



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

23 October 2023

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

2023 ANNUAL REPORT & AGM NOTICE OF MEETING

Enclosed are the following documents relating to Clover Corporation Limited, which were mailed to shareholders today for the 2023 Annual General Meeting:

- AGM Notice of Meeting
- Proxy Forms
- 2023 Annual Report

A copy of the 2023 Annual Report has been mailed to shareholders and will also be placed in the 'ASX Announcements' section of the Clover website at the following URL:

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

Signed for and on behalf of Clover Corporation Limited

Andrew Allibon

Andrew Allibon
Company Secretary



Clover Corporation Limited
ACN 003 622 866

39 Pinnacle Road
Altona North, Victoria, 3025

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM**) of Clover Corporation Limited (**Company**) will be held at 11:00am on Thursday 23rd November 2023 at Christie Offices, Level 10, 454 Collins Street, Melbourne, Victoria, Australia and via webcast (see connection details below) using the online platform at <https://meetnow.global/MXJ9XQQ>

Business of the Meeting

The Notice of Meeting describes the business that will be proposed at the Meeting and sets out the procedures for your attendance and voting. The AGM is an important forum for our shareholders, giving you the opportunity to consider the performance of the Company and hear from the Board, as well as vote on items of business. Shareholders, proxy holders and authorised corporate representatives will have reasonable opportunity to ask questions during the AGM.

Format of the Meeting

We are pleased to be able to meet face to face with our shareholders again. The Board has decided to hold the 2023 AGM as a hybrid meeting – allowing shareholders to attend in person or to participate on line. The meeting will commence with myself and the CEO presenting our report for the year, followed by the Items of Business.

Information as to how shareholders may attend the AGM is provided in this Notice of Meeting.

Attending in Person

The health of our shareholders, employees and other meeting attendees is of paramount importance. We ask that you do not attend the AGM in person if you are feeling unwell or have been in recent contact with someone who may have been affected by COVID-19 or other communicable diseases.

Annual Report

Clover's Annual Report for the year ended 31 July 2023 is available at <https://www.clovercorp.com.au/en/invest-our-business/reports-and-presentations>

Board Recommendations

The Board recommends that shareholders vote in favour of resolutions 2 to 4 set out in the Notice of Meeting. Where a Director has a personal interest in a resolution, he or she makes no recommendation as to how shareholders should vote on that resolution. Similarly because resolution 1 concerns the adoption of the remuneration report, in view of the nature and purpose of the resolution the Board does not make any recommendation in respect of it.

My fellow Directors and I look forward to your participation at the AGM and appreciate your continued support.

Rupert Harrington
Chairman

ITEMS OF BUSINESS

Annual financial and other reports

To receive the Company's financial report, directors' report and auditor's report for the year ended 31 July 2023.

Resolution 1 — Adoption of remuneration report

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

That the remuneration report for the year ended 31 July 2023 be adopted.

Note: The remuneration report is set out on pages 15 to 22 of the Company's 2023 annual published report. The vote on this resolution is advisory only and does not bind the directors of the Company.

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

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

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

Resolution 3 — Re-election of Ms Toni Brendish as a director

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

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

Resolution 4 — Approval of acquisition of FY24 performance rights by Managing Director under long term incentive plan

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

That the acquisition by the Managing Director of up to 249,712 performance rights for the year ending 31 July 2024 (**FY24 performance rights**) in accordance with the Company's long term incentive plan which entitle him to fully paid ordinary shares in the Company for no cash consideration subject to the satisfaction of performance conditions and otherwise on and subject to the terms summarised in the explanatory statement accompanying the notice of this meeting, be approved for the purpose of rule 10.14 of the ASX Listing Rules, and for all other purposes.

Dated: 18 October 2023

By order of the board

Andrew Allibon

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Andrew Allibon
Chief Financial Officer and Company Secretary

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two other persons as the member's proxy or proxies, or attorney or attorneys, to attend and vote on behalf of the member.
2. Where two proxies or attorneys are appointed, the appointment is of no effect unless each proxy or attorney, as the case may be, is appointed to represent a specified proportion of the member's voting rights.
3. A proxy need not be a member.
4. A proxy form accompanies this notice. To be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 11:00 am (Melbourne time) on Tuesday, 21 November 2023:
 - (a) at the registered office of the Company, by:
 - (1) hand delivery or post to 39 Pinnacle Road, Altona North, Victoria, 3025;
 - (2) facsimile on +61 3 9369 8900; or
 - (3) email at andrewa@nu-mega.com; or
 - (b) at the Company's share registrar, Computershare Investor Services Pty Ltd (**Computershare**), by:
 - (1) post to GPO Box 242, Melbourne, Victoria, 3001; or
 - (2) facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);

or online through www.investorvote.com.au or by such other electronic means specified in the proxy form.

5. Regulation 7.11.37 determination: A determination has been made by the board of directors of the Company under regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that those persons who are registered as the holders of shares in the Company as at 7:00 pm (Melbourne time) on Tuesday, 21 November 2023 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.
6. **Webcast:** If you are unable to attend the meeting in person, there will be a webcast of the meeting available online which will allow you to view the proceedings live. This facility allows members or their representatives to listen to live proceedings (including viewing visual presentations), ask questions via a live text facility and vote in real time using a computer, mobile phone or other device with access to the internet. Details about how to join and participate in the webcast are set out below:

Securityholders must use the Computershare Meeting Platform to attend and participate in the meeting.

To participate in the meeting, you can log in by entering the following URL <https://meetnow.global/MXJ9XQQ> on your computer, tablet or smartphone.

Online registration will open 30 minutes before the meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

1. Click on 'Join Meeting Now'.
2. Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 prior to the meetings to obtain their login details.
3. Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop down list.
4. Accept the Terms and Conditions and 'Click Continue'.

You can view the meeting live, ask questions verbally or via a live text facility and cast votes at the appropriate times while the meeting is in progress

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

[\[https://www.computershare.com.au/onlinevotingguide\]](https://www.computershare.com.au/onlinevotingguide)

Voting exclusion statements:

The Company will disregard:

1. any votes cast on resolution 1 (adoption of remuneration report) by or on behalf of a member (**KMP Member**) of the key management personnel for the consolidated entity of which the Company is part (details of whose remuneration are included in the remuneration report for the year ended 31 July 2023, and includes each director of the Company), or a closely related party of a KMP Member, unless the vote is cast as a proxy for a person entitled to vote:
 - (a) in accordance with a direction on the proxy form; or
 - (b) by a person chairing the meeting pursuant to an express authorisation on the proxy form to exercise the proxy as they see fit, even though item 1 is connected with the remuneration of the KMP Members;
2. any votes cast in favour of resolution 4 (approval of acquisition of performance rights by Managing Director under long term incentive plan) by or on behalf of:
 - (a) any director of the Company who is eligible to participate in the long term incentive plan in respect of which approval of the Managing Director's participation is sought (including the Company's Managing Director, Mr Peter Davey); or
 - (b) an associate of that person or those persons;

however, this does not apply to a vote cast in favour of resolution 4 if it is cast by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided:
 - (1) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

- (2) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the *Corporations Act 2001* (Cth), a vote also must not be cast on resolution 4 as a proxy by a KMP Member, or a closely related party of that person, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the chair of the meeting where the proxy appointment expressly authorises the chair of the meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of a KMP Member

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



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ANNUAL GENERAL MEETING EXPLANATORY STATEMENT

1. General information

This explanatory statement is dated 18 October 2023. It is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the notice of annual general meeting of Clover Corporation Limited (**Clover** or **Company**) to be held on Thursday, 23 November 2023 at 11:00am.

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

If you have any questions regarding the matters set out in this explanatory statement (or elsewhere in the notice of annual general meeting), you may contact the Company Secretary, Andrew Allibon, by telephone (+61 3 8347 5001) or e-mail andrewa@nu-mega.com or the Company's share registrar, Computershare Investor Services Pty Ltd, by telephone:

1300 850 505 (within Australia)

+61 3 9415 4000 (outside Australia)

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

2. Resolution 1 — Adoption of remuneration report

There will be an opportunity for shareholders at the annual general meeting (**AGM**) of the Company to comment on and ask questions about the remuneration report, which appears on pages 15 to 22 of the Company's 2023 published annual report.

An electronic copy of the Company's 2023 annual report is available on the Company's website at www.clovercorp.com.au.

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

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

At the Company's 2022 AGM, less than 25% of votes were cast against the resolution that the remuneration report be adopted. Accordingly, there is no requirement to allow for a possible spill resolution at this year's AGM.

Board recommendation:

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

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

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

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

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

Mr Glasson has been a non-executive director of the Company since 1 February 2017 and is Chair of the Remuneration Committee and a member of the Audit & Risk and Nomination Committees.

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.

Mr Glasson is also currently a non-executive director of Ricegrowers Ltd, a position he has held since 2016.

He is a graduate member of the Australian Institute of Company Directors.

Board recommendation:

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

4. Resolution 3 — Re-election of Ms Toni Brendish as a director

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

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

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

Ms 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.

Ms Brendish is a Non-Executive Director for Cobram Estates Olives Ltd (ASX: CBO), a Non-Executive Director for Prolife Foods (NZ) Ltd and on the Aurora Dairy Advisory Committee; part of Warakirri Asset Management Ltd.

She is a member of the Australian Institute of Company Directors.

Board recommendation:

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

5. **Resolution 4 - Approval of acquisition of FY24 performance rights by Managing Director under long term incentive plan**

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

- 140,575 performance rights for the year ended 31 July 2022 (**FY22 performance rights**).
- 255,199 performance rights for the year ended 31 July 2023 (**FY23 performance rights**).

Subject to resolution 4 being approved, the Company proposes to issue Mr Davey a further 249,712 performance rights for the year ending 31 July 2024 (**FY24 performance rights**) under the long-term incentive plan.

The proposed terms of these FY24 performance rights are summarised below:

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| Nature of performance rights | Each FY24 performance right entitles Mr Davey to acquire 1 fully paid ordinary share in the company for no cash consideration, subject to the satisfaction of certain performance conditions (and subject to adjustment for bonus issues, rights offers and other share capital reconstructions) |
| Performance conditions | <p>The FY24 performance rights are subject to the satisfaction of the following performance conditions:</p> <ul style="list-style-type: none"> • For 10% of the performance rights, the performance condition is based on the company's earnings per share¹ for the financial year ending 31 July 2026 (FY26) being at least 4.31 cents. This equates to earnings per share growing at the rate of 5% per annum compounding annually over the three-year period ending with FY26. • For 40% of the performance rights, the performance condition is based on the company's earnings per share for FY26 being at least 5.66 cents. This equates to earnings per share growing at the rate of 15% per annum compounding annually over the three-year period ending with FY26. • For 25% of the performance rights, the performance condition is based on certain strategic initiatives having been initiated which are expected to achieve significant growth and benefit and these benefits having been partially but not fully realised by FY26. |

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

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- For the remaining 25% of the performance rights, the performance condition is based on certain strategic initiatives that significantly broaden the Company's performance by FY26.

Where the board determines that the performance condition for any FY24 performance rights has not been satisfied, those rights will not be able to be exercised and will cease to exist once the board makes its determination.

Where the board determines that the performance condition for any FY24 performance rights has been satisfied, the Company is required to notify Mr Davey in writing, and once notified those performance rights 'vest' and Mr Davey will be entitled to exercise them at any time during their exercise period.

The board is required to make these determinations when the relevant data is available.

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| Consideration | No cash consideration is payable for the issue of the FY24 performance rights and no cash consideration is payable to acquire the shares underlying the FY24 performance rights. |
| Exercise period | The exercise period of 'vested' FY24 performance rights starts when Mr Davey is notified of the board's determination that the relevant performance conditions have been satisfied (after the conclusion of FY26) and ends on 31 July 2027. |
| Continuing employment | <p>All of Mr Davey's FY24 performance rights will lapse and terminate upon him ceasing to be an employee of the Clover group except to the extent noted below:</p> <ul style="list-style-type: none"> • If Mr Davey ceases to be an employee of the Clover group after the 1st anniversary of the date of issue of his FY24 performance rights due to redundancy, illness, disability or death but before any have vested, the board may test the performance conditions as at Mr Davey's leaving date and, if the board decides a performance condition as tested has been satisfied, the board may allow a proportion of the relevant performance rights to be retained on the basis they must be exercised within 6 months. • If Mr Davey ceases to be an employee of the Clover group in any other circumstances before any of his FY24 performance rights have vested, the board has a broad discretion to waive any performance conditions of the performance rights, vest any of the performance rights early and/or allow any of the performance rights to be retained. • Where Mr Davey ceases to be an employee of the Clover group after any of his FY24 performance have vested, he will retain the vested performance rights but will only have 6 months to exercise them if the exercise period would otherwise end later. |
| Adjustment | Where the share capital of the Company is reorganised or there is a bonus issue of shares to shareholders, the terms of the FY24 performance rights will be adjusted commensurately. |
| Satisfaction of share entitlement | The Company may satisfy any entitlement to shares underlying the FY24 performance rights by issuing the shares, arranging to buy them on-market, arranging to have them transferred from the company's employee share ownership trust or otherwise. |

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

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

Furthermore, under rule 7.1 of the ASX Listing Rules, a listed company must not issue or agree to issue more than 15% of its issued share capital in 12 months without shareholder approval, unless an exception in rule 7.2 applies. Exception 14 in rule 7.2 applies to an issue of securities made with shareholder approval under rule 10.14. Accordingly, if shareholders approve the issue of FY24 performance rights to Mr Davey by passing resolution 4, the Company will be able to issue the FY24 performance rights without reducing the Company's 15%/12 month capacity under rule 7.1.

Additional information

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

- (a) Mr Peter Davey is a director of the Company and is therefore prohibited under rule 10.14.1 of the ASX Listing Rules from obtaining securities under an employee incentive scheme without shareholder approval, unless an exception applies.
- (b) The Company is seeking shareholder approval to issue 249,712 FY24 performance rights to Mr Davey.
- (c) Mr Davey's total remuneration package for FY24 is:
 - (1) base salary \$549,637 (inclusive of superannuation);
 - (2) discretionary cash bonus of up to 50% of his base salary as part of his short-term incentive arrangements; and
 - (3) 249,712 FY24 performance rights (subject to shareholder approval of resolution 4).
- (d) At the date of this explanatory statement, Mr Davey holds 395,774 performance rights in total (the issue of which were approved at the annual general meetings in 2021 and 2022 respectively and were issued to Mr Davey under the Company's long term incentive plan), which if all vested at the date of this explanatory statement would entitle him to 395,774 fully paid ordinary shares in the Company, subject to any adjustment event.

In addition, Mr Davey has previously been issued 1,338,440 performance rights for no cash consideration in relation to the years ended 31 July 2016 to 31 July 2020 under the Company's long term incentive plan. Some of these performance rights vested and were exercised by Mr Davey, while others did not vest and in consequence lapsed. No acquisition price was paid by Mr Davey for the issue of these securities.
- (e) A summary of the material terms of the FY24 performance rights is set out above. The directors of the Company consider that the performance rights (which are contractual rights to receive shares if certain performance conditions are met) are an appropriate form of incentive to motivate and retain the Company's senior management. They are cost efficient and an effective reward for delivering results and creating commonality of purpose between senior management and the Company.
- (f) Rule 10.15.7 requires that the date of issue of the performance rights must be no later than 3 years after the date of the annual general meeting. This requirement will be satisfied as the FY24 performance rights will be issued as soon as practicable following the annual general meeting of shareholders if shareholders pass resolution 4.

- (g) The Company attributed a face value opportunity of \$274,684 to the FY24 performance rights to be issued to Mr Davey at the time of presenting the annual accounts. This value has been calculated by multiplying the total number of FY24 performance rights (i.e., 249,712 performance rights) by \$1.10 being the volume weighted average price of the ordinary shares in the Company on ASX over the 10 trading days ending immediately before the start of the performance period i.e. 31 July 2024. The actual value Mr Davey will receive (if any) will depend on the extent to which the performance conditions are satisfied and the share price on the day of issue.
- (h) No cash consideration has been paid or is payable for the issue of the FY24 performance rights and no cash consideration is payable to acquire the shares underlying the FY24 performance rights.
- (i) A summary of the terms of the Company's long term incentive plan is set out below.

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

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

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

(j) No loan has been given by the Company in relation to the performance rights under the plan.

(k) Details of the performance rights and other securities issued under the Company's long term incentive plan that require the approval of shareholders under rule 10.14 of the ASX Listing Rules will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval of the issue was obtained under rule 10.14.

(l) Any additional persons covered by rule 10.14 of the ASX Listing Rules who become entitled to participate in an issue of securities under the Company's long term incentive plan after resolution 4 is passed and who were not named in the notice of annual general meeting (which includes this explanatory statement) or who are named and for whom participation requires shareholder approval under rule 10.14, will not participate until that approval is obtained.

For clarity, the following table outlines the rights that have or are to be issued over the next three years to the managing director, chief financial officer (**CFO**) and other executives who have been invited to participate in the Long-term Incentive Plan.

| Performance Rights Year Started | Performance Rights Vesting Year Ended | Total Issued Performance Rights | Managing Director | CFO & Other Exec |
|---------------------------------|---------------------------------------|---------------------------------|-------------------|------------------|
| FY21 | FY23 | 35,692 | 27,266 * | 8,426 |
| FY22 | FY24 | 257,964 | 140,575 | 117,389 |
| FY23 | FY25 | 469,305 | 255,199 | 214,106 |
| FY24 | FY26 | 475,046 | 249,712 ** | 225,334 |
| | Total | 1,238,007 | 672,752 | 565,255 |

* Vested FY21 performance rights to which shares will be issued from the EST

** FY24 Performance Rights for the managing director are subject to the approval of resolution 4

In the November 2021 AGM, the shareholders approved the issue of performance rights under the long-term incentive scheme for the purposes of exception 13 in rule 7.2 of the ASX listing rules (such that the issue of those performance rights, and the issue of shares on conversion of those performance rights could occur without reducing the Company's 15%/12 month capacity under rule 7.1. That approval contemplated the issue of shares to the EST which could then be used to satisfy the exercise of those performance rights. Accordingly, 560,030 shares were issued to the EST following the end of the FY22 financial year. The issue will serve to ensure that the shares to be provided on exercise of the FY21 (35,692) and FY22 (257,964) Performance Rights (assuming they are 100% vested) will be able to be satisfied from the shares held by the EST.


The Board takes a disciplined approach to setting of the incentives for the Long-term Incentive Plan. Over the past 4 years, 50% of performance rights lapsed with 50% vesting on achievement of the financial and strategic objectives.


If resolution 4 is not passed, the Company will be unable to issue the FY24 Performance Rights to Mr Davey, and accordingly will need to review other ways to remunerate him, which could include paying him in cash. This would be less desirable as it would not have the same outcomes in terms of alignment of Mr Davey's interests with those of Shareholders.

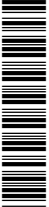
Board recommendation:

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

Need assistance?

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

 **Online:**
www.investorcentre.com/contact



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

Clover Corporation Limited Annual General Meeting

The Clover Corporation Limited Annual General Meeting will be held on Thursday, 23 November 2023 at 11:00am (AEDT). You are encouraged to participate in the meeting using the following options:



MAKE YOUR VOTE COUNT

To lodge a proxy, access the Notice of Meeting and other meeting documentation visit www.investorvote.com.au and use the below information:



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

For your proxy appointment to be effective it must be received by 11:00am (AEDT) Tuesday, 21 November 2023.



ATTENDING THE MEETING VIRTUALLY

To watch the webcast, ask questions and vote on the day of the meeting, please visit:
<https://meetnow.global/MXJ9XQQ>

For instructions refer to the online user guide www.computershare.com.au/virtualmeetingguide



ATTENDING THE MEETING IN PERSON

The meeting will be held at:
Christie Offices, Level 10, 454 Collins Street, Melbourne, Victoria, Australia

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.



CLV

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

Need assistance?



Phone:
1300 855 080 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (AEDT) on Tuesday, 21 November 2023.**

Proxy Form

How to Vote on Items of Business

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

APPOINTMENT OF PROXY

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

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

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

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

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

By Fax:

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



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

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

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

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



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

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

the Chairman of the Meeting **OR**

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Clover Corporation Limited to be held at Christie Offices, Level 10, 454 Collins Street, Melbourne, Victoria, Australia and online on Thursday, 23 November 2023 at 11:00am (AEDT) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 4 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 by marking the appropriate box in step 2.

Step 2 Items of Business

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

| | | For | Against | Abstain |
|--------------|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Adoption of remuneration report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Re-election of Mr Ian Glasson as a director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Re-election of Ms Toni Brendish as a director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Approval of acquisition of FY24 performance rights by Managing Director under long term incentive plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

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

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

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

CLV

302299A



Computershare





Clover Corporation Limited
ABN 85 003 622 866

CLVRM

MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SUBURB
SAMPLETOWN VIC 3030

Dear Securityholder,

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

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

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

You are requested to include the following;

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

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

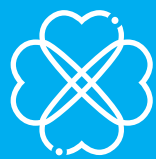
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

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

Yours sincerely

Clover Corporation Limited

ANNUAL REPORT 2023



CLOVER
CORPORATION

ABN 85 003 622 866



| Table of Contents | |
|---|---------|
| Chairman's Report | 4 - 5 |
| Managing Director's Report | 6 - 7 |
| About Clover | 8 |
| Directors' Report | 9 - 24 |
| Remuneration Report | 15 - 22 |
| Corporate Governance Statement | 25 - 32 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 33 |
| Consolidated Statement of Financial Position | 34 |
| Consolidated Statement of Changes in Equity | 35 |
| Consolidated Statement of Cash Flows | 36 |
| Notes to the Financial Statements | 37 - 66 |
| Directors' Declaration | 67 |
| Independent Audit Report | 68 - 71 |
| Auditors' Independence Declaration | 72 |
| ASX Additional Information | 73 - 74 |

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 reflecting on the performance of Clover Corporation's over the past financial year, it has been a year of two distinct halves.

In the initial six months, we witnessed an outstanding start with record-breaking revenue of \$44.4 million. This exceptional performance was largely attributed to the new licensing requirements for infant formula sales in China, which prompted our customers to increase their inventories. However, the second half of the year presented a different challenge, as we navigated a slower consumer market, resulting in revenues of \$35.5 million. Nonetheless, our combined annual revenue of \$79.9 million marks a 13% improvement over the previous year.

As the world gradually emerged from travel restrictions, we seized the opportunity to reconnect with our valued customers. A doubling of our trade show participation and in-market visits has reignited projects that had been deferred through COVID as well as cultivating a robust pipeline of new opportunities for the future.

This proactive approach to engaging our customers and progression of our innovation portfolio, came with increased expenses. While we are pleased to report improved revenue figures, our net profit after tax stands at \$6.2 million, reflecting a 13.0% decrease compared to the prior year. This outcome aligns with the guidance provided by the Company earlier this year.

At Clover, we remain steadfast in our commitment to driving growth by expediting the commercialisation of innovative products. In the year 2023, we achieved significant milestones, including the successful launch of four new products, each designed to meet evolving market demands, thereby diversifying our customer base, and expanding our market reach. Moreover, we continue to expand our international presence by appointing distributors in new markets and actively identifying opportunities, including licensing and potential strategic acquisitions.

Allow me to highlight some key achievements from the past year:

- Our collaboration with customers in China and Western markets resulted in them obtaining GB license status in China with Clover providing value added ingredients for their products. This achievement enables the marketing and sale of our products through the retail distribution system in China, with ongoing opportunities in development. As referenced earlier, our customers built substantial inventory ahead of GB License approvals, which filled the retail channel affecting the demand for our powders in the latter half of the year.
- Our Premneo product, developed to enhance the IQ of preterm infants, is currently undergoing registration in multiple countries. This process, with varying application and testing protocols for each nation, may take up to two years. However, we have successfully manufactured and packaged the product, actively marketing it at major conferences for Neonatologists and Paediatricians. While commercial sales are yet to progress, we are encouraged by the interest shown by potential distributors.
- Clover introduced several new products, some of which have already recorded sales over the past twelve months. One notable product, Gelporm, has been incorporated into a significant non-dairy product in the United States, set to hit retail shelves in the upcoming quarter and will deliver DHA for the beverage market.
- Faced with rising costs of raw materials, labour, and services, we diligently sought opportunities for cost reduction within our supply chain. This approach allowed us to implement minimal price increases, preserving our customer relationships and margins.

Clover continues to lead the industry in product development, collaborating closely with customers to address challenges related to Omega-3 fortification. While the development and testing phases may

CHAIRMAN'S REPORT

be time-consuming, they forge lasting relationships with customers who embark on the journey of launching new products.

We continue to explore opportunities to expand through acquisition and licensing where we believe they are synergistic and value accretive.

In closing I would like to thank the management and staff for their dedication to developing our business and thank my fellow Board members also for their commitment.



Mr Rupert A Harrington

Chairman

Date: 25 September 2023

MANAGING DIRECTOR'S REPORT

I am pleased to share Clover Corporation's performance report for FY23, which reflects improvements in revenue compared to the previous year. Our revenue for FY23 reached \$79.9 million, marking a 13% increase from the \$70.7 million achieved in FY22. While we experienced a remarkable first half, the second half of the year saw a slowdown in demand. Our continued focus on acquiring new customers and diversifying our product offerings has been instrumental in driving our improved revenue base

The full year revenue translated into a net profit after tax of \$6.2 million, representing a 13.0% reduction compared to the FY22 result of \$7.7m million. It's important to note that the FY22 result included a net \$1.0 million one-off gain settlement of our intellectual property defence. Gross Margin has been maintained by a combination of cost reductions and price increases. Our operating expenses, totalling \$13.8 million, rose by 32.6% compared to the FY22 figure of \$10.4m million. Increased expenses related to investment in innovation, travel and marketing as our team reconnected with customers has contributed to the lower net profit after tax in FY23. Successfully maintaining a COVID-free status and refining our Health and Safety procedures continued to be a priority throughout the year.

Throughout FY23, we also faced inflationary pressures across various fronts, including raw materials, energy, freight, and labour. To combat these challenges, we have established new supply options for raw materials and implemented price adjustments to maintain our margins. Clover's inventory now stands at \$36.9 million, an increase of \$1.0 million compared to FY22. We have supported our customers in managing their fluctuating supply requirements by forward ordering against requested demand. The long lead times and slowing demand in the 2nd half resulting in raw material holdings increasing by \$1.5m with finished good's remaining consistent with the prior year. We had targeted reductions on total inventory from the 1st half peak of \$41.4m which was slowed by the volatility of customer orders.

While the first half of the year witnessed strong customer demand, totalling \$44.1 million in sales, the second half declined to \$35.8 million which is substantially down on traditional seasonal patterns. This fluctuation can be attributed to the introduction of the Chinese GB License, which allowed infant formula manufacturers to sell products through retail channels in China. In the first half, manufacturers, uncertain about obtaining the GB license, increased production and filled the supply channel with product. However, in the second half, many customers secured the license but opted to deplete existing inventory before producing under the new license. Additionally, a global and Chinese decline in birth rates has also contributed to reduced demand in FY23.

Regarding infant formula, Clover's product has been included as an ingredient in Chinese GB license applications, benefiting both Chinese and Western infant formula manufacturers. While many of these licenses have been approved, the abundance of inventory in the Chinese retail market and declining birth rates has impacted initial demand for the newly licensed products. Nevertheless, we have entered partnerships with new customers in China, incorporating our powders into infant and growing up formulas. We have also identified opportunities in the European market, with oil and powder sales recorded in the period. Additionally, other manufacturers are conducting trials with Clover products in extended shelf-life testing, which is expected to contribute to future revenue growth.

Our investment in Melody Dairies (NZ) faced challenges in the 2nd half of FY23, primarily due to lower demand in the infant formula market. Despite these challenges, Melody Dairies has made significant process improvements enhancing its operational capability. Clover remains committed to supporting and expanding its stake in Melody Dairies, as it plays a crucial role in managing our supply chain and producing niche products for our key markets in China and New Zealand. To that end we have entered into discussions with one of the partners to increase our shareholding.

In terms of product development, Clover finalised commissioning the new spray dryer at our Research & Development facility in Brisbane during FY23. This has facilitated the successful launch of four new products. These products address specific customer needs and offer new applications in nutraceuticals and general foods. Our focus on diversified markets, including general food

MANAGING DIRECTOR'S REPORT cont

applications, sports nutrition, pharmaceuticals, supplements, and plant-based milks, has yielded new product opportunities, and attracted customers in segments aligned with global market trends.

One notable achievement is the successful clinical trial results of our branded product, Premneo, announced in March 2022. This product has been shown to significantly improve the IQ of preterm infants. While the commercialisation process is underway, it will take time to navigate regulatory requirements. We are in discussions with potential distributors and have enlisted consultants to assist in are developing the best positioning for this product. Additionally, obtaining individual country registrations for medical food or pharmaceutical products is in progress, with an anticipated two-year timeline. Once registered, we will be ready to trial Premneo in hospitals, targeting neonatologists and paediatricians.

Outlook

As we look ahead to FY24 two factors will lead to a normalised growth pattern, a reduction of customers' infant formula inventory is crucial to boosting revenue in this segment and the market acceptance of our key projects in the general food and nutraceutical sectors will be pivotal to our sales growth.



Mr Peter J Davey
Managing Director & CEO
Date: 25 September 2023

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 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 in Altona, Victoria.
- Innovation, Research & Development, Product Development, Technical Support departments are 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.

DIRECTORS REPORT

Your directors present their report on the consolidated entity consisting of Clover Corporation Limited (“the Company”) and the entities it controlled (“the consolidated entity”) at the end of, or during, the year ended 31 July 2023.

Directors

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

Name and qualifications

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

Non-Executive Director since 1 July 2015
Appointed Chairman 21 September 2017
Chair of the Nomination Committee



Mr Graeme A Billings
BCom, FCA, MAICD

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



Experience and special responsibilities

Mr Harrington is an experienced company Director with over 30 years’ experience as a Non-Executive Director of companies operating in manufacturing, industrial services, health and technology.

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

Mr Harrington is Non-Executive Director of Pro Pac Packaging Limited (ASX: PPG) and was previously a Director of Integral Diagnostics Limited (ASX: IDX - resigned December 2021) a Director of Bradken Limited, Advent Partners and others.

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 several 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 Limited, 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).

DIRECTORS REPORT (Continued)

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.

DIRECTORS REPORT (Continued)

Name and qualifications

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



Experience and special responsibilities

Ms 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.

Ms Brendish is a Non-Executive Director for Cobram Estates Olives Ltd (ASX: CBO), a Non-Executive Director for Prolife Foods (NZ) Ltd and on the Aurora Dairy Advisory Committee; part of Warakirri Asset Management Ltd.

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



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

He was actively involved in CSL's global expansion 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.

Dr Green is currently the founder and CEO of Immunosis Pty Ltd, a start-up diagnostics Company.

He is also a Venture Partner at BioScience Managers, a healthcare investment firm and Non-Executive Director at Pharmaxis (chair of the Remuneration and nomination Committee's).

Dr Green previously served as a Non-Executive Director for Acrux Pty Ltd from 2016-2019 and served on the scientific advisory board for Immunexus Pty Ltd.

DIRECTORS REPORT (Continued)

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



Mr Allibon is a Chartered Accountant with over 27 years' experience in executive finance roles across a range of industries.

Having spent a considerable length of time with Amcor Limited in addition to a period of consulting to other packaging companies, Mr Allibon has a broad experience on manufacturing businesses operating in the Asia and Oceania regions.

Prior to joining Clover Corporation, he was CFO for the Leef Independent Living Solutions group of companies.

Other current Non-Executive Company directorships:
Melody Dairies Ltd Partnership

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 2023, the comparative period being the financial year ended 31 July 2022. Total revenue from sale of goods increased 13.0% to \$79,875,000. Net profit after tax is \$6,205,000 (FY22: profit of \$7,171,000).

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 7 of this Annual Report.

Employees

The consolidated entity had 56 employees as at 31 July 2023 (FY22: 48 employees).

Events Subsequent to Reporting Date

On 18 September 2023, the Company entered into discussions with one of its Melody Dairy Partners to increase its percentage of ownership. It is anticipated that the Company will continue to equity account for its investment in accordance with ASB 128 – Accounting for Investments in Associates and Joint Ventures.

No other matter or circumstance has arisen since 31 July 2023 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.

DIRECTORS REPORT (Continued)

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.

The Board remains optimistic about the future trading performance but acknowledges there are continuing factors that have the potential to impact operations, such factors as supply chain challenges, commodity price movements, political risk in the context of international investments, cyber risks as well as broader environmental and sustainability activities.

Dividends

A fully franked final dividend of 1.0 cent per share for the 12 months ended 31 July 2022 was paid on 22 November 2022. The total final FY22 dividend paid was \$1,664,393.

The Directors have declared a fully franked final dividend of 0.75 cent per share (\$1,252,495) in respect of the year ended 31 July 2023. The record date for this dividend will be 31 October 2023 with payment due on 20 November 2023. An interim dividend of 0.75 cent per share was paid for FY23.

The total dividend declared in respect to FY23 is 1.5 cents per share, which is the same total dividend declared of 1.5 cents per share for FY22.

Environmental Regulations

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

DIRECTORS REPORT (Continued)

Directors' Meetings

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

| Director | Directors Meetings | | Nomination Committee Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | |
|-----------------|---------------------------|-----------------|-------------------------------|-----------------|---------------------------|-----------------|---------------------------------|-----------------|
| | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended |
| R A Harrington | 13 | 13 | 2 | 2 | - | - | - | - |
| G A Billings | 13 | 13 | 2 | 2 | 4 | 4 | 5 | 5 |
| P J Davey | 13 | 13 | - | - | - | - | - | - |
| I D Glasson | 13 | 13 | 2 | 2 | 4 | 4 | 5 | 5 |
| Ms T L Brendish | 13 | 13 | 2 | 2 | 4 | 4 | 5 | 5 |
| Dr S P Green | 13 | 13 | 2 | 2 | 4 | 4 | 5 | 5 |

Insurance of Directors and Officers

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

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Rounding Off of Amounts

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

Proceedings on behalf of the Company

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

Unissued shares or interests under option

As of the date of this report there are 35,692 Performance Rights offers whose conditions have been met, entitling recipients to one share per right for issue. An additional 1,202,315 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 2023 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 |
| Dr S P Green | Non-Executive Director |
| Executive KMP | |
| P J Davey | Chief Executive Officer and Managing Director |
| A G M Allibon | Chief Financial Officer and Company Secretary |

(ii) Remuneration Policy

The Company operates from three locations across Australia and New Zealand 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 13 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

Total Non-Executive Directors' remuneration including superannuation paid at the statutory prescribed rate for the year ended 31 July 2023 was \$462,231 which is within previously approved Non-Executive Director fee pool fees (AGM - November 2022).

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 regularly, 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 are used to assist in this process.

The Board has to date employed a simple remuneration policy for Non-Executive Directors whereby only fees and statutory superannuation benefits are payable. The table on pages 20-22 of this report shows fees paid to Non-Executive Directors for the 2023 and 2022 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 while 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 2023.

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 FY21 for setting remuneration from FY22.

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 Remuneration Committee 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 approval. 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 FY23 (50% in FY22), while for other Executives, 10-20% applied in FY23 (10-20% applied in FY22).

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. Measurable objectives are also set for ESG and Strategic KPI's.

For FY23, the financial targets were not achieved, 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 an STI has not been awarded for the FY23 year.

| KPI type | Possible 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. |

REMUNERATION REPORT (Continued)

(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.

During the FY23 year, 34,025 shares that had vested, were issued to the Employee Incentive Plan participants. These vesting rights were attributed to achievement of strategic KPI's.

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 2023 | Targeted result for year ended 31 July 2024 | Targeted result for year ended 31 July 2025 |
|---------------|------------------------|---|---|---|
| 2020 | Target – EPS | 9.84c | | - |
| | Max - EPS | 11.40c | | - |
| 2021 | Target – EPS | - | 5% compound growth on FY21 NPAT | - |
| | Max - EPS | - | 15% compound growth on FY21 NPAT | - |
| 2022 | Target – EPS | - | - | 5% compound growth on FY21 NPAT |
| | Max - EPS | - | - | 15% compound growth on FY21 NPAT |

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 2020, 2021 and 2022 Performance Rights noted above, 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 2023 the following are the performance rights for KMP whose conditions have been met, and their vesting profile:

| | As at 31 July 2023 | Rights granted plan dated | Rights exercisable after |
|-----------|-------------------------------|--------------------------------------|-------------------------------------|
| P Davey | 27,266 | 2020 | 31 July 2023 |
| A Allibon | - | - | - |
| | 27,266 | | |

The most recent performance assessment period of the above 2020 Performance Rights ended on 31 July 2023 and the board of directors of the Company determined that some of the relevant performance conditions had been satisfied for the FY23 period. In consequence, the 2020 Performance Rights that have vested can now be exercised.

| | Rights whose conditions were fulfilled in years preceding 31 July 2021 | Rights whose conditions were fulfilled in year ending 31 July 2022 | Rights whose conditions were fulfilled in year ending 31 July 2023 | 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 | 884,514 | 25,991 | 27,266 | 937,771 | 645,486 | (937,771) | 645,486 |
| A Allibon | - | - | - | - | 155,855 | - | 155,855 |
| | 884,514 | 25,991 | 27,266 | 937,771 | 801,341 | (937,771) | 801,341 |

REMUNERATION REPORT (Continued)

| | 31 July 2023 Fair value of the rights as compensation | 31 July 2022 Fair value of the rights as compensation * |
|-----------|--|--|
| P Davey | \$ 29,993 | \$ 26,771 |
| A Allibon | - | - |
| | 29,993 | 26,771 |

* 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 2023 are based on the VWAP price of the ASX market close price for the last 10 business days of the year (\$1.10)

(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.

| 2023 | Salary and Fees | Superannuation Contributions | STI Remun- eration | Non-cash Benefits | LTI Rem- uneration | Total |
|------------------|--------------------|---------------------------------|--------------------------|----------------------|-----------------------|------------------|
| Directors | \$ | \$ | \$ | \$ | \$ | \$ |
| R A Harrington | 125,089 | 13,186 | - | - | - | 138,275 |
| G A Billings 3 | 75,666 | 7,976 | - | - | - | 83,642 |
| P J Davey 1,2 | 498,417 | 27,500 | - | 8,232 | 29,993 | 564,142 |
| I D Glasson 3 | 75,666 | 7,976 | - | - | - | 83,642 |
| Ms T L Brendish | 70,865 | 7,470 | - | - | - | 78,335 |
| Dr S P Green | 70,865 | 7,470 | - | - | - | 78,335 |
| | 916,568 | 71,578 | - | 8,232 | 29,993 | 1,026,371 |

| | Salary and Fees | Superannuation Contributions | STI Remun- eration | Non-cash Benefits | LTI Rem- uneration | Total |
|----------------------|--------------------|---------------------------------|--------------------------|----------------------|-----------------------|----------------|
| Executive KMP | \$ | \$ | \$ | \$ | \$ | \$ |
| A G.M. Allibon 1 | 258,922 | 25,420 | - | - | - | 284,341 |
| | 258,922 | 25,420 | - | - | - | 284,341 |

1. STI gateway not achieved for FY23. No recognition in FY23. FY22 was provided for in FY22 / paid in FY23
2. LTI consists of fair value of rights whose conditions were fulfilled in year ending 31 July 2023
3. ARC & Remuneration Committee Chair positions remuneration includes additional \$4,800 p.a.

| 2022 | Salary and Fees | Superannuation Contributions | STI Remun- eration | Non-cash Benefits | LTI Rem- uneration | Total |
|------------------|--------------------|---------------------------------|--------------------------|----------------------|-----------------------|------------------|
| Directors | \$ | \$ | \$ | \$ | \$ | \$ |
| R A Harrington | 118,601 | 11,910 | - | - | - | 130,511 |
| G A Billings | 71,967 | 7,227 | - | - | - | 79,194 |
| P J Davey 1 | 475,857 | 28,073 | 127,046 | 5,906 | 26,771 | 663,653 |
| I D Glasson | 71,967 | 7,227 | - | - | - | 79,194 |
| Ms T L Brendish | 67,189 | 6,747 | - | - | - | 73,936 |
| Dr S P Green | 67,189 | 6,747 | - | - | - | 73,936 |
| | 872,770 | 67,931 | 127,046 | 5,906 | 26,771 | 1,100,424 |

REMUNERATION REPORT (Continued)

| 2022 | Salary and Fees | Superannuation Contributions | STI Remun- eration | Non-cash Benefits | LTI Rem- uneration | Total |
|----------------------|----------------------------|---|-----------------------------------|------------------------------|-------------------------------|----------------|
| Executive KMP | \$ | \$ | \$ | \$ | \$ | \$ |
| A G.M. Allibon | 243,781 | 23,902 | 27,560 | - | - | 295,243 |
| | 243,781 | 23,902 | 27,560 | - | - | 295,243 |

(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.

DIRECTORS 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 Securities 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 | 551,360 | 27,266 |
| I D Glasson | 60,000 | - |
| T L Brendish | 27,055 | - |
| Dr S P Green | 36,234 | - |
| | <u>1,253,570</u> | <u>27,266</u> |

- * There are an additional 662,457 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 2023:

| | |
|---|---------------|
| | \$ |
| Taxation structural and compliance services | 15,290 |
| | <u>15,290</u> |

DIRECTORS 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 71.

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



Mr Rupert A Harrington
Chairman
Melbourne
Date: 25 September 2023

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 using the following address <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 is regularly updated 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 2023 the organisation had 56 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.

Clover is committed to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and/or experience, and to creating and fostering a supportive and understanding environment by providing opportunities and development that allow individuals to reach their full potential irrespective of background or difference.

The Company has revisited key policies, strategies and frameworks that attract, retain, and encourage participation and inclusion of both men and women in FY23. Our goal is to continue to maintain and improve our gender balance and strengthen our retention rate of women by creating an environment that encourages women's participation, inclusion, development, and growth.

CORPORATE GOVERNANCE

The proportion of women employees in the whole organisation was 43%. The Company's objective is to 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.

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. | Significant |
| 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. | Significant |
| 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 2023 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 practitioner.

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.

CORPORATE GOVERNANCE

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 reports.

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.

Whilst the Company does not have an Internal Audit function, 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's risk management approach is to identify, evaluate, and mitigate or manage its financial, operational and business risks. Our risk assessment approach includes an estimation of the likelihood of risk occurrence and potential impacts on the financial results. Risks are assessed across the business and reported to the Audit & Risk Committee and to the Board where required under the Company's Risk Management Framework.

CORPORATE GOVERNANCE

Principle 7 – Recognise and manage risk (continued)

The Board remains optimistic about future trading performance but acknowledges there are certain factors that may pose a risk to the achievement of business strategies and future performance, in particular the potential ongoing impact of supply chain challenges and commodity price movements. The focus of the Company's risk management efforts this year has also included consideration of political risk in the context of its international investments and operations, capacity management, cyber risk as well as broader environmental and sustainability activities.

Other than as disclosed, the Company does not have any exposure to economic, environmental and social sustainability risks to disclose during the reporting period. The Board is monitoring the evolving debate and expected reporting requirements in future periods around mandatory climate change and sustainability reporting disclosures.

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. Mr Ian Glasson is the Chair of Remuneration Committee. 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 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|---|-------|----------------|----------------|
| Revenue | 2 | 79,875 | 70,660 |
| Net Exchange Gains / (Losses) | 3 | 294 | (168) |
| Net Interest expense | 3 | (730) | (455) |
| Raw materials, consumables & conversion costs | | (56,137) | (49,005) |
| Marketing and sales expenses | | (5,691) | (4,002) |
| Administration and corporate expenses | | (5,514) | (4,557) |
| Research and development expenses | | (2,572) | (1,857) |
| New Market Development Costs | | (677) | (123) |
| Share of net profit of investments accounted for under the equity method | | (487) | (653) |
| Profit before income tax | 3 | 8,361 | 9,840 |
| Income tax (expense) | 4 | (2,156) | (2,707) |
| Profit after tax for the period attributable to members of the parent entity | | 6,205 | 7,133 |
| Other comprehensive profit/(loss) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation adjustments | | 822 | (845) |
| Total comprehensive profit for the year | | 7,027 | 6,288 |
| Earnings per share (EPS) | | | |
| Basic earnings per share (cent per share) | 22 | 3.72 | 4.29 |
| Diluted earnings per share (cent per share) | 22 | 3.72 | 4.29 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|------------------------------------|-------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 6 | 9,437 | 10,111 |
| Trade and other receivables | 7 | 11,948 | 19,562 |
| Inventories | 8 | 36,877 | 35,965 |
| Other current assets - prepayments | | 1,744 | 1,222 |
| | | 60,006 | 66,860 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 9,103 | 8,027 |
| Right of use assets | 10 | 2,238 | 1,150 |
| Investments in associates | 11 | 11,662 | 11,816 |
| Deferred tax assets | 4 | 1,286 | 1,009 |
| Intangible assets | 12 | 1,907 | 1,907 |
| | | 26,196 | 23,909 |
| Total assets | | 86,202 | 90,769 |
| Current liabilities | | | |
| Trade and other payables | 13 | 4,647 | 13,560 |
| Interest bearing liabilities | 14 | 1,743 | 1,668 |
| Lease liability | 15 | 386 | 113 |
| Current tax liabilities | 4 | 594 | 280 |
| Short-term provisions | 16 | 919 | 867 |
| | | 8,289 | 16,488 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 14 | 7,690 | 9,243 |
| Lease liability | 15 | 1,893 | 1,054 |
| Deferred tax Liability | 4 | 1,142 | 924 |
| Long-term provisions | 16 | 37 | 20 |
| | | 10,762 | 11,241 |
| Total liabilities | | 19,051 | 27,729 |
| Net assets | | 67,151 | 63,040 |
| Equity | | | |
| Issued capital | 17 | 36,270 | 35,603 |
| Reserves | 18 | (855) | (1,011) |
| Retained profits | | 31,736 | 28,448 |
| Total equity | | 67,151 | 63,040 |

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 2023

| | Issued capital | Retained profits | Share-based payment reserve | Foreign currency translation reserve | Total |
|---|----------------|------------------|-----------------------------|--------------------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 August 2021 | 35,603 | 22,979 | - | (166) | 58,416 |
| Profit attributable to members of the entity | - | 7,133 | - | - | 7,133 |
| Other Comprehensive income | - | - | - | (845) | (845) |
| Total Comprehensive Income for the Year | | 7,133 | - | (845) | 6,288 |
| <i>Transactions with Owners in their capacity as owners</i> | | | | | |
| Dividend paid | - | (1,664) | - | - | (1,664) |
| Shares issued for the period | - | - | - | - | - |
| Share-based payment reserve | - | - | - | - | - |
| Balance at 31 July 2022 | 35,603 | 28,448 | - | (1,011) | 63,040 |
| Balance at 1 August 2022 | 35,603 | 28,448 | - | (1,011) | 63,040 |
| Profit attributable to members of the entity | - | 6,205 | - | - | 6,205 |
| Other Comprehensive income | | | | 822 | 822 |
| Total Comprehensive income for the year | | 6,205 | | 822 | 7,027 |
| <i>Transactions with Owners in their capacity as owners</i> | | | | | |
| Dividend paid | - | (2,917) | - | - | (2,917) |
| Shares issued for the period | 667 | - | - | - | 667 |
| Share-based payment reserve | - | - | (666) | - | (666) |
| Balance at 31 July 2023 | 36,270 | 31,736 | (666) | (189) | 67,151 |

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 2023

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 87,489 | 64,362 |
| Payments to suppliers and employees | | (78,122) | (56,805) |
| Net Interest paid | | (730) | (456) |
| Income tax paid | | (1,901) | (1,167) |
| Net cash inflow from operating activities | 21 | 6,736 | 5,934 |
| Cash flows from investing activities | | | |
| Acquisition of plant and equipment | | (1,639) | (1,426) |
| Proceeds from sale of financial assets | | - | - |
| Loans to Associate | | (890) | - |
| Net cash outflow on investing activities | | (2,529) | (1,426) |
| Cash flows from financing activities | | | |
| Dividends paid | 5 (a) | (2,917) | (1,664) |
| Repayment of interest-bearing liabilities | | (1,735) | (1,690) |
| Lease payments | | (229) | (134) |
| Net cash outflow on financing activities | | (4,881) | (3,488) |
| Net increase / (decrease) in cash held | | (674) | 1,020 |
| Cash and cash equivalents at the beginning of the period | | 10,111 | 9,091 |
| Cash and cash equivalents at the end of the period | 6 | 9,437 | 10,111 |

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

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 26 September 2023 by the Board of Directors.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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 2022. 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 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

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.

(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 way 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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 of 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(i) Impairment of assets

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

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

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

(j) Intangibles

Goodwill

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

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

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

(k) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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 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 has been calculated using the VWAP for each period in which the performance rights have been awarded. A 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 will be considered for future years. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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 CEO and CFO 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 CEO and CFO.

(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. No comparative adjustment has occurred in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

(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 and future conditions.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| | Consolidated | |
|--|---------------------|--------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| 2. Revenue and other income | | |
| Operating activities: | | |
| Sales of goods | 79,875 | 70,660 |
| Other income: | | |
| Interest revenue | - | - |
| Total revenue | 79,875 | 70,660 |
| The disaggregation of revenue from contracts with customers is as follows: | | |
| <u>Timing of revenue:</u> | | |
| Goods transferred at a point in time | 79,875 | 70,660 |
| <u>Geographical location:</u> | | |
| Australia / New Zealand | 32,105 | 25,702 |
| Asia | 20,225 | 28,057 |
| Europe | 24,536 | 12,664 |
| Americas | 3,009 | 4,237 |
| | 79,875 | 70,660 |
| 3. Expenses | | |
| Profit before income tax includes the following items: | | |
| Employee benefits expense | 7,836 | 7,040 |
| Share-based payments expense / (credit) | - | - |
| Inventory Scrap / Impairment | 867 | 386 |
| Melody Dairies contractual charges | - | - |
| Depreciation and amortisation: | | |
| - buildings | 357 | 197 |
| - plant and equipment | 251 | 284 |
| - office furniture and equipment | 59 | 82 |
| - right-of-use assets | 252 | 149 |
| | 919 | 712 |
| Net exchange Gains / (Losses) | 294 | (168) |
| Interest expense | 730 | 455 |
| Minimum lease payments: | | |
| - short term leases | 567 | 534 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| | Consolidated | |
|--|---------------------|--------------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| 4. Income tax expense: | | |
| (a) The components of tax expense comprise: | | |
| Current tax | 2,097 | 2,975 |
| Deferred tax asset | 277 | 433 |
| Deferred tax liability | (218) | (701) |
| | 2,156 | 2,707 |
| (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% | 2,508 | 2,963 |
| Tax effect amounts: | | |
| - Research and development claim | (597) | (459) |
| - Sundry other | 245 | 203 |
| Income tax expense/ attributable to profit | 2,156 | 2,707 |
| (c) Deferred tax assets | | |
| Deferred tax asset | 1,286 | 1,009 |
| The deferred tax assets balance comprises the following temporary differences: | | |
| Impairment of inventory | 134 | 55 |
| Provisions | 341 | 383 |
| Lease liability | 356 | 350 |
| Unrealised foreign exchange | - | |
| Other temporary differences | 455 | 221 |
| | 1,286 | 1,009 |
| Reconciliation: | | |
| Opening balance | 1,009 | 576 |
| (Charges) / credits to income statement | 277 | 433 |
| Closing balance | 1,286 | 1,009 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| | Consolidated | |
|---|---------------------|--------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| (d) Deferred tax liability | 1,142 | 924 |
| The deferred tax liability balance comprises the following temporary differences: | | |
| Prepayments | 45 | 34 |
| Book / Tax Assets | 477 | 303 |
| Lease Asset | 347 | 345 |
| Unrealised foreign exchange | 198 | 167 |
| Other temporary differences | 75 | 75 |
| | 1,142 | 924 |
| Reconciliation: | | |
| Opening balance | 924 | 223 |
| Charges / (credits) to income statement | 218 | 701 |
| Closing balance | 1,142 | 924 |

5.Dividends

(a) Dividend paid during the period

Final dividend for the year ended 31 July 2022 of 1.0 cent per share (FY21: 0.5 cent per share) fully franked at the tax rate of 30%, paid 22 November 2022

| | |
|--------------|-----|
| 1,664 | 832 |
|--------------|-----|

Interim dividend for the year ended 31 July 2023 of 0.75 cent per share (FY22: 0.5 cent per share)

| | |
|--------------|-------|
| 1,253 | 832 |
| 2,917 | 1,664 |

Franking account balance

Franking credits available for subsequent financial years

| | |
|---------------|--------|
| 13,299 | 13,450 |
|---------------|--------|

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 2023 of 0.75 cent per share (FY22: final 1.0 cent per share) fully franked at 30%, payable on 20 November 2023, but not recognised as a liability at the end of the financial period.

The record date for this dividend will be 31 October 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| Consolidated | |
|---------------------|---------------|
| 2023 | 2022 |
| \$'000 | \$'000 |

6. Cash and cash equivalents

| | | |
|--------------|--------------|--------|
| Cash at bank | 9,437 | 10,111 |
| | 9,437 | 10,111 |

7. Trade and other receivables

Current

| | | |
|--|---------------|--------|
| Trade debtors | 11,016 | 17,806 |
| Loan to Associate | 890 | - |
| Other debtors | 42 | 1,756 |
| Total current trade and other receivables | 11,948 | 19,562 |

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 | 21,478 | 19,928 |
| Goods in transit | 1,034 | 1,512 |
| Finished goods | 14,644 | 14,721 |
| | 37,156 | 36,161 |
| Less: provision for inventory obsolescence | (279) | (196) |
| Total Inventories | 36,877 | 35,965 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| | Consolidated | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| 9. Property, plant and equipment | | |
| Land, at cost | 2,000 | 2,000 |
| Buildings, at cost | 6,234 | 5,524 |
| Less: accumulated depreciation | (3,049) | (2,771) |
| Total Buildings | <u>3,185</u> | <u>2,753</u> |
| Plant and equipment, at cost | 2,827 | 2,164 |
| Less: accumulated depreciation | (959) | (822) |
| Total plant and equipment | <u>1,868</u> | <u>1,342</u> |
| Capital WIP | 1,991 | 1,740 |
| Furniture and equipment, at cost | 377 | 352 |
| Less: accumulated depreciation | (318) | (160) |
| Total furniture and equipment | <u>59</u> | <u>192</u> |
| Total property, plant and equipment | <u>9,103</u> | <u>8,027</u> |

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 | <u>2,000</u> | 2,000 |
| Carrying amount at the end of the period | <u>2,000</u> | 2,000 |

Buildings

| | | |
|--|---------------------|--------------|
| Balance at beginning of the period | 2,752 | 2,482 |
| Additions | - | - |
| Transfers / FX Translation | 790 | 468 |
| Depreciation expense | (357) | (197) |
| Carrying amount at the end of the period | <u>3,185</u> | <u>2,753</u> |

Plant and equipment

| | | |
|--|---------------------|--------------|
| Balance at beginning of the period | 1,343 | 714 |
| Additions, net of disposals | - | - |
| Transfers In | 751 | 830 |
| Foreign currency translation | - | - |
| Depreciation expense | (226) | (202) |
| Carrying amount at the end of the period | <u>1,868</u> | <u>1,342</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| | Consolidated | |
|--|---------------------|---------------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Capital WIP | | |
| Balance at beginning of the period | 1,740 | 1,557 |
| Additions | 1,639 | 1,426 |
| Transfers Out | (1,487) | (1,134) |
| Foreign currency translation | 124 | (31) |
| Depreciation expense | (25) | (78) |
| Carrying amount at the end of the period | <u>1,991</u> | <u>1,740</u> |
| Furniture and equipment | | |
| Balance at the beginning of the period | 192 | 140 |
| Additions, net of disposals | - | - |
| Transfers In / (Out) | (73) | 134 |
| Depreciation expense | (59) | (82) |
| Carrying amount at the end of the period | <u>59</u> | <u>192</u> |

10. Right of use assets

| | | |
|----------------------------------|--------------|--------------|
| Right of use assets – premises | 2,659 | 1,319 |
| Less: accumulated depreciation | (421) | (169) |
| | <u>2,238</u> | <u>1,150</u> |
| Balance from prior year | 1,150 | 1,108 |
| Additions to Right of use assets | 1,340 | 191 |
| Depreciation expense | (252) | (149) |
| Carrying amount at end of period | <u>2,238</u> | <u>1,150</u> |

11. Investment in associates

| | | |
|---------------------------------------|---------------|---------------|
| Investment in Melody Dairies | <u>11,662</u> | <u>11,816</u> |
| Total Investment in associates | <u>11,662</u> | <u>11,816</u> |

Through an agreement with three other investing parties on 5 November 2018 the consolidated entity has a 41.9% (FY22: 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 \$13,607,000, net of \$1,945,000 in equity accounted operating losses.

Melody Dairies continues to be in breach of its banking covenant with the Bank of New Zealand (BNZ) loan agreement. BNZ has acknowledged the breach and has not taken any action in

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

relation to the breach. The total value of the borrowings held by Melody Dairies is \$NZ22.1m with BNZ. Shareholders in June and July 2023 have supported Melody Dairies with additional funds in the form of a convertible note.

The presence of a covenant breach can lead to the total borrowings falling due within 12 months and were this to happen Clover and the other partners would be required to fund their share of these borrowings.

12. Intangible assets

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

There were no acquisitions of controlled entities in FY23 (FY22: 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 2023 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 12% risk rate and 2% annual growth rate. 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 | |
|---------------------|--------|
| 2023 | 2022 |
| \$'000 | \$'000 |

13. Trade and other payables

Current

| | | |
|-------------------------------------|---------------------|---------------|
| Trade creditors | 3,961 | 9,037 |
| Sundry creditors and other accruals | 686 | 4,523 |
| | <u>4,647</u> | <u>13,560</u> |

14. Interest bearing liabilities

| | | |
|--|---------------------|---------------|
| Current interest-bearing liabilities | 1,743 | 1,668 |
| Non-current interest-bearing liabilities | 7,690 | 9,243 |
| | <u>9,433</u> | <u>10,911</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

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 \$11.662m), land and buildings (with a carrying value of \$5.185m), as well as a general charge over the consolidated entity's assets.

Consolidated

2023 2022
\$'000 **\$'000**

15. Lease liabilities

| | | |
|-------------------------------|--------------|-------|
| Current lease liabilities | 386 | 113 |
| Non-current lease liabilities | 1,893 | 1,054 |
| | 2,279 | 1,167 |

| | < 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 |
| 2023 | | | | | |
| Lease Liabilities | 475 | 1,832 | 241 | 2,548 | 2,279 |
| 2022 | | | | | |
| Lease Liabilities | 162 | 612 | 493 | 1,267 | 1,167 |

The Company is reasonably certain that the lease term (inclusive of options) of the occupied facility in Queensland will be exercised and have disclosed the lease term as 10 years. The lease for an offshore facility has a 5-year term with an option for a further 5 years. As it is not reasonably certain of the additional term being exercised, the right of use asset and lease liability has been disclosed for the initial lease term of 5 years.

16. Provisions

Aggregate employee entitlements:

| | | | | | |
|-----------------------------|--|--|--|------------|-----|
| Current | | | | | |
| - Annual Leave | | | | 488 | 492 |
| - Long Service Leave | | | | 431 | 375 |
| | | | | 919 | 867 |
| Non-current | | | | | |
| - Long Service Leave | | | | 37 | 20 |
| Total employee entitlements | | | | 956 | 887 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

17. Issued capital

(a) Issued and paid-up capital

| | | |
|--|---------------|--------|
| 166,999,431 (FY22: 166,439,311) fully paid ordinary shares | 36,270 | 35,603 |
| Total contributed equity | 36,270 | 35,603 |

The Company has issued share capital amounting to 166,999,431 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 560,030 shares during the financial period which were issued to the Employee Share Trust.

Rights to capital

At the reporting date there were 35,692 performance rights offers whose conditions had been met, entitling recipients to one share per right, which vest in 2023. In the case of the CEO / Managing Director's 27,266 rights, these rights will require shareholder approval at the November 2023 Annual General Meeting for shares to be issued.

There are an additional 1,202,315 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 other than banking covenants.

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 | |
|------------------------------|---------------------|----------------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| 18. Reserves | | |
| Foreign currency translation | (189) | (1,011) |
| Share-based payment reserve | (666) | - |
| Total | (855) | (1,011) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

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.

19. 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.

| | | Targeted result year ended 31 July 2022 | Targeted result year ended 31 July 2023 | Targeted result year ended 31 July 2024 | Targeted result year ended 31 July 2025 |
|-----------------------|--------------|--|--|--|--|
| Issue date | | August 2019 | August 2020 | August 2021 | August 2022 |
| Vesting and test date | | July 2022 | July 2023 | July 2024 | July 2025 |
| | Target – EPS | 9.50c | - | | |
| | Max - EPS | 10.70c | - | | |
| | Target – EPS | - | 9.84c | | |
| | Max - EPS | - | 11.40c | | |
| | Target – EPS | | | 5% compound growth on FY21 NPAT | 5% compound growth on FY22 NPAT |
| | Max - EPS | | | 15% compound growth on FY21 NPAT | 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| Number of rights | Opening balance | Granted | | | Closing balance | Weighted average fair value of grants issued \$'000 |
|---------------------|-----------------|----------------------|----------|-----------------|-----------------|---|
| | | Fulfilled / (Lapsed) | (Vested) | To be fulfilled | | |
| 31 July 2022 | | | | | | |
| Total rights | 536,831 | (360,037) | (34,025) | 727,269 | 870,038 | \$ 1,274 |
| 31 July 2023 | | | | | | |
| Total rights | 870,038 | (834,346) | (35,692) | 1,202,315 | 1,202,315 | \$ 1,454 |

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 relative to each year of issue.

20. Parent Company information

| | Consolidated | |
|---|---------------------|--------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Current assets | 225 | 1,555 |
| Non-current assets | 37,774 | 39,900 |
| Total assets | 37,999 | 41,455 |
| Current liabilities | 95 | 229 |
| Total liabilities | 95 | 229 |
| Net assets | 37,904 | 41,226 |
| Equity | | |
| Issued capital | 36,270 | 35,603 |
| Accumulated Gains / (Losses) | 1,637 | 5,623 |
| Total equity | 37,904 | 41,226 |
| Net profit for the period before other comprehensive income | (406) | 553 |
| Total comprehensive income for the period | (406) | 553 |
| Earnings per share (cents per share) | (0.2c) | 0.3c |

In FY22 and FY23 no dividend was issued by Nu-Mega Ingredients Pty Ltd to Clover Corporation Limited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| Controlled entities: | Country of Incorporation | Percentage Owned | |
|---|--------------------------|------------------|-----------|
| | | 2023 % | 2022 % |
| 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 (USA) Inc | United States of America | 100 | 100 |
| - Nu-Mega Ingredients (NZ) Limited | New Zealand | 100 | 100 |
| - Nu-Mega Ingredients NL B.V. | Netherlands | 100 | 100 |
| - Nu-Mega Ingredients Ecuador NMI S.A. | Ecuador | 100 | 100 |
| - Prem Neo Pty Ltd | Australia | 100 | 100 |

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

| | | |
|---|--------------|---------|
| Profit for the period | 6,205 | 7,133 |
| Non cash items : | | |
| - Amortisation and depreciation | 808 | 712 |
| - Foreign exchange on international assets & liabilities | (293) | (238) |
| - Melody Dairies Limited Partnership Loss | 487 | 653 |
| - Employee benefits not paid in cash | - | - |
| Change in assets and liabilities, net of the effects of purchase of subsidiaries | | |
| Decrease /(Increase) in receivables | 7,614 | (6,297) |
| (Increase)/Decrease in other assets | 1,414 | (48) |
| (Increase)/Decrease in inventories | (912) | (5,188) |
| (Decrease)/Increase in payables | (8,913) | 7,618 |
| (Decrease)/Increase in employee entitlements | 70 | 51 |
| Decrease/(Increase) in deferred tax assets | 223 | 70 |
| Decrease/(Increase) in current tax asset | 33 | 1,468 |
| Net cash inflow from operating activities | 6,736 | 5,934 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

22. Earnings per share

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

| | 2023 | 2022 |
|---|--------------------|-------------|
| | \$ 000 | \$ 000 |
| (a) Reconciliation of earnings to net profit or loss | | |
| Profit attributable to members of the Group | 6,205 | 7,133 |
| Earnings used to calculate basic and diluted EPS | 6,205 | 7,133 |
| (b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share | 166,999,431 | 166,439,311 |
| (c) Weighted average number of ordinary shares outstanding during the period used in the calculation diluted earnings per share | 166,999,431 | 166,439,311 |
| (d) Basic earnings per share (cents per share) | 3.72c | 4.29c |
| (e) Diluted earnings per share (cents per share) | 3.72c | 4.29c |

The weighted average number of potential dilutive ordinary shares in FY23 is accounted for by:

| | | |
|-----------------|-----|-----|
| - Shares Issued | Nil | Nil |
|-----------------|-----|-----|

| 23. Auditor's remuneration | 2023 | 2022 |
|---|----------------|---------|
| | \$ | \$ |
| Remuneration of the auditor of the parent entity in respect of: | | |
| - Auditing and reviewing the financial reports of the Company and the controlled entities | 105,000 | 100,000 |
| - Taxation structuring and compliance services | 15,290 | 15,486 |
| | 120,290 | 115,486 |

24. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

25. 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 |
| T Brendish | Non-Executive Director |
| Dr S Green | Non-Executive Director |

Executive KMP

| | |
|-------------|---|
| A G Allibon | Chief Financial Officer and Company Secretary |
|-------------|---|

| | 2023 | 2022 |
|---------------------|-------------------------|------------------|
| | \$ | \$ |
| Short-term benefits | 1,280,719 | 1,368,896 |
| Long-term benefits | 29,993 | 26,771 |
| | <u>1,310,712</u> | <u>1,395,667</u> |

(b) Performance rights:

There were 27,266 Performance Rights offers available to Key Management Personnel whose conditions have been met as at 31 July 2023. There were an additional 81,797 Performance Rights offers available to key Management Personnel, subject to meeting relevant conditions which were not met. The right to convert 27,266 Performance Rights to key management personnel was satisfied in financial year ending 31 July 2023.

(c) Shareholding:

| | Balance | Shares | Retirement | Balance |
|------------------|-------------------------|----------------------|-------------------|-------------------------|
| | 31 July 2022 | Purchased | | 31 July 2023 |
| | | & (Sold) | | |
| Directors | | | | |
| R A Harrington | 528,921 | - | - | 528,921 |
| G A Billings | 50,000 | - | - | 50,000 |
| P J Davey | 525,369 | 25,991 | - | 551,360 |
| I D Glasson | 60,000 | - | - | 60,000 |
| T Brendish | 17,155 | 9,900 | - | 27,055 |
| DR S Green | 26,234 | 10,000 | - | 36,234 |
| | <u>1,207,679</u> | <u>45,891</u> | - | <u>1,253,570</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

26. 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 2023, the consolidated entity had the following financial assets and liabilities denominated in foreign currency.

| | 2023 | 2022 |
|------------------------------------|----------------|----------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Cash and cash equivalents | 2,177 | 4,116 |
| Trade and other receivable | 3,814 | 7,086 |
| Total financial assets | 5,991 | 11,202 |
| Financial liabilities | | |
| Trade and other payables | (3,036) | (11,345) |
| Total financial liabilities | (3,036) | (11,345) |

At 31 July 2023, 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

26. Management of financial risk (continued)

| Foreign exchange movement | Post Tax Profit Higher/(Lower) | | Change in Equity Higher/(Lower) | |
|---------------------------|-----------------------------------|----------------|------------------------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Change in Profit | | | | |
| AUD:USD + 5% | (392) | (286) | (392) | (286) |
| AUD:USD - 5% | 434 | 259 | 434 | 259 |
| | | | | |
| AUD:EUR + 5% | (303) | (344) | (303) | (344) |
| AUD:EUR - 5% | 336 | 377 | 336 | 377 |
| | | | | |
| AUD/NZD + 5% | (291) | (547) | (291) | (547) |
| AUD/NZD - 5% | 321 | 604 | 321 | 604 |

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

26. 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 2023

| | Consolidated | |
|---------------------------|---------------------|---------------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Trade receivables: | | |
| Within terms | 8,901 | 16,828 |
| Over terms | 2,112 | 978 |
| Total | 11,016 | 17,806 |

Post year end approximately 80% of the over term debtors have been collected.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

| Consolidated | Balance as at 31 July 2023 \$'000 | Less than 1 year \$'000 | 1-5 years \$'000 | Over 5 years \$'000 |
|--|---|----------------------------------|------------------------|---------------------------|
| Realisable cash flows from financial assets | | | | |
| Cash and cash equivalents | 9,437 | 9,437 | - | - |
| Trade and other receivables | 11,948 | 11,948 | - | - |
| Anticipated cash inflows | 21,385 | 21,385 | - | - |
| Financial liabilities and obligations due for payment | | | | |
| Trade and other payables | 4,647 | 4,647 | - | - |
| Interest bearing liabilities | 9,433 | 1,743 | 7,690 | - |
| Leasing liabilities | 2,278 | 386 | 1,657 | 235 |
| Anticipated cash outflows | 16,358 | 6,776 | 9,347 | 235 |
| Net inflow/(outflow) | 5,027 | 14,609 | (9,347) | (235) |

(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 \$9,433,000 (FY22: \$10,910,000) are principal and interest payment loans, bearing interest at a weighted average current annual rate of 8.2%.

(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.

27. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

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 | |
|-------------------------|------------------------------------|----------------|--------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Australia / New Zealand | 32,105 | 25,702 | 22,228 | 21,643 |
| Asia | 20,225 | 28,057 | - | - |
| Europe / Middle East | 24,536 | 12,664 | - | - |
| Americas | 3,009 | 4,237 | 1,804 | 194 |
| Total | 79,875 | 70,660 | 24,032 | 21,837 |

During the financial year there were 2 customers who represented 25% and 15% of total sales respectively (FY22: 28% and 17% respectively).

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

28. Events subsequent to reporting date

On 18 September 2023, the Company entered into discussions with one of its Melody Dairy Partners to increase its percentage of ownership. It is anticipated that the Company will continue to account for its investment as an associate using the equity method under AASB 128 *Investments in Associates and Joint Ventures*.

No other matter or circumstance has arisen since 31 July 2023 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.

29. Contingencies

There are no contingent liabilities at the reporting date.

DIRECTORS DECLARATION

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

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2023 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 2023.

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



Mr Rupert A Harrington

Chairman

Melbourne

Date: 25 September 2023

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 2023, 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 2023 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 |
|---|--|
| <p>As at 31 July 2023, the carrying value of inventory was \$36,877,000 (2022 \$35,965,000) as disclosed in note 8 of the financial report.</p> <p>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.</p> <p>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.</p> <p>Inventory is the most significant of the Group's assets, and accordingly we considered it a Key Audit Matter.</p> | <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • attending and observing year-end inventory counts performed by Management at locations of significance; • accessing and assessing information in support of inventory held at other locations; • testing the accuracy of perpetual inventory records for a sample of products to check descriptions, quantities and the recording of inventory movements; • evaluating the design of processes to capture the costs of purchase and conversion and those other costs incurred in bringing inventories to their present location and condition; • testing on a sample basis the reasonableness of standard costs compared to actual costs of purchase and production; • considering the turnover cycle of inventory, assessing the allocation of purchase price and efficiency variances; and • challenging the adequacy of adjustments made to inventory for it to be measured at the lower of cost and net realisable value on the basis of actual and forecast sales activity, and Management's assessment of qualitative factors. |

Key audit matter – Revenue recognition

The Group's sales revenue amounted to \$79,875,000 during the year (2022: \$70,660,000). Note 1(m) *Revenue* describes the accounting policies applicable to distinct revenue streams, noting that revenue from the sale of goods, after adjusting for discounts or allowances, is recognised upon the delivery of goods to customers. Shipments dispatched but not yet delivered to customers are classified as goods in transit inventories.

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

How our audit addressed this matter

Our procedures included but were not limited to:

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

Key audit matter – Banking arrangements in Investment in associate (Melody Dairies)

Clover holds a 41.9% equity interest in Melody Dairies a New Zealand entity which is presented as an investment in an associate in the financial statements.

The equity accounted carrying amount of the investment is disclosed in note 11 as \$11,662 (2022: \$11,816).

During the year there was breach of a covenant within a banking facility agreement held by Melody Dairies. The total value of the borrowings held by Melody Dairies is \$NZ20.8m (2022: \$NZ22.1m) with the bank of New Zealand.

The presence of a covenant breach can lead to the total borrowings falling due within 12 months

The presence of a covenant breach can lead to the total borrowings falling due within 12 months and were this to happen Clover and the other partners would be required to fund their share of these borrowings.

On the basis that this scenario would have cashflow implications for Clover as an equity owner of Melody Dairies we consider this a Key Audit Matter.

How our audit addressed this matter

Our procedures included but were not limited to:

- Confirming our understanding of the terms and conditions of the banking facility agreement held by Melody Dairies including the potential consequences of a covenant breach;
- Reviewing the financial performance and cashflow position of Melody Dairies as at 30 June 2023;
- Discussions with the Board and Management of Clover in relation to their understanding of the banking relationship Melody Dairies has and the consequences if these borrowings fell due within 12 months;
- Noting that whilst the bank has not provided a formal written waiver at the date of this audit report, it is the view of the board that the banking relationship remains strong and there is no intention to action the consequences of this covenant breach; and
- Assessing the appropriateness of the disclosures included in note 11.

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 2023 but does not include the financial report and 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.

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 24 of the Directors' Report for the year ended 31 July 2023. 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, 25 September 2023



Partner

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

In relation to our audit of the financial report of Clover Corporation Limited for the year ended 31 July 2023, 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, 25 September 2023



Kenneth Weldin
Partner

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 2023

Substantial shareholders

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

Washington H. Soul Pattinson and Company Limited 32,340,217 ordinary shares

Distribution of shareholders as at 31 July 2023

Category

| | |
|--------------------------------|--------------|
| 1 – 1,000 | 1,063 |
| 1,001 – 5,000 | 1,375 |
| 5,001 – 10,000 | 589 |
| 10,001 – 100,000 | 731 |
| 100,001 and over | 93 |
| Total Number of Holders | 3,851 |

Total number of holders of less than a marketable parcel. The minimum parcel of \$500 @ \$1.09 per unit (459 parcels) **436**

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 2023*

| Rank | Name | Number of Fully Paid Ordinary Shares | Percentage of Issued Ordinary Shares (%) |
|-------------|---|---|---|
| 1 | WASHINGTON H SOUL PATTINSON & COMPANY LIMITED | 32,340,217 | 19.37 |
| 2 | CITICORP NOMINEES PTY LIMITED | 23,343,528 | 13.98 |
| 3 | UBS NOMINEES PTY LTD | 14,907,428 | 8.93 |
| 4 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 12,967,326 | 7.76 |
| 5 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 8,853,419 | 5.30 |
| 6 | EVELIN INVESTMENTS PTY LIMITED | 7,550,000 | 4.52 |
| 7 | ANACACIA PTY LTD | 6,393,701 | 3.83 |
| 8 | INCANI & PAPADOPOULOS SUPER PTY LTD | 2,010,000 | 1.20 |
| 9 | NATIONAL NOMINEES LIMITED | 1,995,837 | 1.20 |
| 10 | MR PETER HOWELLS | 1,500,000 | 0.90 |
| 11 | MR GARRIE ELLICE | 1,000,000 | 0.60 |
| 12 | MR PEI YIN FOO | 900,000 | 0.54 |
| 13 | BAOBAB NOMINEES PTY LTD | 861,011 | 0.52 |
| 14 | MS NINA TSCHERNYKOW | 858,881 | 0.51 |
| 15 | GANESH SUPER FUND | 850,783 | 0.51 |
| 16 | NEWECONOMY COM AU NOMINEES PTY LIMITED | 798,807 | 0.48 |
| 17 | CONNAUGHT CONSULTANTS (FINANCE) PTY LTD | 767,000 | 0.46 |
| 18 | BELLITE PTY LTD | 719,600 | 0.43 |
| 19 | COLUMBUS INVESTMENT SERVICES LTD | 715,000 | 0.43 |
| 20 | BNP PARIBAS NOMS(NZ) LTD | 700,000 | 0.42 |
| | | <hr/> | |
| | | 120,032,538 | 71.88 |
| | | 46,966,803 | 28.12 |
| | | <hr/> | |
| | | 166,999,341 | 100.00 |
| | | <hr/> | |

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

Securities quoted by the ASX

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

Register of securities

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

CORPORATE DIRECTORY

Directors

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

Secretary

Mr Andrew G M Allibon

Registered Office

39 Pinnacle Road
Altona North VIC 3025

Telephone: (03) 8347 5000

Facsimile: (03) 8347 5055

Auditors

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

Share Registry

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

Telephone: 1300 850 505

Australian Securities Exchange Code

Ordinary Shares CLV

Website

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

