



ABN 85 003 622 866
PO Box 1111, Altona Gate, VIC 3025
39 Pinnacle Road, Altona North, VIC 3025

Clover Corporation Limited

ASX Appendix 4D

Half-Year Financial Report

31 January 2023

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period

The reporting period is the half-year ended 31 January 2023 with the previous corresponding period the half-year ended 31 January 2022.

Results for Announcement to the Market

		% Change	Amount of Change \$'000		\$'000
Revenue from ordinary activities	Up	49.5%	14,699	to	44,425
Profit from ordinary activities after tax attributable to members	Up	81.1%	1,629	to	3,638
Net profit for the period attributable to members	Up	81.1%	1,629	to	3,638

Explanation of Operating Results

Clover Corporation Limited ("Clover Corporation") has reported a profit after tax of \$3.7 million for the half-year ended 31 January 2023 (2022: \$2.0million), an increase of 83.6%.

For a further explanation of the half-year operating result, please refer to the Directors' Report in the financial report for the half-year ended 31 January 2023.

Dividends/distributions	Amount per security	Franked amount per security
Final dividend – 31 July 2022	1.0 cent	1.0 cent
Interim dividend – 31 January 2023	0.75 cent	0.75 cent

NTA Backing

	31-Jan-23	31-Jul-22
Net tangible asset backing per ordinary share	38.0 cents	36.7 cents

Results for Announcement to the Market – Continued

Controlled entities acquired or disposed of

Disposed entities

No entity was disposed of during the half-year ended 31 January 2023.

Acquired entities

No entity was acquired during the half-year ended 31 January 2023.

Associate entities

Clover owns 41.9% of Melody Dairies Limited Partnership.

Additional dividend/distribution information

A fully franked final dividend of 1.0 cent per share for the period ended 31 July 2022 was paid during the half-year ended 31 January 2023. A fully franked interim dividend of 0.75 cent per share has been declared for half-year ended 31 January 2023. The record date for the dividend is Thursday 6 April 2023, with a payment date of Thursday 27 April 2023.

Dividend reinvestment plans (“DRP”)

There are no dividends or distribution reinvestment plans as at 31 January 2023.

Foreign Accounting Standards

N/A

Independent Review Report

Refer to the attached Clover Corporation Limited 31 January 2023 Half-Year Report for the Independent Review Report to the Members of Clover Corporation Limited.



ABN 85 003 622 866

REPORT
FOR THE HALF-YEAR ENDED 31 JANUARY 2023

CLOVER CORPORATION LIMITED
ABN 85 003 622 866

CORPORATE DIRECTORY

Directors

Mr Rupert A. Harrington	Non-Executive Director & Chairman
Mr Peter J. Davey	Managing Director & CEO – Executive
Mr Graeme A. Billings	Non-Executive 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
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Auditors

PKF Melbourne
12/440 Collins St,
Melbourne VIC 3000

Share Registry

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000

Australian Securities Exchange Code

Ordinary Shares CLV

Website

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

DIRECTORS' REPORT

The directors of Clover Corporation Limited (the Company) present the following report for the half-year to 31 January 2023.

Directors

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

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

Review of Operations

Clover Corporation Limited (Clover) has reported a revenue increase of 49.5% to \$44.4 million (2022: \$29.7 million). This is within the guidance that we expressed in our AGM.

Clover reported Net Profit after Tax of \$3.6 million for the half-year ended 31 January 2023 (2022: \$2.0 million), an increase of 81.1%.

Financial & Operational Highlights

- Clover has increased sales in Europe and the Middle East 76%, Asia 36%, ANZ 76%. The America's market has declined.
- The Company experienced strong first half demand as customers built inventory in anticipation of the new Chinese GB standard. The new GB license is required to sell through the retail channel from late February. Inventory made prior to this date can be sold.
- Clover has supported International and Chinese customers through the GB license application process, most customers are still working their way through the process which may impact demand in the second half.
- Western infant formula brand manufacturers have been able to improve demand by navigating the improving cross-border or grey market post COVID-19 impacts and focusing on other countries to grow demand.
- The Company has recorded sales of its new Gelporm product into the USA which allows the fortification of UHT drinks with Omega 3, with other customers currently trialing the product.
- Market development and expansion opportunities (eg Premneo) are being recognised and expensed as occurred.

DIRECTORS' REPORT continued

- During the half year, Clover implemented modifications to the Melody Dairies (NZ) spray dryer in Hamilton which has improved productivity in the manufacture of Clover's products. The outlook for the second half will further improve utilisation and to operate around breakeven. Melody Dairies continues to be a key strategic investment providing diversified manufacturing capacity at low cost.
- Clover's new product pipeline includes a new proprietary encapsulation technology. Other projects targeting new markets and applications include the microencapsulation of high value bioactive' s (probiotics, choline, CoQ10 and folic acid).
- The Company has developed alternative raw material suppliers, added inventory to take advantage of price breaks and managed price with customers to stabilise the gross margin.
- The Company's balance sheet remains strong with cash at \$6.5m.
- Clover expects full year revenues for FY23 to be in the range of \$80m to \$90m. The Company remains cautious on full year revenue guidance with ongoing COVID-19 infections, geo-political issues effecting freight and supply and the outcome of the introduction of the Chinese infant formula GB license potential to impact customer demand.

Dividend

After careful consideration of the Company's short-term cash requirements, the Board has declared a fully franked interim dividend of 0.75 cent per share in respect of the financial period ended 31 January 2023.

For more information please refer to:
www.clovercorp.com.au

Rounding of Amounts

The economic entity has applied the relief available to it in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 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.

Auditors Independence Declaration

The auditor's independence declaration for the half-year ended 31 January 2023 has been received and is set out on page 18.

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



Rupert Harrington
Chairman
Melbourne

Date: 15 March 2023

Clover Corporation Limited
Half-Year ended 31 January 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR TO 31 JANUARY 2023**

	Notes	31-Jan-23 \$'000	31-Jan-22 \$'000
Revenue	3	44,425	29,726
Other income/(expense)	2	(803)	(99)
Interest expense		(360)	(226)
Raw materials, consumables and conversion costs		(30,533)	(20,574)
Sales and marketing expenses		(2,867)	(1,661)
Administration and corporate expenses		(2,967)	(3,044)
Research and development expenses		(1,770)	(1,237)
Share of net profit of investments accounted for under the equity investment method		<u>(51)</u>	<u>(95)</u>
Profit before income tax		5,074	2,791
Income tax expense		<u>(1,436)</u>	<u>(782)</u>
Profit after tax for the period		<u>3,638</u>	<u>2,009</u>
Other comprehensive income			
Foreign currency translation adjustment		<u>351</u>	<u>(210)</u>
Other comprehensive income for the period		<u>351</u>	<u>(210)</u>
Total comprehensive income for the period		<u>3,989</u>	<u>1,799</u>
Earnings per share (EPS)			
Basic earnings per share (cent per share)		2.18	1.21
Diluted earnings per share (cent per share)		2.17	1.20

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

Clover Corporation Limited
Half-Year ended 31 January 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2023

	Notes	31-Jan-23 \$'000	31-Jul-22 \$'000
Current Assets			
Cash and cash equivalents		6,507	10,111
Trade and other receivables		17,613	19,562
Inventories		41,139	35,965
Other current assets		-	-
Prepayments		606	1,222
		<u>65,865</u>	<u>66,860</u>
Non-Current Assets			
Property, plant and equipment		7,982	8,027
Assets under use		1,188	1,150
Investments in Associates		11,956	11,816
Deferred tax assets		1,515	1,748
Intangible assets		1,907	1,907
		<u>24,548</u>	<u>24,668</u>
Total Assets		<u>90,413</u>	<u>91,528</u>
Current Liabilities			
Trade and other payables		10,386	13,560
Interest bearing liabilities		1,730	1,668
Lease liability		165	113
Current tax liabilities		1,405	1,039
Short-term provisions		887	867
		<u>14,573</u>	<u>17,247</u>
Non-Current Liabilities			
Interest bearing liabilities		8,473	9,243
Lease liability		1,047	1,054
Deferred tax liability		924	924
Long-term provisions		31	20
		<u>10,475</u>	<u>11,241</u>
Total Liabilities		<u>25,048</u>	<u>28,488</u>
Net Assets		<u>65,365</u>	<u>63,040</u>
Equity			
Issued Capital	4	36,270	35,603
Reserves		(1,327)	(1,011)
Retained Profits		30,422	28,448
		<u>65,365</u>	<u>63,040</u>
Total Equity		<u>65,365</u>	<u>63,040</u>

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

Clover Corporation Limited
Half-Year ended 31 January 2023

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR TO 31 JANUARY 2023

	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Share- based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 August 2021	35,603	22,979	-	(166)	58,416
Profit for the period	-	2,009	-	-	2,009
Dividend paid (Note 5)	-	(832)	-	-	(832)
Share-based payment	-	-	-	-	-
Foreign currency translation	-	-	-	(210)	(210)
Balance at 31 January 2022	35,603	24,156	-	(376)	59,383
Balance at 1 August 2022	35,603	28,448	-	(1,011)	63,040
Profit for the period	-	3,638	-	-	3,638
Dividend paid (Note 5)	-	(1,664)	-	-	(1,664)
Share-based payment	667	-	(667)	-	-
Foreign currency translation	-	-	-	351	351
Balance at 31 January 2023	36,270	30,422	(667)	(660)	65,365

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

Clover Corporation Limited
Half-Year ended 31 January 2023

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR TO 31 JANUARY 2023

	Note	31-Jan-23 \$ '000	31-Jan-22 \$ '000
Cash flows from operating activities			
Receipts from customers		46,375	29,556
Payments to suppliers and employees		(46,076)	(27,356)
Interest paid		(360)	(241)
Income tax paid		(817)	(467)
Net cash inflow from operating activities		<u>(878)</u>	<u>1,492</u>
Cash flows from investing activities			
Purchases of plant and equipment		(275)	(856)
Investment in Associates		-	-
Net cash outflow from investing activities		<u>(275)</u>	<u>(856)</u>
Cash flows from financing activities			
Dividends paid	5	(1,664)	(832)
Lease liability payments		(79)	(66)
Repayment of interest-bearing liabilities		(708)	(851)
Receipt of interest-bearing liabilities		-	-
Net cash inflow from financing activities		<u>(2,451)</u>	<u>(1,749)</u>
Net (decrease)/increase in cash held		(3,604)	(1,112)
Cash at the beginning of the period		<u>10,111</u>	<u>9,091</u>
Cash at the end of the period		<u>6,507</u>	<u>7,979</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2023

1. Significant accounting policies

Basis of preparation

The financial report of Clover Corporation Limited (“the Company”) and its controlled entities (“the Group”) for the half-year ended 31 January 2023 is a condensed general purpose financial report, prepared by a ‘for-profit’ entity in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. The Financial Statements were authorised for issue in accordance with a resolution of the directors on 14 March 2023.

The half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 July 2022, and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements of the ASX listing rules.

The Company has applied the relief available to it in ASIC Corporations (Rounding in Financial / Directors’ Reports) Instrument 2016/191 and accordingly amounts in the financial statements and the directors’ report have been rounded off to the nearest thousand Australian dollars, unless otherwise stated.

The accounting policies adopted in the preparation of the half-year financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 July 2022, except for the impact, if any, of adoption of new standards and interpretations noted below.

New/Amended Accounting Standards and Interpretations

(i) New standards and interpretations

In the half-year the Group has reviewed all of the revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for annual reporting periods beginning on or after 1 August 2022.

(ii) Early adoption of standards

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

Clover Corporation Limited
Half-Year ended 31 January 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2023

	31-Jan-23	31-Jan-22
	\$'000	\$'000
2. Operating Result		
Profit before income tax expense includes the following items of income and expense which, together with other disclosures in this report are relevant in explaining the financial performance for the half-year:		
Other income/(expense):		
Foreign exchange gain/(loss)	(145)	(99)
Market Development	(658)	-
Interest (expense)	(360)	(226)
Depreciation and amortisation expenses	(414)	(412)

3. Revenue

The disaggregation of revenue from contracts with customers is as follows:

Timing of revenue:		
Goods transferred at a point in time	44,425	29,726

4. Issued Capital

	<u>31-Jan-23</u>	<u>31-Jul-22</u>
Ordinary shares on issue:		
Number of shares	166,999,341	166,439,311
	\$'000	\$'000
Value of shares	36,270	35,603

Clover Corporation Limited
Half-Year ended 31 January 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2023 (continued)

	31-Jan-23	31-Jan-22
	\$'000	\$'000
5. Dividends		
(a) Dividends paid during the half-year		
Final dividend for the period ended 31 July 2022 of 1.0 cent per share (31 July 2021: 0.5 cent per share) fully franked at the tax rate 30%.	(1,663)	(832)

(b) Dividends declared

On 22 November 2022, the Company paid the final dividend in respect of the year ended 31 July 2022 of 1.0 cent per share (31 July 2021: final dividend 0.5 cent per share).

The Directors have declared a fully franked interim dividend of 0.75 cent per share in respect of the financial period ended 31 January 2023.

6. Banking Covenants

There remains a breach of a covenant with the Bank of New Zealand (BNZ) loan agreement held by Melody Dairies as at 31 January 2023. BNZ has acknowledged the breach and has not taken any action in relation to the breach at this time. The total value of the borrowings held by Melody Dairies is \$NZ 21.7m with BNZ.

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.

7. Events subsequent to reporting date

No matters or circumstance have arisen since 31 January 2023 up to the date of this report that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Clover Corporation Limited
Half-Year ended 31 January 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2023 (continued)

8. Geographical Information

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

	Revenue from external customers		Non-current assets	
	Jan 2023 \$'000	Jan 2022 \$'000	Jan 2023 \$'000	Jul 2022 \$'000
Australia/NZ	15,588	10,056	22,864	21,837
Asia	15,366	12,021	-	-
Europe	12,019	5,248	-	-
Americas	1,452	2,401	-	-
Total	44,425	29,726	22,864	21,837

9. Contingencies

Nil

10. Capital Commitments

There are capital commitments totalling \$278k that relate to future market developments.

Clover Corporation Limited
Half-Year ended 31 January 2023

DIRECTORS'
DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity as set out in this financial report:
 - 1. give a true and fair view of the consolidated entity's financial position as at 31 January 2023 and of its performance for the half-year ended on that date; and
 - 2. comply with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001; and

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

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



Rupert Harrington
Chairman

Melbourne
15 March 2023

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Clover Corporation Limited (the Company) and its subsidiaries (collectively, the Group) which comprises the statement of financial position as at 31 January 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 January 2023 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 and its consolidated financial performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



PKF
Melbourne, 14 March 2023



Kenneth Weldin
Partner

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

In relation to our review of the financial report of Clover Corporation Limited for the half-year ended 31 January 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.

This declaration is made in respect of Clover Corporation Limited and the entities it controlled during the financial period.



PKF
Melbourne, 14 March 2023



Kenneth Weldin
Partner