Directors' interests

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

Director	Ordinary Shares	Performance Rights*
R A Harrington	528,921	-
G A Billings	50,000	-
P J Davey	457,264	68,104
I D Glasson	60,000	-
T L Brendish	17,155	-
Dr S P Green	11,834	-
	1,125,174	68,104

* There are an additional 213,027 performance rights available to Mr Davey subject to meeting relevant performance and employment conditions.

Auditor's Independence and Non-audit Services

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

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the APES110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2021:

	$
Taxation structural and compliance services	13,046
	13,046

REMUNERATION REPORT (Continued)

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 72.

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

Mr Rupert A Harrington
Chairman
Melbourne
Date: 20 September 2021

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 – 4th 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 to ensure a safe operating and inclusive environment
- 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 Company has a Board Charter (which is disclosed on its website https://www.clovercorp.com.au/en/invest-our-business/governance/) that sets out the respective roles and responsibilities of its board and management, and those matters which are expressly reserved to the board and those which are delegated to management.

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.

CORPORATE GOVERNANCE

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

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

The Company conducts an annual evaluation of the performance of the Board, its Committees and individual Directors.

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

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

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

Diversity

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

In March 2012, the Company established a Diversity Policy to formalise its commitment to providing equal access to opportunities irrespective of background, beliefs or other factors. The policy was updated on 31 July 2020 and 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.

As at 31 July 2021 the organisation had 53 employees. As the Company has less than 100 employees, it is not a relevant employer under the Workplace Gender Equality Act 2012, despite this the Company has adopted the ASX Corporate Governance Principles and Recommendations on diversity and works to the following principles:

- Ensuring targets are based on current workforce data including growth, promotions and attrition, and that they are achievable and provide stretch goals
- Incorporating targets in leaders' KPIs to improve accountability and sponsorship
- Sharing gender targets and updates on achievements, internally and externally, including reporting to the board on a regular basis.

The proportion of women employees in the whole organisation was 37% and women in senior executive positions as at 31 July 2021 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 at all levels of 40% or more.

The Company will continue to ensure that neither gender or diversity differences interfere with the employment of individuals based on their suitability for the position available and aspires to achieve greater diversity.

CORPORATE GOVERNANCE

Principle 2 – Structure the Board to add value

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

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

Mr R A Harrington - Non-Executive
Mr G A Billings - Non-Executive
Mr I D Glasson – Non-Executive
Ms T L Brendish - Non-Executive
Dr S P Green - Non-Executive

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

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

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, and is summarised in the table below:

CORPORATE GOVERNANCE

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

Skill Category	**Description of Attribute**	**Board Capability**
Governance	Board experience as a director of an ASX listed company, demonstrated commitment to highest standards of governance including experience with companies subject to rigorous governance standards and member of a governance body.	Adequate
Risk and Compliance	Experience with the establishment of risk and compliance frameworks and the identification and monitoring key risks to the company.	Significant
Leadership	Sustainable success in business at a Senior Executive level or practice leadership level in relevant sectors including manufacturing, finance, R&D and consumer products.	Significant
R&D / Product Development	Knowledge and experience (local & international) of developing and commercialising new science-based products with health offerings.	Adequate
Strategy	Experience in developing, implementing, and challenging a plan of action designed to achieve the long-term goals of the Company.	Significant
Financial and Accounting	Experience in financial accounting and reporting, corporate finance and internal financial controls. Includes the ability to probe the adequacy of financial controls.	Adequate
Quality and Safety	Experience related to work health and safety governance and/or quality governance.	Adequate
Regulatory, Legal, and Public Policy	Experience in Government relations, public and regulatory policy or qualified legal professional.	Developing
Business Acquisition and Integration	Experience in M&A and implementation / business integration.	Significant
People, Culture and Remuneration	Management experience in relation to workplace culture, remuneration, organisational development, succession, diversity, and human resource management and or ASX listed company Remuneration Committee membership.	Significant
Technology Strategy and Governance	Knowledge and experience in IT including artificial intelligence (AI), privacy, data management, cyber security, document protection and Digital Experiences	Developing
Environment and Social	Experience in environmental and social governance.	Adequate
Global Experience	Expertise in understanding the challenges of growing international trading and operational expansion	Significant

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.

CORPORATE GOVERNANCE

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

The Chairman is responsible for monitoring and assessing the performance of individual Directors, each Board committee and the Board as a whole. The Chairman interviews each Director and provides feedback regarding their performance. In 2021 each Director independently completed an external confidential assessment of the performance of the Board. The results of the assessments are compiled into a written report which is presented to the Board and discussed. The performance of each Director of the Company was assessed during the reporting period.

Principle 3 – Act lawfully, ethically and responsibly

Code of Conduct
The Company has an established code of conduct dealing with matters of integrity and ethical standards, which can be viewed at the Corporate Governance section of the Company's web site at www.clovercorp.com.au.

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.

Whistle Blowing
The Company has established a Whistleblower policy which can be viewed at the Corporate Governance section of the Company's web site at www.clovercorp.com.au. It is the responsibility of the Company Secretary and Managing Director to regularly update the board as to whether any material incidents have been reported under that policy. With respect to confidentiality, our employees have a range of options in respect of who they may contact including an Officer of Clover Corporation, ASIC, APRA, the Auditors, an Actuary or legal practioner.

Anti-bribery and Corruption

The Company has established an Anti-bribery and Corruption policy which can be viewed at the Corporate Governance section of the Company's web site at www.clovercorp.com.au. It is the responsibility of the Company Secretary and Managing Director to regularly update the board as to whether any material incidents have been reported under that policy.

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 (but may attend committee meetings in an *ex officio* capacity). The details of the Audit Committee members at the date of this statement and their attendance at meetings are set out in the Directors' Report.

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

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

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

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

Before it is released to the market, the Chairman reviews any periodic corporate report that is not reviewed by an external auditor.

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 which can be viewed at the Corporate Governance section of the Company's web site at www.clovercorp.com.au. The policy requires timely disclosure through the ASX Company announcements platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, or which would materially influence the decision making of investors. Internal procedures are in place to ensure that relevant information is communicated promptly. The Company Secretary is the nominated continuous disclosure officer for the Company.

It is the responsibility of the Company Secretary to ensure the board receives copies of all market announcements promptly after they have been made.

The Company will not release any information publicly, including any new and substantive investor or analyst presentation, that is required to be disclosed through the ASX, until the Company has received formal confirmation of its release to the market by the ASX.

CORPORATE GOVERNANCE

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. The Company ensures that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. The Company's shareholders may elect to receive information from the Company and its registry electronically. Otherwise the Company and its registry will communicate by post with shareholders who have not elected to receive information electronically. The Company's share registry helps to manage these shareholder communication preferences. The Company's share registry is Computershare Investor Services Pty Ltd; https://www.computershare.com.au

Principle 7 – Recognise and manage risk

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

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

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

The Board of Directors regularly reviews the external risks to the Company and confirms it has conducted such a review this financial period. 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.

CORPORATE GOVERNANCE

Principle 7 – Recognise and manage risk (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 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 2021

	Notes	2021 $'000	2020 $'000
Revenue	2	**60,505**	88,281
Net Exchange Losses	3	**(180)**	(78)
Net Interest expense	3	**(401)**	(588)
Raw materials, consumables & conversion costs		**(42,267)**	(58,566)
Marketing and sales expenses		**(3,135)**	(3,795)
Administration and corporate expenses		**(3,792)**	(5,361)
Research and development expenses		**(1,791)**	(2,195)
Share of net profit of investments accounted for under the equity method		**(764)**	(42)
Profit before income tax	3	**8,175**	17,656
Income tax (expense)	4	**(2,171)**	(5,169)
Profit after tax for the period attributable to members of the parent entity		**6,004**	12,487
Other comprehensive profit/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		**(14)**	14
Other comprehensive profit/(loss) for the year		**(14)**	14
Total comprehensive profit for the year		**5,990**	12,501
Earnings per share (EPS)			
Basic earnings per share (cent per share)	21	**3.61**	7.51
Diluted earnings per share (cent per share)	21	**3.61**	7.45

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 2021

	Notes	2021	2020
		$'000	$'000
Current assets			
Cash and cash equivalents	6	**9,091**	9,241
Trade and other receivables	7	**13,265**	16,781
Inventories	8	**30,777**	31,933
Current tax asset	4	**431**	-
Other current assets - prepayments		**1,173**	1,118
		54,737	59,073
Non-current assets			
Property, plant and equipment	9	**6,994**	5,756
Right of use assets	10	**1,108**	93
Investments in associates	11	**13,072**	13,580
Deferred tax assets	4	**914**	1,077
Intangible assets	12	**1,907**	1,907
		23,995	22,413
Total assets		**78,732**	81,486
Current liabilities			
Trade and other payables	13	**5,295**	8,009
Interest bearing liabilities	14	**1,623**	1,616
Lease liability	15	**113**	97
Current tax liabilities		**-**	584
Short-term provisions	16	**807**	630
		7,838	10,936
Non-current liabilities			
Interest bearing liabilities	14	**11,454**	12,904
Lease liability	15	**996**	-
Long-term provisions	16	**28**	77
		12,478	12,981
Total liabilities		**20,316**	23,917
Net assets		**58,416**	57,569
Equity			
Issued capital	17	**35,603**	35,368
Reserves	18	**(166)**	237
Retained profits		**22,979**	21,964
Total equity		**58,416**	57,569

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 2021

	Issued capital	Retained profits	Share-based payment reserve	Foreign currency translation reserve	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 August 2019	**32,920**	**12,387**	**-**	**(166)**	**45,141**
Share issue for period	2,448	-	-	-	2,448
Profit attributable to members of the entity	-	12,487	-	-	12,487
Dividend paid	-	(2,910)	-	-	(2,910)
Share-based payment reserve	-	-	389	-	389
Foreign currency translation reserve	-	-	-	14	14
Balance at 31 July 2020	**35,368**	**21,964**	**389**	**(152)**	**57,569**
Balance at 1 August 2020	**35,368**	**21,964**	**389**	**(152)**	**57,569**
Share issue for period	235	-	-	-	235
Profit attributable to members of the entity	-	6,004	-	-	6,004
Dividend paid	-	(4,989)	-	-	(4,989)
Share-based payment reserve	-	-	(389)	-	(389)
Foreign currency translation reserve	-	-	-	(14)	(14)
Balance at 31 July 2021	**35,603**	**22,979**	**-**	**(166)**	**58,416**

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 2021

	Notes	2021	2020
		$ '000	$ '000
Cash flows from operating activities			
Receipts from customers		**63,821**	89,786
Payments to suppliers and employees		**(52,333)**	(75,157)
Net Interest paid		**(401)**	(588)
Income tax paid		**(2,859)**	(7,380)
Net cash inflow from operating activities	20	**8,228**	6,661
Cash flows from investing activities			
Acquisition of plant and equipment		**(1,831)**	(556)
Proceeds from sale of financial assets		**-**	-
Investment in Associates		**-**	(3,461)
Net cash outflow on investing activities		**(1,831)**	(4,017)
Cash flows from financing activities			
Dividends paid	5 (a)	**(4,989)**	(2,910)
Repayment of interest bearing liabilities		**(1,443)**	(1,564)
Lease payments		**(115)**	(108)
Share based payments		**-**	-
Issue of interest bearing liabilities		**-**	2,908
Net cash outflow on financing activities		**(6,547)**	(1,674)
Net (decrease) / increase in cash held		**(150)**	970
Cash and cash equivalents at the beginning of the period		**9,241**	8,271
Cash and cash equivalents at the end of the period	6	**9,091**	9,241

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 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 20 September 2021 by the Board of Directors.

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

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

The consolidated entity has adopted all amendments to Australian Accounting Standards which became applicable for the consolidated entity from 1 August 2020. No significant impact has arisen on recognition, measurement, or disclosure in the financial report from application of these standards.

(a) (ii) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 July 2021. The consolidated entity has assessed that there will not be a significant impact arising on adoption of these new or amended Accounting Standards and Interpretations.

(b) Principles of consolidation and investment in associates

Investment in controlled entities

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

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the consolidated entity's accounting policies.

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

Investment in associates

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

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

(c) Income tax

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

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

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

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

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

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

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

(c) Income tax (continued)

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

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

Tax consolidation

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

(d) Inventories

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

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost, less where applicable any accumulated depreciation and impairment losses.

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

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

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.

(e) Property, plant and equipment (continued)

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

Class of asset	Depreciation Rates
Buildings, at cost	4.00% - 15.00%
Plant and equipment, at cost	5.00% - 33.33%
Furniture and equipment, at cost	10.00% - 33.00%

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

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

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income.

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

(f) Right-of-use assets

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

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

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

(g) Leases

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

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

(h) Financial instruments

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

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

The consolidated entity's financial assets are measured at amortised cost and comprise trade and other receivables and cash and cash equivalents.
Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

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

The loss allowance is recognised in profit or loss.

Financial liabilities
The consolidated entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.
The financial liabilities of the consolidated entity comprise trade payables, bank and other loans and lease liabilities.

(i) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

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

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

(j) Intangibles

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

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

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

(k) Foreign currency transactions and balances

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

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

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

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

(l) Cash and cash equivalents

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

(m) Revenue

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

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

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

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

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

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

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

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

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

(n) Trade and other payables

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

(o) Employee benefits

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

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

(p) Provisions

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

(q) Share-based payments

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

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

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

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

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

(r) Goods & services tax (GST)

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

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

(s) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

(t) Operating segments

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

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

(u) Comparative figures

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

(v) Critical accounting estimates and judgements

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

Key estimate

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

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

Key judgements

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

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

Inventory realisation:

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

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

Income tax:

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

	Consolidated	
	2021	2020
	$'000	$'000
2. Revenue and other income		
Operating activities:		
Sales of goods	**60,505**	88,281
Other income:		
Interest revenue	**2**	2
	2	2
Total revenue	**60,507**	88,283
The disaggregation of revenue from contracts with customers is as follows:		
Timing of revenue:		
Goods transferred at a point in time	**60,505**	88,281
Geographical location:		
Australia / New Zealand	**21,667**	46,021
Asia	**24,317**	26,307
Europe	**10,444**	11,505
Americas	**4,077**	4,448
	60,505	88,281

3. Expenses

Profit before income tax includes the following items:		
Employee benefits expense	**6,470**	6,984
Share-based payments expense / (credit)	**(154)**	548
Inventory Scrap / Impairment	**90**	498
Melody Dairies contractual charges	**1,126**	-
Depreciation and amortisation:		
- buildings	**214**	205
- plant and equipment	**300**	308
- office furniture and equipment	**80**	56
- right-of-use assets	**113**	110
	707	679
Unrealised FX	**(487)**	791
Realised FX	**667**	(713)
Net exchange losses	**180**	78
Interest expense	**403**	590
Minimum lease payments:		
- short term leases	**415**	365

	Consolidated	
	2021	2020
	$'000	$'000
4. Income tax expense:		
(a) The components of tax expense comprise:		
Current tax	**2,008**	4,996
Deferred tax asset	**163**	173
	2,171	5,169
(b) Reconciliation of income tax expense/(credit):		
The aggregated amount of income tax expense attributable to the period differs from the amount's 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%	**2,452**	5,297
Tax effect amounts:		
- Research and development claim	**(363)**	(121)
- Sundry other	**82**	(7)
Income tax expense/(credit) attributable to profit	**2,171**	5,169
(c) Deferred tax assets		
Deferred tax asset	**914**	1,077
The deferred tax assets balance comprises the following temporary differences:		
Impairment of inventory	**136**	106
Provisions	**233**	538
Unrealised foreign exchange	**495**	245
Other temporary differences	**50**	188
	914	1,077
Reconciliation:		
Opening balance	**1,077**	1,250
(Charges) / credits to income statement	**(163)**	(173)
Closing balance	**914**	1,077
(d) Tax receivable	**431**	-

	Consolidated	
	2021	2020
	$'000	$'000
5.Dividends		
(a) Dividend paid during the period		
Final dividend for the year ended 31 July 2020 of 2.5 cent per share (FY19: 1.75 cent per share) fully franked at the tax rate of 30%, paid 18 November 2020	**4,157**	2,910
Interim dividend for the year ended 31 July 2021 of 0.5 cent per share (FY20: 0.00 cent per share)	**832**	0
	4,989	2,910
Franking account balance		
Franking credits available for subsequent financial years	**13,137**	12,328

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

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

(b) Dividends declared after reporting date

The Directors have declared a final dividend for the financial year ended 31 July 2021 of 0.5 cent per share (FY20: final 2.5 cent per share) fully franked at 30%, payable on 16 November 2021, but not recognised as a liability at the end of the financial period.

The record date for this dividend will be 26 October 2021.

	Consolidated	
	2021	2020
	$'000	$'000

6. Cash and cash equivalents

Cash at bank	**9,091**	9,241
	9,091	9,241

7. Trade and other receivables

Current		
Trade debtors	**13,014**	16,719
Other debtors	**251**	62
Total current trade and other receivables	**13,265**	16,781

Provision for impairment of receivables

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

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

8. Inventories

Raw materials	**18,743**	12,624
Goods in transit	**1,677**	1,603
Finished goods	**10,500**	17,943
	30,920	32,170
Less: provision for inventory obsolescence	**(143)**	(237)
Total Inventories	**30,777**	31,933

	Consolidated	
	2021	2020
	$'000	$'000
9. Property, plant and equipment		
Land, at cost	**2,000**	2,000
Buildings, at cost	**4,029**	4,003
Less: accumulated depreciation	**(1,547)**	(1,333)
Total Buildings	**2,482**	2,670
Plant and equipment, at cost	**6,209**	4,458
Less: accumulated depreciation	**(3,837)**	(3,537)
Total plant and equipment	**2,372**	921
Furniture and equipment, at cost	**500**	445
Less: accumulated depreciation	**(360)**	(280)
Total furniture and equipment	**140**	165
Total property, plant and equipment	**6,994**	5,756

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

Land		
Balance at beginning of the period	**2,000**	2,000
Carrying amount at the end of the period	**2,000**	2,000
Buildings		
Balance at beginning of the period	**2,670**	2,717
Additions	**26**	158
Depreciation expense	**(214)**	(205)
Carrying amount at the end of the period	**2,482**	2,670
Plant and equipment		
Balance at beginning of the period	**921**	990
Additions, net of disposals	**1,750**	247
Foreign currency translation	**1**	(8)
Depreciation expense	**(300)**	(308)
Carrying amount at the end of the period	**2,372**	921
Furniture and equipment		
Balance at the beginning of the period	**165**	70
Additions, net of disposals	**55**	151
Depreciation expense	**(80)**	(56)
Carrying amount at the end of the period	**140**	165

	Consolidated 2021 $'000	2020 $'000
10. Right of use assets		
Right of use assets – premises	**1,129**	**204**
Less: accumulated depreciation	**(21)**	**(111)**
	1,108	**93**
Balance from prior year	**93**	**-**
Balance recognised upon transition	**-**	**204**
Additions to Right of use assets	**1,128**	**-**
Depreciation expense	**(113)**	**(111)**
Carrying amount at end of period	**1,108**	**93**

11. Investment in associates

Investment in Melody Dairies, at cost	**13,072**	13,580
Total Investment in associates	**13,072**	13,580

Through an agreement with three other investing parties on 5 November 2018 the consolidated entity has a 41.9% (FY20: 41.9%) interest in Melody Dairies, a limited partnership established for the purpose of undertaking construction and operation of a manufacturing facility in New Zealand. The objective of the project is to enable expansion of the consolidated entity's capacity to deliver its products to the market, through its equity interest in the project.

The consolidated entity's interest in Melody Dairies is accounted using the equity method in the consolidated financial statements. As of the reporting date, the consolidated entity's investment is represented by its share of assets, cash and related working capital amounts to an equity accounted total of $13,622,000, net of $550,000 in equity accounted operating losses.

12. Intangible assets

Goodwill on acquisition, at cost	**1,907**	1,907
Total intangible assets	**1,907**	1,907

There were no acquisitions of controlled entities in FY21 (FY20: None).

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 2021 financial year, the Company assessed the recoverable amount of goodwill relating to the tuna oil segment and determined that goodwill is not impaired. The recoverable amount of the cash-generating unit, being the assets of the cash-generating unit and goodwill, was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period approved by the Board of Directors. The cash flows are discounted using a rate of 12% and 2% annual growth rates. Management believes that any reasonable possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount of the cash generating unit to exceed its recoverable amount.

	Consolidated	
	2021	2020
	$'000	$'000

13. Trade and other payables

	2021 $'000	2020 $'000
Current		
Trade creditors	**4,921**	6,298
Sundry creditors and other accruals	**374**	1,711
	5,295	8,009

14. Interest bearing liabilities

	2021 $'000	2020 $'000
Current interest bearing liabilities	**1,623**	1,616
Non-current interest bearing liabilities	**11,454**	12,904
	13,077	14,520

Assets pledged as security

The interest bearing liabilities are secured by a first mortgage over the investment in Melody Dairies (with a carrying value of $13.072m), land and buildings (with a carrying value of $4.563m), as well as a general charge over the consolidated entity's assets.

15. Lease liabilities

	2021 $'000	2020 $'000
Current lease liabilities	**113**	97
Non-current lease liabilities	**996**	-
	1,109	97

	< 1 year	1 -5 years	> 5 years	Total undiscounted lease liabilities	Lease liabilities included in the Statement of Financial Position
	$'000	$'000	$'000	$'000	$'000
2021 Lease Liabilities	126	504	630	1,260	1,109
2020 Lease Liabilities	108	-	-	108	97

The Company is reasonably certain that the lease term (inclusive of options) of the newly occupied facility in Queensland will be exercised and have disclosed the lease term as 10 years.

	Consolidated	
	2021	2020
	$'000	$'000

16. Provisions

Aggregate employee entitlements:		
Current	**807**	630
Non-current	**28**	77
Total employee entitlements	**835**	707

17. Issued capital

(a) Issued and paid up capital

166,439,311 (FY20:166,310,104) fully paid ordinary shares	**35,603**	35,368
Total contributed equity	**35,603**	35,368

The Company has issued share capital amounting to 166,439,311 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

The Company issued 129,207 shares during the financial period at a value of $235,157.

Rights to capital

At the reporting date there were 86,942 performance rights offers whose conditions had been met, entitling recipients to one share per right, which vest in 2021. In the case of the CEO / Managing Director's 68,104 rights, these rights will require shareholder approval at the November 2021 Annual General Meeting for shares to be issued.

There are an additional 536,831 performance rights available to entitling recipients that have been granted but are still subject to meeting conditions of achievement in future years.

(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.

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.

	Consolidated	
	2021	2020
	$'000	$'000

18. Reserves

	2021 $'000	2020 $'000
Foreign currency translation	**(166)**	(152)
Share-based payment reserve	**-**	389
Total	**(166)**	237

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

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

Share-based payments

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

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

The following table summarises the performance conditions in respect of active grants for which 50% of the performance rights that are subject to a particular condition vest on achievement of the target, and a further 50% on achievement of the stretch goals.
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		Targeted result year ended 31 July 2021	**Targeted result year ended 31 July 2022**	**Targeted result year ended 31 July 2023**	**Targeted result year ended 31 July 2024**
Issue date		August 2018	August 2019	August 2020	August 2021
Vesting and test date		July 2021	July 2022	July 2023	July 2024
	Target – EPS	8.03c	-	-	
	Max - EPS	9.18c	-	-	
	Target – EPS	-	9.50c	-	
	Max - EPS	-	10.70c	-	
	Target – EPS	-	-	9.84c	
	Max - EPS	-	-	11.40c	
	Target – EPS				5% compound growth on FY21 NPAT
	Max - EPS				15% compound growth on FY21 NPAT

In relation to the rights granted on the previous page, the performance condition shown in the table accounts for 50% of the total potential LTI and the other 50% is based upon achievement of targeted levels of new product sales and strategic goals.

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

Number of rights		**Granted**				**Weighted average fair value of grants issued $'000**
31 July 2020	**Opening balance**	**Fulfilled / (Lapsed)**	**(Vested)**	**To be fulfilled**	**Closing balance**	
Total rights	1,317,276		(1,128,408)	147,420	336,288	$ 576
31 July 2021						
Total rights	336,288	(38,108)	(86,942)	325,593	536,831	$ 933

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

In the current financial year the weighted average fair value of the rights granted has been calculated on the last 10 days VWAP share price as at 31 July 2021 - $1.738

19. Parent company information

	2021 $'000	2020 $'000
Current assets	**90**	5,576
Non-current assets	**43,456**	22,253
Total assets	**43,546**	27,829
Current liabilities	**1,074**	512
Total liabilities	**1,074**	512
Net assets	**42,472**	27,315
Equity		
Issued capital	**35,603**	35,368
Accumulated Gains / (Losses)	**6,869**	(8,053)
Total equity	**42,472**	27,315

	Consolidated	
	2021 **$ '000**	2020 $ '000
Net profit for the period before other comprehensive income	**19,912**	3
Total comprehensive income for the period	**19,912**	3
Earnings per share (cents per share)	**12.0c**	0.0c

The FY21 result includes a dividend issued by Nu-Mega Ingredients Pty Ltd on 13 April 2021 for $19,777,180. In FY20 no dividend was received.

Controlled entities:	**Country of Incorporation**	**Percentage Owned** **2021** **%**	2020 %
Clover Corporation Ltd Employee Incentive Plans Trust	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 (NZ) Limited	New Zealand	**100**	100
- Nu-Mega Ingredients NL B.V.	Netherlands	**100**	100

20. Reconciliation of cash flow from operating activities to Operating Profit

	2021 $'000	2020 $'000
Profit for the period	**6,004**	12,487
Non cash items :		
- Amortisation and depreciation	**707**	679
- Foreign exchange on international assets & liabilities	**(272)**	67
- Melody Dairies Limited Partnership Loss	**764**	42
- Employee benefits not paid in cash	**(154)**	548
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
Decrease /(Increase) in receivables	**3,516**	1,666
(Increase)/Decrease in other assets	**(55)**	(160)
(Increase)/Decrease in inventories	**1,156**	(4,252)
(Decrease)/Increase in payables	**(2,714)**	(2,247)
(Decrease)/Increase in employee entitlements	**128**	43
Decrease/(Increase) in deferred tax assets	**163**	174
Decrease(/Increase) in current tax asset	**(1,015)**	(2,386)
Net cash inflow from operating activities	**8,228**	6,661

21. Earnings per share

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

		2021	2020
		$ 000	$ 000
(a)	Reconciliation of earnings to net profit or loss		
	Profit attributable to members of the parent entity	**6,004**	12,487
	Earnings used to calculate basic and diluted EPS	**6,004**	12,487
(b)	Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**166,310,104**	166,310,104
(c)	Weighted average number of ordinary shares outstanding during the period used in the calculation diluted earnings per share	**166,439,311**	166,636,294
(d)	Basic earnings per share (cents per share)	**3.61c**	7.51c
(e)	Diluted earnings per share (cents per share)	**3.61c**	7.45c

The weighted average number of potential dilutive ordinary shares in FY21 is accounted for by:

- Shares Issued on 31 July 2021	129,207

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	**97,500**	95,000
- Taxation structuring and compliance services	**13,046**	38,504
	110,546	133,504

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.

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	
R A Harrington	Non-Executive Chairman
G A Billings	Non-Executive Director
P J Davey	Chief Executive Officer and Managing Director
I D Glasson	Non-Executive Director
C L Hayman	Non-Executive Director
Dr M J Sleigh	Non-Executive Director
T Brendish	Non-Executive Director
Dr S Green	Non-Executive Director
Executive KMP	
P A Sherman	Chief Financial Officer and Company Secretary
A G Allibon	Chief Financial Officer and Company Secretary

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. Mr Allibon acting on an interim basis as a consultant has not been included in the table below that summarises the total KMP compensation:

	2021	2020
	$	$
Short-term benefits	**1,204,396**	1,389,964
Long-term benefits	**118,501**	313,509
	1,322,897	1,703,473

(b) Performance rights:

There were 68,104 Performance Rights offers available to Key management personnel whose conditions have been met as at 31 July 2021. There were an additional 384,097 Performance Rights offers available to key management personnel, subject to meeting relevant conditions. The right to convert 68,104 Performance Rights to key management personnel was satisfied in financial year ending 31 July 2021.

(c) Shareholding:

	Balance 31 July 2020	**Shares Purchased & (Sold)**	**Retirement**	**Balance 31 July 2021**
Directors				
R A Harrington	471,781	57,140	-	528,921
G A Billings	50,000	-	-	50,000
P J Davey	213,444	243,821	-	457,265
I D Glasson	60,000	-	-	60,000
C L Hayman	230,000	-	(230,000)	-
Dr M J Sleigh	312,397	-	(312,397)	-
T Brendish	-	17,155	-	17,155
DR S Green	-	11,834	-	11,834
	1,337,622	**329,950**	**(542,397)**	**1,125,175**

25. Management of financial risk

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

Financial risk management policies

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

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

Specific financial risk exposures and management

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

(a) Foreign currency risk

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

At 31 July 2021, the consolidated entity had the following financial assets and liabilities denominated in foreign currency.

	2021	2020
	$'000	$'000
Financial assets		
Cash and cash equivalents	**989**	442
Trade and other receivable	**9,989**	13,412
Total financial assets	**10,978**	13,854
Financial liabilities		
Trade and other payables	**(12,753)**	(14,736)
Total financial liabilities	**(12,753)**	(14,736)

At 31 July 2021, 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:

25. Management of financial risk (continued)

Foreign exchange movement	Post Tax Profit Higher/(Lower)		Change in Equity Higher/(Lower)	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Change in Profit				
AUD:USD + 5%	**(185)**	(369)	**(185)**	(369)
AUD:USD - 5%	**205**	408	**205**	408
AUD:EUR + 5%	**(127)**	(116)	**(127)**	(116)
AUD:EUR - 5%	**141**	128	**141**	128
AUD/NZD + 5%	**(10)**	(11)	**494**	543
AUD/NZD - 5%	**11**	12	**(518)**	(570)

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

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

(b) Price risk

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

(c) Credit risk

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

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

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

25. Management of financial risk (continued)

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 2021

	Consolidated	
	2021	2020
	$'000	$'000
Trade receivables:		
Within terms	**12,533**	16,068
Over terms	**481**	651
Total	**13,014**	16,719

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

(d) Liquidity risk

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

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

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

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

Consolidated	**Balance as at 31 July 2021**	**Less than 1 year**	**1-5 years**	**Over 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Realisable cash flows from financial assets				
Cash and cash equivalents	9,091	9,091	-	-
Trade and other receivables	13,265	13,265	-	-
Anticipated cash inflows	22,356	22,356	-	-
Financial liabilities and obligations due for payment				
Trade and other payables	5,295	5,295	-	-
Interest bearing liabilities	13,077	1,623	11,454	-
Leasing liabilities	1,109	126	458	525
Anticipated cash outflows	19,481	7,044	11,912	525
Net inflow/(outflow)	2,875	15,312	(11,912)	(525)

(e) Interest rate risk

The consolidated entity's primary interest rate risk arises from long-term borrowings. The consolidated entity's bank loans outstanding, totalling $13,077,000 (FY20: $14,520,000) are principal and interest payment loans, bearing interest at a weighted average current annual rate of 2.72%.

(f) Fair value

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

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

26. Operating segments

Identification of reportable segments

The consolidated entity operates in the industry of manufacturing tuna oil and encapsulated products in Australia. 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**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Australia / New Zealand	**21,667**	46,021	**23,738**	21,336
Asia	**24,317**	26,307	**-**	-
Europe	**10,444**	11,505	-	-
Americas	**4,077**	4,448	-	-
Total	**60,505**	88,281	**23,738**	21,336

During the financial year there were 2 customers who represented 38% and 11% of total sales respectively (FY20: 41% and 18% respectively).

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

27. Events subsequent to reporting date

No matter or circumstance has arisen since 31 July 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

28. Contingencies

Litigation has continued in defence of the Company's Intellectual Property by the Company and Nu-Mega Ingredients Pty Ltd against an individual and Pharmamark Nutrition Pty Ltd. During the year ended 31 July 2021 the company continued to incur legal and other expenses in conducting the litigation, and this is expected to continue until the matter is resolved.

The Directors are of the opinion that the Company has good prospects of success in the litigation. The additional information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

There are no contingent liabilities at the reporting date.

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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 2021 and of its performance for the period ended on that date; and
>
> (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 July 2021.

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

Mr Rupert A Harrington
Chairman
Melbourne
Date: 20 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOVER CORPORATION LIMITED

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of Clover Corporation Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 31 July 2021, and 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 Company and of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

(a) giving a true and fair view of the Group's financial position as at 31 July 2021 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key audit matter – Inventory existence and valuation	*How our audit addressed this matter*
As at 31 July 2021, the carrying value of inventory was $30,777,000 (2020: $31,933,000) as disclosed in note 8 of the financial report. The Group's manufacturing planning processes consider forecast customer demand and access to materials from a range of suppliers. These factors impact on the quantity of raw material and finished goods inventory on hand, and necessitate minimum inventory levels to ensure that the Group's sales objectives continue to be met. A standard cost system is used to account for inputs to inventory. Management conducts regular analysis to determine the cost of inventory, and whether adjustment to the carrying amount is required to reflect net realisable value, if that is lower than cost. Inventory is the most significant of the Group's assets, and accordingly we considered it a Key Audit Matter.	Our procedures included but were not limited to: • attending and observing year-end inventory counts performed by Management at locations of significance; • accessing and assessing information in support of inventory held at other locations; • testing the accuracy of perpetual inventory records for a sample of products to check descriptions, quantities and the recording of inventory movements; • evaluating the design of processes to capture the costs of purchase and conversion and those other costs incurred in bringing inventories to their present location and condition; • testing on a sample basis the reasonableness of standard costs compared to actual costs of purchase and production; • considering the turnover cycle of inventory, assessing the allocation of purchase price and efficiency variances; and

(continued)

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Key audit matter – Inventory existence and valuation (continued)	*How our audit addressed this matter (continued)*
	• challenging the adequacy of adjustments made to inventory for it to be measured at the lower of cost and net realisable value on the basis of actual and forecast sales activity, and Management's assessment of qualitative factors.

Key audit matter – Revenue recognition	*How our audit addressed this matter*
The Group's sales revenue amounted to $60,505,000 during the year (2020: $88,281,000). Note 1(m) *Revenue* describes the accounting policies applicable to distinct revenue streams, noting that revenue from the sale of goods, after adjusting for discounts or allowances, is recognised upon the delivery of goods to customers. Shipments dispatched but not yet delivered to customers are classified as goods in transit inventories. On the basis of the significance of the account and the processes used to determine the recognition point, we have considered revenue recognition as a Key Audit Matter.	Our procedures included but were not limited to: • evaluating a sample of contracts, identifying contracted performance obligations, and agreeing revenue amounts to the records accumulated as inputs to the financial statements, including supporting billing systems and bank records; these procedures enabled our assessment of the values recorded and the timing of revenue recognition aligned to fulfilment of the Group's performance obligations, transferred at a point in time; • evaluating the cut-off process and its reliability to fairly account for dispatches not yet transferred to customers at the reporting date and the recognition of revenue in accordance with the Group's accounting policies; and • assessing the consistency of the Group's accounting policies in respect of revenue recognition with the criteria prescribed by the applicable standard, AASB 15 *Revenue from contracts with customers*.

Key audit matter – Investment in associate (Melody Dairies)	*How our audit addressed this matter*
A controlled entity's 41.9% equity interest in Melody Dairies constitutes significant influence over a production facility. The objective of the investment in the facility is to enable expansion of the Group's capacity to deliver its products to the market. The Group's investment is initially recognised at cost under the equity method, and the carrying amount is thereafter adjusted for the Group's share of the profit or loss of the investee, as described in note 11. The equity accounted carrying amount of the investment is also disclosed in note 11 as $13,072,000 (2020: $13,580,000) and note 14 includes related amortised bank borrowings secured by the Group's investment. On the basis of the significance of the investment and its related borrowings we have considered this a Key Audit Matter.	Our procedures included but were not limited to: • confirming our understanding of the terms and conditions of the partnership arrangement, and evaluating the appropriateness of Management's assessment that the nature of the Group's investment in the production facility is that characterised as an investor of significant influence; • validating the accounting treatment of the investment under the equity method in accordance with AASB 128 *Investment in Associates and Joint Ventures*; • inquiring of Management and assessing whether there are any impairment indicators obligating the Group to perform an impairment analysis under AASB 136 *Impairment of Assets*; and • assessing the appropriateness of the disclosures included in note 11 and the validity of classifying borrowings between current and non-current liabilities as disclosed in note 14.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 July 2021 but does not include the financial report and our our Auditor's Report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we obtained prior the date of the Auditor's Report, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Auditor's Opinion

We have audited the Remuneration Report included in pages 15 to 22 of the Directors' Report for the year ended 31 July 2021.

In our opinion, the Remuneration Report of Clover Corporation Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

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

PKF
Melbourne, 20 September 2021

Steven Bradby
Partner

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

In relation to our audit of the financial report of Clover Corporation Limited for the year ended 31 July 2021, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(b) no contraventions of any applicable code of professional conduct.

PKF
Melbourne, 20 September 2021

Steven Bradby
Partner

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Additional ASX Information

ASX Information

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

Shareholdings as at 31 July 2021

Substantial shareholders

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

Washington H. Soul Pattinson and Company Limited	33,713,035 ordinary shares

Distribution of shareholders as at 31 July 2021

Category	
1 – 1,000	1,405
1,001 – 5,000	2,102
5,001 – 10,000	859
10,001 – 100,000	934
100,001 and over	99
Total Number of Holders	**5,399**
Total number of holders of less than a marketable parcel, being 286 shares @ 1.75	**278**

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.

Additional ASX Information

Twenty largest shareholders as at 31 July 2021*

Rank	Name	Number of Fully Paid Ordinary Shares	Percentage of Issued Ordinary Shares (%)
1	WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	33,713,035	20.26
2	CITICORP NOMINEES PTY LIMITED	22,113,069	13.29
3	J P MORGAN NOMINEES AUSTRALIA PTY LTD	14,198,164	8.53
4	UBS NOMINEES PTY LTD	11,172,125	6.71
5	EVELIN INVESTMENTS PTY LIMITED	7,550,000	4.54
6	HSBC CUSTODY NOMINEES (AUS) LIMITED	4,352,064	2.61
7	NATIONAL NOMINEES LIMITED	4,194,992	2.52
8	INCANI & PAPADOPPOULOS SUPER PTY LTD	2,010,000	1.21
9	CITICORP NOM PTY LTD	1,532,000	0.92
10	MR PETER HOWELLS	1,500,000	0.90
11	CUSTODIAL SERVICES LIMITED	1,055,169	0.63
12	MR GARRIE ELLICE	1,020,000	0.61
13	BUTTONWOOD NOMINEES PTY LTD	941,281	0.57
14	NEWECONOMY COM AU NOMINEES PTY LTD	905,663	0.54
15	MR PEI YIN FOO	900,000	0.54
16	MS NINA TSCHERNYKOW	858,881	0.52
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	786,952	0.47
18	GANESH SUPER FUND	774,696	0.47
19	CONNAUGHT CONSULTANTS (FINANCE) PTY LTD	767,000	0.46
20	BELLITE PTY LTD	719,600	0.43
		111,064,691	66.73
		55,374,620	33.27

** 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
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