



**Clover Corporation Limited**

ABN 85 003 622 866

**ASX ANNOUNCEMENT**

**24 October 2019**

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

**2019 ANNUAL REPORT & AGM NOTICE OF MEETING**

Enclosed are the following documents relating to Clover Corporation Limited, which were mailed to shareholders today:

- Notice of Meeting and Proxy Form for the 2019 Annual General Meeting;
- 2019 Annual Report

A copy of the 2019 Annual Report 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 Ltd

Paul Sherman  
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 of Clover Corporation Limited (**Company**) will be held at Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street, Sydney, New South Wales, 2000 on 22 November 2019 at 11:00 am (Sydney time).

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### **Annual financial and other reports**

To receive the Company's financial report, directors' report and auditor's report for the year ended 31 July 2019.

### **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 2019 be adopted.

**Note:** The remuneration report is set out on pages 13 to 20 of the Company's 2019 annual report. The vote on this resolution is advisory only and does not bind the directors of the Company.

### **Resolution 2 — Re-election of Dr Merilyn Sleigh as a director**

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

That Dr Merilyn Sleigh, who retires in accordance with article 16 of the Company's constitution and, being eligible, stands for election, be elected as a non-executive director of the Company.

### **Resolution 3 — Re-election of Mr Graeme Billings as a director**

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

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

### **Resolution 4 — Approval of variation of performance rights granted to Managing Director under long term incentive plan**

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

That, the Company having granted to its Managing Director, Mr Peter Davey, 136,208 performance rights for the year ended 31 July 2019 (**FY19 performance rights**) in accordance with the Company's long term incentive plan which entitle him to fully paid ordinary shares in the capital of 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, approval of:

- (a) the proposed variation of the FY19 performance rights to permit the Company to issue or otherwise provide ordinary shares (credited as fully paid) to the Managing Director in satisfaction of any entitlement to shares underlying his FY19 performance rights instead of buying the shares on market, as summarised in the explanatory statement accompanying the notice of this meeting; and
- (b) the issue or otherwise providing of any ordinary shares in the Company (credited as fully paid) to the Managing Director in satisfaction of any entitlement to shares underlying his FY19 performance rights as varied;

be given for the purpose of rule 10.14 of the ASX Listing Rules, and for all other purposes.

**Note:** If approval is given under rule 10.14, separate approval is not required under either rule 7.1 or 10.11 of the ASX Listing Rules.

**Resolution 5 — Approval of Managing Director's leaving benefit due to early vesting of performance rights**

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

That the early vesting of some or all of the Managing Director's FY19 performance rights (and vested entitlement to the underlying shares for no cash consideration) that may arise in connection with him ceasing to be employed by the Company in accordance with the terms of the FY19 performance rights summarised in the explanatory statement accompanying the notice of this meeting, and the benefit to him in consequence of early vesting, be approved for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes.

**Dated:** 24 October 2019

**By order of the board**

  
.....  
**Paul Sherman**  
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 (Sydney time) on Wednesday, 20 November 2019:
  - (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 [pauls@nu-mega.com](mailto:pauls@nu-mega.com); or
- (b) at the Company's share registrar, Computershare Investor Services Pty Ltd, 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](http://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 (Sydney time) on Wednesday, 20 November 2019 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

**Voting exclusion statement:**

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, and includes each director of the Company), or a closely related party of a KMP Member;
2. any votes cast in favour of resolution 4 (approval of variation of performance rights granted to Managing Director under long term incentive plan):
  - (a) by or on behalf of the Company's Managing Director, Mr Peter Davey, or an associate of his;
  - (b) by or on behalf of any other 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, or an associate of a director; or
  - (c) by a person appointed as a proxy if the person is either a KMP Member, or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution; and
3. any votes cast on resolution 5 (approval of Managing Director's leaving benefit due to early vesting of performance rights):
  - (a) by or on behalf of Mr Davey or an associate of his; or
  - (b) by a person appointed as a proxy if the person is either a KMP Member or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution.

However, the Company need not disregard a vote in relation to resolution 1, 4 or 5 if it is cast by:

1. a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
2. the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (and the appointment

expressly authorises the chair to vote in accordance with a direction on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP Member), **provided that** in case of resolution 5 the person chairing the meeting is not Mr Davey or an associate of Mr Davey.

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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**ACN 003 622 866**

**39 Pinnacle Road**  
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Telephone + 61 3 8347 5000  
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## **ANNUAL GENERAL MEETING EXPLANATORY STATEMENT**

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### **1. General information**

This explanatory statement 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 Friday, 22 November 2019.

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, Paul Sherman, by telephone or facsimile on the above numbers, 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 (Sydney 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**) to comment on and ask questions about the remuneration report, which appears on pages 13 to 20 of the Company's 2019 annual report.

An electronic copy of the Company's 2019 annual report is available on the Company's website at [www.clovercorp.com.au](http://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 of the Company 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 meeting. 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 resolution was passed to make the directors' report (including the remuneration report).

At the Company's 2018 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 Dr Merylyn Sleigh as a director****Dr Merylyn Sleigh B.Sc., PhD, DipCorp Man, FTSE, FAICD**

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, Dr Merylyn Sleigh retires by rotation at this year's AGM and, being eligible, stands for re-election.

Dr Sleigh has been a non-executive director of the Company since 9 July 2008.

Dr Sleigh was trained as a Biochemist and was formerly CEO & Managing Director of EvoGenix Ltd, an ASX-listed biotechnology company. She was also Dean of the Faculty of Life Sciences, University of NSW, a Director of Research & Development at Peptech Ltd, and a Scientist & Senior Manager at the CSIRO.

*Board recommendation:*

The directors (other than Dr Sleigh) recommend that shareholders vote in favour of resolution 2.

**4. Resolution 3 — Re-election of Graeme Billings as a director****Mr Graeme A Billings, BCom, FCA, MAICD**

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, Graeme Billings retires by rotation at this year's AGM and, being eligible, stands for re-election.

Mr Billings has been a non-executive director of the Company since 14 May 2013.

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 also head of PwC's Melbourne Assurance practice for a number of years as well as Global Leader of PwC's Industrial Products and Manufacturing industry group.

*Board recommendation:*

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

## 5. Resolution 4 — Approval of variation of performance rights granted to Managing Director under long term incentive plan

Under the Company's long term incentive plan, the Company has granted to its Managing Director, Mr Peter Davey, the following performance rights, which at the date of this notice are outstanding:

- (a) 345,591 performance rights for the year ended 31 July 2017 (**FY17 performance rights**).
- (b) 470,821 performance rights for the year ended 31 July 2018 (**FY18 performance rights**).
- (c) 136,208 performance rights for the year ended 31 July 2019 (**FY19 performance rights**).

The FY17 performance rights and FY18 performance rights were the subject of shareholder approval resolutions passed at the Company's annual general meeting held last year. In particular, shareholder approval was obtained to vary the terms of the FY17 performance rights and FY18 performance rights to permit Clover to satisfy them other than by buying the underlying share entitlement on-market.

The terms of the FY19 performance rights are summarised below:

<b>Number of performance rights</b>	136,208 FY19 performance rights were granted on 20 August 2019.
<b>Nature of performance rights</b>	Each FY19 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).
<b>Performance conditions</b>	<p>The FY19 performance rights are subject to satisfaction of the following performance conditions:</p> <ul style="list-style-type: none"> <li>• For 50% of the FY19 performance rights, the performance condition is based on the increase in the Company's earnings per share<sup>1</sup> (<b>EPS</b>) for the financial year ending 31 July 2021 (<b>FY21</b>) as compared to the EPS for the financial year ended 31 July 2018 (<b>FY18</b>). If EPS increases by 75%, half of these performance rights will vest and if EPS increases by at least 100% all of them will vest and if EPS increases by between 75% and 100% a commensurate proportion of the performance rights will vest.</li> <li>• For the other 50% of the FY19 performance rights, the performance condition is based on commercial sales of new competitive products<sup>2</sup> for FY21 measured against certain benchmarks. If Clover develops for commercial sale and sells any new competitive product by the end of FY21, half of these performance rights will vest and if Clover achieves a target level of sales of new competitive products by the end of FY21, all of these performance rights will vest. The target is commercially sensitive.</li> </ul> <p>Where the board determines that the performance condition for any FY19 performance rights has not been satisfied, those rights will not be able to</p>

<sup>1</sup> 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).

<sup>2</sup> A new competitive product means a product that was not for offered for sale or sold by Clover prior to 1 August 2018.



	<p>be exercised and will cease to exist once the board makes its determination.</p> <p>Where the board determines that the performance condition for any FY19 performance rights has been satisfied, the Company is required to notify Mr Davey in writing, and once notified Mr Davey will be entitled to exercise those FY19 performance rights at any time during their exercise period.</p> <p>The board is required to make these determinations when the relevant data is available.</p>
<b>Consideration</b>	No cash consideration was paid or payable for the grant of the FY19 performance rights and no cash consideration is payable to acquire the shares underlying the FY19 performance rights.
<b>Exercise period</b>	The exercise period of 'vested' FY19 performance rights starts on 1 August 2021 (or when the board determines that the relevant performance conditions have been satisfied, if that is later) and ends on 31 December 2021.
<b>Continuing employment</b>	<p>If Mr Davey ceases to be an employee of the Clover group before the exercise period for any of his FY19 performance rights and:</p> <ul style="list-style-type: none"> <li>• he has previously been notified by the board that the performance condition for the FY19 performance rights has been satisfied, he will retain all of these performance rights; or</li> <li>• he has not previously received any notice as to whether or not the performance condition for the FY19 performance rights has been satisfied, depending on the reason for his cessation of employment and its timing, he may be able to retain a portion of these performance rights, unless the board determines otherwise;</li> </ul> <p>and he will have 6 months to exercise them.</p> <p>Where Mr Davey ceases to be an employee of the Clover group during the exercise period for any of his 'vested' FY19 performance rights, he will retain all of these performance rights and will be entitled to exercise them at any time during their exercise period.</p>
<b>Adjustment</b>	Where the share capital of the Company is reorganised or there is a bonus issue of shares to shareholders, the terms of the FY19 performance rights will be adjusted.
<b>Satisfaction of share entitlement</b>	<p>The Company is required to satisfy any entitlement to shares underlying Mr Davey's FY19 performance rights by arranging to buy the shares on-market.</p> <p>However, it is proposed that the rights be varied, subject to shareholder approval (which will be obtained if resolution 4 is passed), to permit the Company to satisfy any entitlement to underlying shares, by issuing or otherwise providing ordinary shares (credited as fully paid) to Mr Davey instead – see further below.</p>
<b>Other terms</b>	Mr Davey's FY19 performance rights are otherwise on the terms of the plan.

*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 to acquire securities under an employee incentive scheme, subject to a number of exceptions which are set out in rule 10.15B. One of the exceptions is where the securities are rights to shares which are required under the employee incentive scheme to be bought on-market.

Although that is the case for Mr Davey's FY19 performance rights, in the interests of having greater flexibility in managing the Company's capital, the Company would like to vary the terms of Mr Davey's FY19 performance rights to permit the Company to issue or otherwise provide ordinary shares (credited as fully paid) to Mr Davey in satisfaction of any entitlement to shares underlying his FY19 performance rights instead of buying the shares on market. Mr Davey and the Company have agreed to this variation, subject to shareholder approval.

Accordingly, if shareholders approve the variation and issue or otherwise providing of shares underlying Mr Davey's FY19 performance rights as varied by passing resolution 4, the Company will be able to issue or otherwise provide the underlying shares to him instead of only being able to arrange to buy them on-market.

If this approval is given under rule 10.14, separate shareholder approval will not be required for the issue of any underlying shares for the purposes of rule 7.1 or 10.11 of the ASX Listing Rules.

If resolution 4 is not passed, the Company will still be required to satisfy any entitlement to shares underlying Mr Davey's FY19 performance rights by arranging to buy the shares on-market.

*Additional information*

A notice of meeting to obtain shareholder approval under rule 10.14 must comply with either rule 10.15 or 10.15A of the ASX Listing Rules. The Company has elected to prepare the notice of meeting so that it complies with rule 10.15, and provides the following information for that purpose:

- (a) At the date of this notice, Mr Davey holds 952,620 performance rights in total, which if all vested would entitle him to 952,620 fully paid ordinary shares in the Company (subject to adjustment for bonus issues, rights offers and other share capital reconstructions).
- (b) No cash consideration was paid or payable for the grant of the FY19 performance rights and no cash consideration is payable to acquire the shares underlying the FY19 performance rights.
- (c) The only director of the Company or associate of a director who is currently participating in the plan or who has received performance rights or other securities under the plan, is Mr Davey.
- (d) All directors of the Company and any associate of a director are eligible to participate in the plan. However, to date no other director has been invited to participate in the plan.
- (e) No loan has been given by the Company in relation to the performance rights under the plan.
- (f) Rule 10.15 requires that the date of grant of the performance rights must be no later than 12 months after the date of the annual general meeting. This requirement will be satisfied as the FY19 performance rights have already been granted - they were granted on 20 August 2019.
- (g) If resolution 4 is passed:

- (1) the variation of the terms of Mr Davey's FY19 performance rights to permit the Company issue or otherwise provide the shares to Mr Davey following the exercise of any that vest, instead of acquiring the shares on-market, will take effect immediately after the resolution is passed; and
- (2) it is expected that the latest date any shares underlying Mr Davey's FY19 performance rights will be issued or otherwise provided is 31 January 2022, on the basis that the exercise period for these rights ends on 31 December 2021 and the Company is required to arrange the underlying shares to be provided as soon as practicable after receipt of notice of exercise.

*Board recommendation:*

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

**6. Resolution 5 — Approval of Managing Director's leaving benefit due to early vesting of performance rights**

Section 200B of the Corporations Act prohibits a company from providing a benefit to an employee in a managerial or executive office in connection with his or her retirement from, or other cessation of, office unless:

- (a) the benefit is given in certain circumstances and the value of the benefit, when added to the value of all other leaving benefits, does not exceed the average annual base salary the employee received from the company during the last 3 years he or she held the managerial or executive office; or
- (b) the giving of the benefit is approved by shareholders in accordance with section 200E of the Corporations Act.

As noted in section 5 above, some or all Mr Davey's FY19 performance rights may be able to be exercised early where Mr Davey ceases to be an employee of the Clover group in certain circumstances. In particular, if Mr Davey ceases to be an employee of the Clover group before the exercise period for any of his FY19 performance rights and:

- (c) he has previously been notified by the board that the performance condition for the FY19 performance rights has been satisfied, he will retain all of these FY19 performance rights and he will have 6 months to exercise them; or
- (d) he has not previously received any notice as to whether or not the performance condition for the FY19 performance rights has been satisfied and his cessation of employment is due redundancy, death, disability or illness, unless the board determines otherwise, Mr Davey (or, in the event of his death, his lawful representative) will be entitled to early measuring and testing of the performance condition of those FY19 performance rights, and if the performance condition is determined by board to be satisfied, he may be entitled to retain a proportion of the FY19 performance rights, in which case he will have 6 months from the date of ceasing to be employed to exercise the FY19 performance rights that have been assessed to have vested in this manner.

Accordingly, shareholder approval is being sought under section 200E of the Corporations Act to allow the Company to give to Mr Davey the benefit resulting from this early 'vesting' of his FY19 performance rights, should his employment end in certain circumstances.

While it is currently impossible to specify the value of the benefit to Mr Davey due to the early vesting of FY19 performance rights, that value will essentially be the intrinsic value of the shares underlying the vested FY19 performance rights at the time they are acquired by Mr Davey, which will, or is likely to, be affected by a number of factors including the reason and timing for the cessation of employment, the exercise of the board's discretion (where relevant),

the future operating and financial performance of the Company, and market price of the shares, at the relevant time.


*Board recommendation:*


The directors (other than Mr Davey) recommend that shareholders vote in favour of resolution 5.

CLVRM  
MR RETURN SAMPLE  
123 SAMPLE STREET  
SAMPLE SUBURB  
SAMPLETOWN VIC 3030



## Need assistance?

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

 **Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00 am (AEDT) Wednesday, 20 November 2019.**

# 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.

### ATTENDING THE MEETING

**If you are attending in person, please bring this form with you to assist registration.**

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://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**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://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.

**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 N D

# 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 Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street, Sydney, NSW, 2000 on Friday, 22 November 2019 at 11:00 am (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 Items 1, 4 and 5 (except where I/we have indicated a different voting intention in step 2) even though Items 1, 4 and 5 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 Items 1, 4 and 5 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
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Dr Merilyn Sleigh as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr Graeme Billings as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of variation of performance rights granted to Managing Director under long term incentive plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of Managing Director's leaving benefit due to early vesting of performance rights	<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  Securityholder 2  Securityholder 3  / /  
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address

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# ANNUAL REPORT 2019



**CLOVER**  
CORPORATION

ABN 85 003 622 866





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# **VISION**

**TO OPTIMISE  
THE HEALTH AND  
DEVELOPMENT  
OF ADULTS, INFANTS  
AND CHILDREN.**

# MISSION STATEMENT

TO DELIVER  
**SCIENCE-BASED  
BIOACTIVES** WHICH  
PROVIDE **HEALTH  
BENEFITS** TO  
ADULTS, INFANTS,  
AND CHILDREN.

# CHAIRMAN'S REPORT

Clover Corporation Limited (Clover) reported a net profit after tax (NPAT) for the 12 months ended 31 July 2019 of \$10.1m (2018: profit of \$7.6m).

Sales revenue in FY2019 was \$76.7m (2018: \$63.0m) an increase of 21.8%.

	2019 Statutory \$000's	2018 Statutory \$000's
Sales Revenue	76,682	62,961
EBIT	13,585	10,220
Profit before tax	13,964	10,616
Profit after tax	10,101	7,588

Sales revenue growth in FY2019 was recorded across all territories. Clover has benefited from sales to new customers, new markets and from new products, whilst maintaining and growing its core customers. Net Profit After Tax for the year ended 31 July 2019 was \$10.1m an increase of 33.1% on the prior year (2018: \$7.6m).

## Commercial

Clover has increased its business development activities with staff now located in Europe, China, New Zealand and dedicated domestic staff focusing on S.E. Asia and Australia. The additional staff working closely with technical R&D assistance and strategically located distributors are delivering a targeted face to face customer development program which facilitates the difficult customer adoption process. The company has benefited from new products developed to address customer requirements, legislative change requiring the use of DHA in infant formula in an increasing number of countries, and a market trend toward the fortification of foods, drinks and nutraceuticals with Omega 3 fatty acids. Clover's unique range of microencapsulated Omega 3 oils allows customers to incorporate DHA into their products with no negative impacts on smell and taste. The range of products available from the company is suitable for blending, cooking and processing in milk-based or vegan applications.

## China

Chinese regulators have introduced DRAFT legislation for what constitutes a can of infant formula, requiring all infant formula to incorporate a minimum of 15mg/100Kcal of DHA and equivalent dosing of ARA. If introduced, all global manufacturers would need to meet the minimum Chinese requirement, as product manufactured in one country may be exported to China. Clover estimates the average DHA level of infant formula sold in China is 7mg/100Kcal of DHA therefore the legislation could effectively double the use of DHA. The proposed legislation has been opened to market feedback and is currently under consideration.

China has two channels to market. The first is known as the CBEC (Cross Border Electronic Commerce) channel where product is often positioned in bonded warehouses and then sold via internet shop fronts to Chinese consumers. This channel is extensively used by importers of infant formula as it reduces costs associated with the domestic retail channel and licensing requirements. During 2019 the Chinese government has expanded this channel by opening an additional 22 bonded warehouses making the CBEC market more accessible to more consumers.

The second channel is the more traditional retail shop front. China has a broad distribution network for infant formula facilitated via 'Mum & Baby stores', supermarkets and speciality outlets. To access this channel an infant formula brand requires two licences; the first a CNCA licence which provides accreditation for a manufacturer to be capable of making an infant formula product and the second a SAMR licence which is effectively a licence to use a brand and to sell the branded product through the retail channel. The process of achieving a licence has proven to be quite difficult, with only three western brands achieving a SAMR licence during 2019.

## Europe

Clover is working with customers across the European markets to prepare them for the introduction of the new DHA standard in February 2020 where all infant formula for the EU market must include 20mg/100 Kcal of DHA. Europe has delivered solid growth across the year with new customers contributing to increased revenue as new products are brought on line. The addition of a new warehouse facility in Amsterdam has assisted Clover with servicing customers across the EU. The company successfully displayed its products and technology capabilities at the 2019 Vitafoods trade show in Geneva resulting in both immediate business and an opportunity pipeline for the future.

## Australia & New Zealand

The Australian and New Zealand market has maintained its revenue throughout the year with some more niche applications coming on board across the functional foods market. Clover has made a significant investment in the New Zealand market through its partnership business Melody Dairies which is in the process of building a spray drying facility. When complete the factory will add the capacity needed to service the company's current and future growth. The factory is on track to be available for qualification in Q2 2021.

## Americas

The USA has delivered solid growth across 2019, with many opportunities coming in the form of DHA supplementation of drinks, powders, tablets and gummies. Whilst it is a difficult market to break into each opportunity provides significant volumes to service the local market. The demands of the American markets are driving new product innovation. Clover has released a range of vegan and concentrate products that deliver improved outcomes for customer needs.

## Research & Development

Clover has added resources to its R&D business to contribute to a growing demand for tailored solutions. The business has several new products in pilot trials before being made commercially available across 2020. Clover's new products shall open new market segments and deliver solutions for problems the market has not been able to solve previously. Clover continues to develop new products which place it as the market leader in microencapsulation technology. The company's R&D team plays an integral role in the business development process as customers look to the company to assist in process technology and applications support in new product development.

## Expenditure

Clover has managed operating expenses in 2019 to \$10.6m (2018 \$8.3m) as the company has made additional investment in human resources, adding staff across the Sales and Research & Development areas, to support current and future growth.

Inventories at year end were valued at \$27.7m (2018: \$19.8m), with the inventory level reflecting a strong raw material and work in progress holding. The increased inventory positions the company to meet its continued growth aspirations and to fill additional warehouse facilities in Europe and New Zealand. The overall cash position of the business at year end was \$8.3m (2018: \$7.9m). Clover's debt position of \$13.5m reflects the additional loan facility established to invest in the Melody Dairies partnership to build the spray drying facility in New Zealand and the 2018 purchase of its Australian manufacturing site. The business continues to review investment opportunities for expansion into aligned markets and products.

## Dividend

Based on the performance of Clover in FY19 the Directors have decided to declare a fully franked final dividend for FY19 of 1.75 cent per share. The record date for this dividend will be 30 October 2019, with payment due on 20 November 2019.



Mr Rupert Harrington  
Chairman

Date: 20 September 2019

# ABOUT CLOVER

## Company Focus

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

## Company History

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

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

## Company Operations

Clover operates from two sites:

- The Company's registered office and manufacturing plant for tuna oils and related products, Head Office, Customer Service, Quality Assurance, and Sales and Marketing departments are located in Altona, Victoria.
- Innovation, Research & Development, Product Development, Technical Support departments are located in Brisbane, Queensland.

## 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 2019.

## Directors

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



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

Non-Executive Director since 1 July 2015  
Appointed Chairman 21 September 2017

**Experience and special responsibilities**

Rupert Harrington is an experienced Director with a wealth of experience in business strategy and M & A.

Mr. Harrington's earlier career was in operational management in the UK and Australia. His career since 1987 has been in Private Equity where he has an excellent track record of delivering results for investors in sectors including: health, technology, industrial services and manufacturing. He is currently Chairman of Advent Partners, a pre-eminent mid-market Australian PE firm.

Mr. Harrington is Non-Executive Director of Pro Pac Packaging (ASX: PPG) and Integral Diagnostics (ASX: IDX). At the end of 2017 he resigned as a Non-Executive Director of Bradken Limited following its successful acquisition by Hitachi.

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**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 Billings has been a Chartered Accountant since 1980. Mr Billings was a partner at Coopers and Lybrand and then PricewaterhouseCoopers (PwC) for 24 years.

Mr Billings was head of PwC's Melbourne Assurance practice for a number of years as well as Global Leader of PwC's Industrial Products and Manufacturing industry group.

Mr Billings brings a range of financial, corporate governance, internal control, commercial and corporate transactional skills to the Company.

**Other current listed company directorships:**

GUD Holdings Limited, appointed 2011  
Korvest Limited, appointed 2013  
Korvest Limited, Chairman appointed 2014  
Azure Healthcare, Chairman appointed 2015  
DomaCom Ltd, appointed 2014

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

Managing Director since 11 November 2014

**Experience and special responsibilities**

Mr Davey has a track record of building businesses across a diverse range of industry sectors. He has held senior management positions within a number of manufacturing and distribution companies operating in competitive and diverse markets. Mr Davey has particular strengths in sales and marketing, and development and implementation of strategies for growth.

Mr Davey was formerly Executive Manager AgriProducts and a director of Viterra Australia Limited, responsible for the AgriProducts division that traded in agricultural inputs, fertilizer, seed and wool. In earlier roles, Mr Davey headed the Sales and Marketing divisions of FMP Products and Hi Fert Pty Ltd.

During his career, Mr Davey has had a particular focus on marketing based businesses operating in the Asia and Oceania regions.



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

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

**Experience and special responsibilities**

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 listed company directorships:**

Ricegrowers Ltd, appointed 2016

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**Ms Cheryl L Hayman, B.Com, FAICD**

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

**Experience and special responsibilities**

Ms. Hayman has extensive consumer goods, packaged food and functional food industry experience including being former Marketing Director for the Baking Division of George Weston Foods (Australia/NZ) where she was largely responsible for leading the successful launch of the Hi-DHA Tip Top Up bread range.

Ms. Hayman contributes significant strategic and marketing expertise derived from a corporate career which spanned local and global organisations. Her skills include developing marketing and business strategy across diverse industry segments, driving innovation, stimulating new product development, and business planning and branding across social media platforms.

**Other current directorships:**

Non-Executive Director, HGL Ltd (ASX: HNG) appointed 2016

Non-Executive Director, AIFST appointed 2016

Non-Executive Director, Peer Support Australia appointed 2007

Non-Executive Director, Chartered Accountants Australia & New Zealand appointed 2018

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**Dr Marilyn J Sleigh, B.Sc, PhD, DipCorp Man, FTSE, FAICD.**

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

**Experience and special responsibilities**

Dr Sleigh was trained as a Biochemist and was formerly CEO & Managing Director of EvoGenix Limited, an ASX-listed biotechnology company; Dean, Faculty of Life Sciences, University of NSW; Director, Research & Development at Peptech Limited and Scientist & Senior Manager, CSIRO.

She was until recently (retired June 2018) a director of Relationships Australia (NSW) and the Chair of its social enterprise RASE Pty Ltd, where she remains a director. She is also a member of the Council of the University of Technology Sydney.

Dr Sleigh contributes extensive experience in strategic management of ASX-listed SMEs both as a director, and as a CEO. She also provides scientific research and development expertise relevant to Clover's Innovations program and commercialisation of its products.

**Former listed company directorships in the last three years:**

Tyrian Diagnostics Limited, appointed 2008, resigned 2016



Company Secretary

**Mr Paul Sherman, B.Bus, CA, MBA**

Appointed 25 November 2016

**Experience and special responsibilities**

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

**Principal Activities**

The principal activities of the consolidated entity during the course of the financial year were the refining and sale of natural oils, the production of encapsulated powders and the research and product development of functional food and infant nutrition ingredients. There were no significant changes in the nature of the principal activities of the consolidated entity during the financial year.

**Operating Results**

The results for this report are for the financial year ended 31 July 2019, the comparative period being the financial year ended 31 July 2018. Total revenue from sale of goods increased 21.8% to \$76,682,000. Net profit after tax is \$10,101,000 (2018: profit of \$7,588,000).

**Review of Operations**

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

**Employees**

The consolidated entity had 42 employees as at 31 July 2019 (2018: 39 employees).

**Events Subsequent to Reporting Date**

Subsequent to the Reporting Date, 1,128,408 shares were issued by the consolidated entity to the Clover Corporation Ltd Employee Incentive Plans Trust under the terms of the Long Term Incentive (LTI) plan rules.

Apart from the above, no matter or circumstance has arisen since 31 July 2019 that has significantly affected, or may significantly affect the consolidated entity's state of affairs in future financial years.

**Significant changes in the State of the Affairs**

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

**Likely Developments**

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

**Dividends**

A fully franked final dividend of 1.25 cent per share for the 12 months ended 31 July 2018 was paid on 20 November 2018.

The total final 2018 dividend paid was \$2,891,000.

The Directors have declared a fully franked final dividend of 1.75 cent per share (\$2,890,680) in respect of the year ended 31 July 2019. The record date for this dividend will be 30 October 2019 with payment due on 20 November 2019. An interim dividend of 0.625 cent per share was paid for FY2019. The total dividend declared in respect to FY2019 is 2.375 cent per share, an increase of 0.625 cent per share compared with the total dividend declared for FY2018.

**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	15	14	-	-	-	-	-	-
G A Billings	15	15	1	1	4	4	3	3
P J Davey	16	15	-	-	-	-	-	-
I D Glasson	14	13	1	1	4	4	3	3
C L Hayman	14	14	1	1	4	4	3	3
Dr M J Sleigh	14	12	1	1	4	4	3	3

### Insurance of Directors and Officers

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

### Rounding Off of Amounts

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

### Proceedings on behalf of the Company

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

The Company was not a party to any such proceedings during the financial year.

### Unissued shares or interests under option

As of the date of this report there are 911,536 performance rights offers whose conditions have been met, entitling recipients to one share per right, which vest in 2019, 2020 or 2021, and an additional 405,740 performance rights available, subject to meeting relevant conditions.

## REMUNERATION REPORT

The Remuneration Report outlines the director and executive remuneration arrangements of the Company for the 2019 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, Executive Directors, and Executive KMP. The Directors and Chief Executive Officer determined that those persons having authority and responsibility for planning, directing and controlling activities are as listed below.

#### Directors

R A Harrington  
G A Billings  
P J Davey  
I D Glasson  
C L Hayman  
Dr M J Sleigh

#### Position

Non-Executive Chairman  
Non-Executive Director  
Chief Executive Officer and Managing Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

#### Executive KMP

P J Davey Chief Executive Officer and Managing Director  
P A Sherman Chief Financial Officer and Company Secretary

### ii. Remuneration Policy

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

Through an effective remuneration framework, the Company aims to:

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

### iii. Remuneration Framework Responsibilities

The Board has established a Remuneration Committee to assist it in establishing a suitable remuneration framework for the Company. Responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the following issues:

- The structure of the total remuneration package (TRP) including base salary, other benefits, Short Term Incentive (STI) and share-based long term incentive for the CEO;
- The mechanism to be used to review and benchmark the competitiveness of this TRP;
- The Key Performance Indicators (KPIs) to be set for the CEO;
- Changes in the amounts of different components of the TRP following annual performance review of the CEO;
- Decision on whether the Long Term Incentive (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, Dr Marilyn Sleigh (Chair), Cheryl Hayman, Ian Glasson and Graeme Billings. The Company Secretary may act as secretary of the Remuneration Committee. The Board Chairperson and any other Non-Executive Directors may attend committee meetings in an *ex officio* capacity. Executives including the CEO, and any advisors retained by the Committee may attend by invitation. More information on Remuneration Committee meetings held during the year and Directors' attendance at these meetings can be found on page 10 of this report.

## DIRECTORS' REPORT *continued*

The Board is responsible for reviewing and resolving on recommendations from the Remuneration Committee. In addition it:

- Considers matters relating to remuneration of Executives reporting to the CEO;
- Approves the establishment of or amendment to employee share, performance rights and any other deferred incentive plan;
- Considers matters related to Executive succession planning; and
- Considers recommendations from the Nomination Committee in relation to Board succession planning, to ensure an appropriate mix of skills, experience, expertise and diversity (subject to the power of shareholders in General Meeting to elect or re-elect directors).

### iv. Non-Executive Directors' Remuneration

A remuneration pool of \$500,000 for the payment of Non-Executive directors was approved by shareholders at the Annual General Meeting held in November, 2011. Total Non-Executive Directors remuneration including superannuation paid at the statutory prescribed rate for the year ended 31 July 2019 was \$363,516 which is within the approved amount.

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

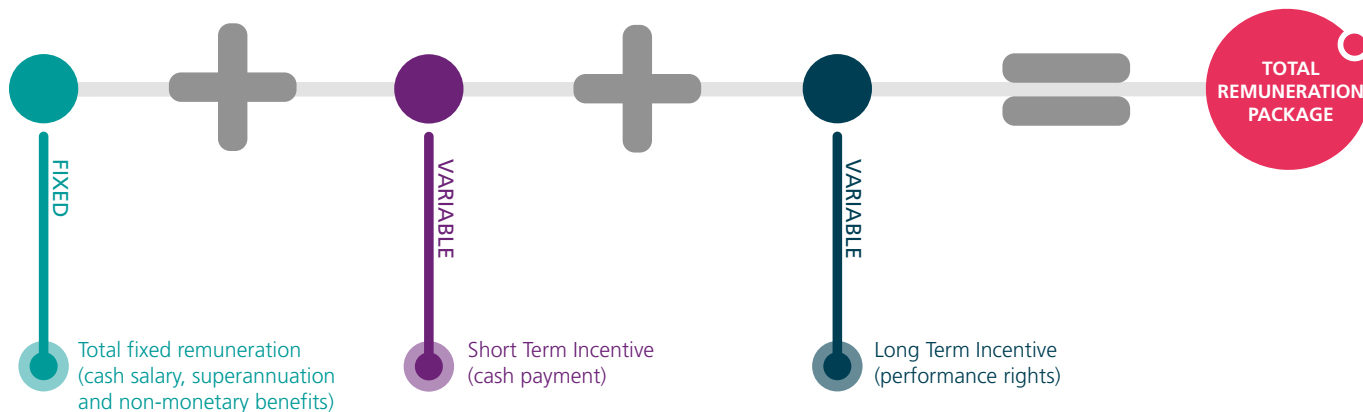
- enable the Company to attract and retain suitably qualified directors with appropriate experience and expertise; and
- be appropriate in the context of the overall financial performance of the company.

The Remuneration Committee reviews fees for Non-Executive directors annually, utilising data on and trends in Director and Chairperson remuneration in the relevant group of the top 500 ASX-listed companies in Australia (from published reports), as well as data obtainable on director remuneration in a number of peer companies either from the same industry or with similar market capitalisation and financial performance. Remuneration consultants (2019, Godfrey Remuneration Group) have been used every three years to assist in this process with one engagement for this purpose within the last financial year.

The Board has to date selected a simple remuneration policy whereby only fees and statutory superannuation benefits are payable. The table on page 15 of this report shows fees paid to Non-Executive Directors for the 2019 and 2018 financial years. Non-Executive Directors do not participate in any share or performance rights plans. Non-Executive Directors are entitled to reimbursement of travel or other reasonable expenses incurred by them in the course of discharging their duties.

### v. Executive Remuneration and Link to Business Strategy

The diagram below outlines components which may be included as part of the TRP for Executives.



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 2019.

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, including during FY19 for setting remuneration from FY20. Non-Executive Directors are responsible for appointing, briefing external consultants and managing this process. At other times, increases in fixed remuneration are determined by consideration of CPI salary increases applied across the whole company, and use of published information on CEO/MD salaries in the top 500 ASX-listed companies and in companies from related industries of similar market capitalisation and financial status, as described for review of fees for Non-Executive Directors.

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

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

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

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 2019 (50% in 2018), while for other Executives, 10-20% applied in 2019 (10% applied in 2018). The Company awards STI payments on evidence that the Executives have achieved stretching work plan objectives and dealt with unexpected challenges in a way that contributes to both short-term performance and long term prospects of the Company. The Board retains discretion to vary STI payments outside of the set formula to recognise overall company performance, changes in the Company's circumstances during the year and exceptional contributions by particular Executives.

KPIs set for the CEO each year include financial, strategic and operational targets as summarised in the table below. KPIs for individual Executives reporting to the CEO include the overall financial goals for the Company, and may otherwise focus principally on operational goals in areas contributing to the overall goals (short and long term) for the Company, and for which the Executive is responsible. The financial targets are set at two levels, with the initial target establishing a gateway to an entitlement to an STI payment.

KPI type	Percent contribution to STI	Description – Examples	Link to Company Strategy
Financial	40-60%	Achievement of revenue, profit and free cash flow targets set for the year in the annual budget.	Sets target for growth in sales and profits for each year, contributing to increasing shareholder value. Net free cash flow provides for further investment in the business and capacity to pay increasing dividends each year.
Sustainability	20-40%	Establishment of agreed plans to secure the longer term sustainability of the company and progress towards their implementation.	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.
Strategic	20-50%	Commercial development of new products from the R&D team; expansion of sales – new products, new customers; meeting regulatory challenges; manufacturing efficiencies and cost effective sourcing of raw materials; effective management of inventory, debtors and creditors (working capital requirements).	Strategic KPIs address key priorities for the company to advance to the next stage of its planned strategic direction, in the key management areas of Sales and Marketing, R&D output, Manufacturing, Regulatory and Cash Management. Examples include fast-tracking the output from the R&D team into profitable products attracting new sales. Adjustment to the changing nature of the market, to raw material availability and to manufacturing efficiency are all required to maintain both short term performance of the Company, and longer term growth.

#### vi. Long Term Incentive Plan

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

The number of Performance Rights offered for a financial year is determined from a percentage of the CEO's total fixed remuneration for that year. This dollar value is converted into a number of Performance Rights based on the Volume Weighted Average Price of Clover Corporation shares on the ASX for the two week period up to and including the last day of the previous financial year. Hurdles for vesting of Performance Rights reflect long term growth and financial performance of the Company relevant to 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.

## DIRECTORS' REPORT *continued*

The grants which were current during the financial year were:

Year of Offer	Performance conditions	Targeted result for year ended 31 July 2017	Targeted result for year ended 31 July 2018	Targeted result for year ended 31 July 2019	Targeted result for year ended 31 July 2020	Targeted result for year ended 31 July 2021*
2016	Target – EPS	2.5c	2.9c	3.4c	-	-
	Max – EPS	3.2c	3.7c	4.3c	-	-
2016	Target – ROE (%)	13.5%	14.7%	16.4%	-	-
	Max – ROE (%)	17.1%	18.8%	20.8%	-	-
2017	Target – EPS	-	2.9c	3.4c	3.8c	-
	Max – EPS	-	3.7c	4.3c	4.6c	-
2017	Target – ROE (%)	-	14.7%	16.4%	17.8%	-
	Max – ROE (%)	-	18.8%	20.8%	22.8%	-
2018	Target – EPS	-	-	-	-	8.03c
	Max – EPS	-	-	-	-	9.18c

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 maximum. In relation to the 2018 Performance Rights, the performance condition of 50% of them is based on achieving the EPS growth as noted above, and the other 50% is based upon achieving certain levels of New Product Sales. \* The maximum achievement of the EPS Target by the end of FY21 would represent a compound annual growth rate of 26% over the three year period FY19-21.

As at 31 July 2019 the following are the performance rights whose conditions have been met, and their vesting profile:

	Balance at 31 July 2019	Rights granted plan dated	Rights exercisable after
P Davey	345,591	2016	31 July 2019
	313,880	2017	31 July 2020
P Sherman	38,199	2016	31 July 2019
	34,526	2017	31 July 2020
	<b>732,196</b>		

The most recent performance assessment period of the above 2016 and 2017 Performance Rights ended on 31 July 2019 and the board of directors of the Company determined that the relevant performance conditions had been satisfied for the FY19 period. In consequence, the 2016 Performance Rights that have vested can now be exercised and the approved tranches of the 2017 Performance Rights may be exercised after 31 July 2020, subject to the continued employment of the Executive.

	Rights whose conditions were fulfilled in year ending 31 July 2018 #	Rights whose conditions were fulfilled in year ending 31 July 2019 #	Sub total Rights whose conditions were fulfilled #	Rights yet to be fulfilled, subject to achievement of targets and service conditions #	Rights Granted #
P Davey	329,736	329,735	659,471	293,149	952,620
P Sherman	36,362	36,363	72,725	32,171	104,896
	<b>366,098</b>	<b>366,098</b>	<b>732,196</b>	<b>325,320</b>	<b>1,057,516</b>

	Fair value of the rights as compensation \$	Fair value of the rights as compensation \$	Fair value of the rights as compensation* \$
P Davey	764,986	764,984	1,529,970
P Sherman	84,361	84,363	168,724
	<b>849,347</b>	<b>849,347</b>	<b>1,698,694</b>

\* Note: No LTI compensation has been paid in year ending 31 July 2019. 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 2019 ASX market price of \$2.32

## vii. 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.

2019	Salary and Fees \$	Superannuation Contributions \$	STI Remuneration \$	Non-cash Benefits \$	LTI Remuneration \$	Total \$
<b>Directors</b>						
R A Harrington	97,867	9,297	-	-	-	107,164
G A Billings	58,528	5,560	-	-	-	64,088
P J Davey <sup>1,2</sup>	416,805	22,813	196,753	15,458	1,015,578	1,667,407
I D Glasson	58,528	5,560	-	-	-	64,088
C L Hayman	58,528	5,560	-	-	-	64,088
Dr M J Sleigh	58,528	5,560	-	-	-	64,088
	<b>748,784</b>	<b>54,350</b>	<b>196,753</b>	<b>15,458</b>	<b>1,015,578</b>	<b>2,030,923</b>

### Executive KMP

P A Sherman <sup>1,2</sup>	218,866	22,029	43,073	-	111,996	395,964
	<b>218,866</b>	<b>22,029</b>	<b>43,073</b>	<b>-</b>	<b>111,996</b>	<b>395,964</b>

<sup>1</sup> STI consist of amounts accrued in respect to 2019

<sup>2</sup> LTI consists of an accrual value for performance rights that are expected to vest in 2019, 2020 and 2021, as noted above

2018	Salary and Fees \$	Superannuation Contributions \$	STI Remuneration \$	Non-cash Benefits \$	LTI Remuneration \$	Total \$
<b>Directors</b>						
R A Harrington	89,082	8,463	-	-	-	97,545
P R Robinson	15,913	1,512	-	-	-	17,425
G A Billings	57,100	5,424	-	-	-	62,524
P J Davey <sup>3,4</sup>	394,018	41,520	191,954	32,189	514,392	1,174,073
I D Glasson	57,100	5,424	-	-	-	62,524
C L Hayman	57,100	5,424	-	-	-	62,524
Dr M J Sleigh	57,100	5,424	-	-	-	62,524
	<b>727,413</b>	<b>73,191</b>	<b>191,954</b>	<b>32,189</b>	<b>514,392</b>	<b>1,539,139</b>

### Executive KMP

P A Sherman <sup>3,4</sup>	213,756	21,203	23,496	-	56,728	315,183
	<b>213,756</b>	<b>21,203</b>	<b>23,496</b>	<b>-</b>	<b>56,728</b>	<b>315,183</b>

<sup>3</sup> STI consist of amounts accrued in respect to 2018 (paid in 2019)

<sup>4</sup> LTI consists of an accrual value for performance rights that are expected to vest in 2019, and 2020, as noted above

## viii. 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](http://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 one and three months' written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration), together with statutory termination entitlements. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

## DIRECTORS' REPORT *continued*

### Directors' interests

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

Director	Ordinary Shares	Performance Rights*
R A Harrington	433,751	-
G A Billings	50,000	-
P J Davey	23,454	659,472
I D Glasson	60,000	-
C L Hayman	200,000	-
Dr M J Sleigh	312,397	-
	<b>1,079,602</b>	<b>659,472</b>

\* There are an additional 293,149 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 2019:

	\$
Taxation structural and compliance services	29,975
	<b>29,975</b>

### 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 49.

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



Rupert Harrington  
Chairman  
Melbourne

Date: 20 September 2019



# CORPORATE GOVERNANCE

The Board of Clover Corporation Limited is committed to ensuring its policies and practices reflect good corporate governance and recognises that for the success of the Company an appropriate culture needs to be nurtured and developed throughout all levels of the Company.

This statement outlines the Company's Corporate Governance practices in place throughout the year, unless otherwise stated, and has been summarised into sections in line with the 8 core principles set out in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition".

## Principle 1 – Lay solid foundations for management and oversight

The Board is ultimately responsible for the operations, management and performance of the Company. In discharging this responsibility, the Board delegates to senior management whose role it is to manage the Company in accordance with the directions and policies set by the Board. The Board monitors the activities of senior management in the performance of their delegated duties.

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

Responsibilities of the Board include the following:

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

The Board has delegated responsibility for the following to management:

- Day to day management of the Company;
- Production of performance measurement reports;
- Managing the compliance and risk management systems;
- Management of staff including, appointment, termination, staff development and performance measurement.

The CEO is responsible for ensuring that the responsibilities delegated by the Board to management are properly discharged.

The performance of the CEO is evaluated by the Board with reference to the overall performance of the Company, its subsidiaries and associates in which the CEO represents the Company. Both qualitative and quantitative measures are used to evaluate performance.

The CEO evaluates the performance of the other senior executives and reports to the Board. The Board also reviews the performance of these executives via their attendance at Board meetings and the monthly Board reports.

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

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

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 may be viewed in the Corporate Governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au). The policy governs the conduct of the Company, its wholly owned subsidiaries and all Directors and employees of those entities.

The Company has adopted the ASX Corporate Governance Principles and Recommendations on diversity. As at 31 July 2019 the organisation had 42 employees. The proportion of women employees in the whole organisation as at 31 July 2019 was 36%. While the Company believes that this represents a good level of gender diversity, it will continue to ensure that neither gender nor any other differences interfere with the employment of individuals based on their suitability for the position available.

## CORPORATE GOVERNANCE *continued*

The proportion of women in senior executive positions as at 31 July 2019 was 17%. The Company's objective is to incrementally grow this as vacancies allow and suitably qualified candidates are available. The aim is to achieve female representation of 30% or more. The small number of senior executive positions within the organisation and the low turnover rate limits the opportunity to increase female representation in this area.

Two of the five Non-Executive Directors are women. The Board will continue to assess candidates on their skills, knowledge and experience and on the relevance of these to the Company's needs.

### **Principle 2 – Structure the Board to add value**

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

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

Mr R A Harrington – Non-Executive

Mr G A Billings – Non-Executive

Mr I D Glasson – Non-Executive

Ms C L Hayman – Non-Executive

Dr M J Sleigh – 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 Board Nomination Policy 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](http://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:

Skill Category	Description of Attribute	Current Board Representation
Board experience and governance	Demonstrated commitment to highest standards of governance, listed company expertise and member of governance body	Five Directors
Executive leadership, Capability as Board Chair or Committee Chair	Sustainable success in business at a Senior Executive level in relevant industries, including health, science, finance, investment, consumer goods	Five Directors
Healthcare, infant formula, nutrition sector experience, and working in the health sciences	Relevant business or Board experience in operational sectors, local or international; Knowledge of managing research, science and development in a high technology environment	Five Directors
Strategy Development	Experience in developing, implementing and challenging plans of action designed to achieve long term company goals and sustainable competitive advantage and growth	Five Directors
Financial and Risk Management	Experience in financial accounting and reporting, corporate finance, internal controls and/or experience in business risk management at a Board level in listed entity	Five Directors
Wholesale and Distribution; Inventory Management and Control	Knowledge of supply chain and inventory management; Experience working with manufacturing, production, supply chain, logistics and distribution nuances	Three Directors
Business Acquisition, Capital Projects and Integration	Experience working with large scale capital outlays and long-term investment horizons; M&A, new business acquisition experience, track record in developing an asset or business portfolio over the long term that remains resilient to systemic risk	Four Directors
Remuneration, Organisation Development	Background in an industry that has faced disruptive change; anticipating risks and facing major market change. Board Remuneration Committee membership or management in relation to remuneration, and organisational development or transformation	Five Directors
Technical IP Development, and Protection	Development and management of IP, trademarks and protection mechanisms for competitive advantage, both local and global scale; Knowledge and experience in commercialising new product development	Four Directors
Marketing, Sales and Communications	Senior executive experience in Marketing, Communications and Brand development; detailed understanding of corporate purpose to create long-term company value, external relationship building and valuable customer experiences	Three Directors

In the discharge of their duties and responsibilities the Directors, either individually or jointly, have the right to seek independent professional advice at the Company's expense. In respect of advice to individual Directors, the prior approval of the Chairman is required; such approval is not to be unreasonably withheld. The Chairman is entitled to receive a copy of any such advice obtained.

The Chairman is responsible for monitoring and assessing the performance of individual Directors, each Board committee and the Board as a whole. The Chairman interviews each Director and provides feedback regarding their performance. In 2019 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 ethically and responsibly

#### Code of Conduct

The Company has an established code of conduct dealing with matters of integrity and ethical standards. The Board recognises the need for the Directors and employees to adhere to the highest standards of behaviour and business ethics.

All Directors and employees are expected to abide by the code of conduct which covers a number of areas including the following:

- Professional conduct and ethical standards;
- Compliance with laws and regulations;
- Relationships with shareholders, customers, suppliers and competitors;
- Confidentiality and continuous disclosure;
- Standards of workplace behaviour and equal opportunity;
- Privacy and anti-discrimination;
- Proper use of Company assets;
- The environment; and
- Investigation and reporting of breaches of the code.

## CORPORATE GOVERNANCE *continued*

### 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](http://www.clovercorp.com.au).

### Principle 4 – Safeguard integrity in financial reporting

The Company has an established Audit Committee, which has a formal charter outlining the committee's function, composition, authority, responsibility and reporting. The Audit Committee charter may be viewed in the Corporate Governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au).

There are currently four members of the Audit Committee, all of whom are non-executive Directors and are considered to be independent (refer to principle 2 above).

Mr Billings, who is the Chair of the Audit Committee, is not the Chairman of the Board. The Chairman of the Board is not a member of the Audit Committee (but may attend committee meetings in an *ex officio* capacity). The details of the Audit Committee members at the date of this statement and their attendance at meetings are set out in the Directors' Report.

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

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

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

### Principle 5 – Make timely and balanced disclosure

The Board recognises the need to ensure that all investors have equal and timely access to material information regarding the Company and for announcements to be factual, clear, balanced and complete.

The Company has established a Continuous Disclosure Policy to ensure compliance with the ASX and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX company announcements platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities or which would materially influence the decision making of investors. Internal procedures are in place to ensure that relevant information is communicated promptly.

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

### Principle 6 – Respect the rights of security holders

The Board is committed to ensuring that shareholders are fully informed of all material matters affecting the Company in a timely manner.

The dissemination of information is mainly achieved as follows:

- An Annual Report is distributed (electronically if preferred) to shareholders in November each year;
- A newsletter is periodically distributed to shareholders;
- Announcements to the ASX and press releases advising of events which are of particular significance to the progress and prospects of the Company; and
- Significant information is also posted on the Company's website.

In addition, shareholders are encouraged to attend and participate in the Annual General Meeting (AGM) of the Company. The external auditor attends the AGM to answer shareholders' questions with regard to the conduct of the audit and the content of the Auditor's Report.

### **Principle 7 – Recognise and manage risk**

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

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

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

The Board of Directors regularly reviews the external risks to the Company. The Board reviews and approves management's plans to reduce the impact of potential risks and monitors progress against these plans.

The Company does not have an internal audit function. Management is responsible for the design and implementation of a risk management and internal control system which manages the material business risks of the Company and reporting to the Board on whether those risks are being managed efficiently. Management reported to the Board on an ongoing basis. The Board of Directors regularly reviews the external risks of the Company. The Board reviews and approves management's plans to reduce the impact of potential risks and monitors progress against these plans.

The Company does not have any exposure to economic, environmental and social sustainability risks to disclose during the reporting period.

The CEO and the Chief Financial Officer are required to state in writing to the Board, by submission to the Audit Committee, that the risk management and internal control compliance systems are operating efficiently and effectively. In their declaration under section 295A of the Corporations Act the CEO and Chief Financial Officer have made this statement in respect of the current reporting period.

### **Principle 8 – Remunerate fairly and responsibly**

The Company has established a Remuneration Committee which currently consists of four independent, non-executive Directors. The Committee makes recommendations to the full Board on remuneration matters and other terms of employment for Executive Directors and Non-Executive Directors.

Senior executive performance is continually monitored by the CEO and the CEO's performance is subject to continuous monitoring by the full Board.

The remuneration of the CEO is reviewed annually by the Remuneration Committee, which consists of only Non-Executive Directors. The remuneration of the senior executive staff is reviewed annually by the full Board after taking into consideration the recommendations of the Remuneration Committee and the CEO.

The CEO and senior executive staff are remunerated by way of salary, performance incentive payments, non monetary benefits, and superannuation contributions.

Non-Executive Director's fees are reviewed periodically by the full Board after taking into consideration the Company's performance, market rates, level of responsibility and the recommendations of the Remuneration Committee. Non-Executive Directors are remunerated by way of fees in the form of cash and superannuation contributions and are not entitled to receive bonus payments or any equity based remuneration.

Remuneration is set so as to attract and retain suitable personnel and to motivate them to pursue the long term growth and success of the Company.

Further information of Directors' and Executive remuneration is set out in the Remuneration Report.

*For further information concerning the corporate governance practices of the Company refer to the corporate governance section of the Company's web site at [www.clovercorp.com.au](http://www.clovercorp.com.au).*



# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

		2019 \$'000	2018 \$'000
	<b>Notes</b>		
Revenue	2	76,682	62,961
Other income	2	732	665
Raw materials, consumables & conversion costs		(52,762)	(44,714)
Marketing and sales expenses		(3,595)	(2,594)
Administration and corporate expenses		(5,319)	(4,184)
Research and development expenses		(1,750)	(1,518)
Share of net profit of investments accounted for under the equity method		(24)	-
Profit before income tax	3	13,964	10,616
Income tax (expense)	4	(3,863)	(3,028)
<b>Profit after tax for the period attributable to members of the parent entity</b>		<b>10,101</b>	<b>7,588</b>
<b>Other comprehensive profit/(loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		(8)	46
<b>Other comprehensive profit/(loss) for the year</b>		<b>(8)</b>	<b>46</b>
<b>Total comprehensive profit for the year</b>		<b>10,093</b>	<b>7,634</b>
<b>Earnings per share (EPS)</b>			
Basic earnings per share (cent per share)	20	6.12	4.59
Diluted earnings per share (cent per share)	20	6.07	4.59

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 2019

		2019 \$'000	2018 \$'000
	Notes		
<b>Current assets</b>			
Cash and cash equivalents	6	8,271	7,894
Trade and other receivables	7	18,446	15,257
Inventories	8	27,681	19,768
Other current assets – prepayments	9	958	656
		<b>55,356</b>	<b>43,575</b>
<b>Non-current assets</b>			
Available for sale listed investment		0	4
Property, plant and equipment	10	5,777	6,062
Investments in Associates	11	10,461	0
Deferred tax assets	4	1,250	502
Intangible assets	12	1,907	1,907
		<b>19,395</b>	<b>8,475</b>
<b>Total assets</b>		<b>74,751</b>	<b>52,050</b>
<b>Current liabilities</b>			
Trade and other payables	13	12,517	7,821
Interest bearing liabilities	14	1,473	450
Current tax liabilities		2,970	1,278
Short-term provisions	15	603	599
		<b>17,563</b>	<b>10,148</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	14	11,986	3,737
Long-term provisions	15	61	20
		<b>12,047</b>	<b>3,757</b>
<b>Total liabilities</b>		<b>29,610</b>	<b>13,905</b>
<b>Net assets</b>		<b>45,141</b>	<b>38,145</b>
<b>Equity</b>			
Issued capital	16	32,920	32,920
Foreign currency translation reserve	17	(166)	(158)
Retained profits		12,387	5,383
<b>Total equity</b>		<b>45,141</b>	<b>38,145</b>

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 2019

	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 August 2017	32,920	(140)	(204)	32,576
Profit attributable to members of the entity	-	7,588	-	7,588
Dividend paid	-	(2,065)	-	(2,065)
Foreign currency translation reserve	-	-	46	46
<b>Balance at 31 July 2018</b>	<b>32,920</b>	<b>5,383</b>	<b>(158)</b>	<b>38,145</b>
Balance at 1 August 2018	32,920	5,383	(158)	38,145
Profit attributable to members of the entity	-	10,101	-	10,101
Dividend paid	-	(3,097)	-	(3,097)
Foreign currency translation reserve	-	-	(8)	(8)
<b>Balance at 31 July 2019</b>	<b>32,920</b>	<b>12,387</b>	<b>(166)</b>	<b>45,141</b>

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 2019

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		73,493	60,413
Payments to suppliers and employees		(65,464)	(54,475)
Interest paid		(318)	(189)
Income tax paid		(2,920)	(1,668)
<b>Net cash inflow from operating activities</b>	19	<b>4,791</b>	<b>4,081</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(108)	(4,226)
Proceeds from sale of financial assets		4	0
Investment in Associates		(10,485)	0
<b>Net cash outflow from investing activities</b>		<b>(10,589)</b>	<b>(4,226)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	5 (a)	(3,097)	(2,065)
Repayment of interest bearing liabilities		(5,058)	(312)
Receipt of interest bearing liabilities		14,330	4,500
<b>Net cash outflow from financing activities</b>		<b>6,175</b>	<b>2,123</b>
<b>Net increase in cash held</b>		<b>377</b>	<b>1,978</b>
Cash and cash equivalents at the beginning of the period		7,894	5,916
<b>Cash and cash equivalents at the end of the period</b>	6	<b>8,271</b>	<b>7,894</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The financial report was authorised for issue on 20 September 2019 by the Board of Directors.

### A. (i) Changes in accounting policy and disclosures, standards and interpretations

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

The consolidated entity has adopted all amendments to Australian Accounting Standards which became applicable for the consolidated entity from 1 August 2018.

#### *AASB 15 Revenue from Contracts with Customers*

The company has adopted AASB 15 from 1 August 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. The group adopted AASB 15 using the modified retrospective method of adoption. The change did not have a material impact on the Group for the financial year. However, the policy changes relative to the application of AASB 15 are described below in note 1(l).

#### *AASB 9 Financial Instruments*

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Most of the changes are not relevant to the Group, however there was a new impairment model introduced in AASB 9 which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of AASB 9 Financial Instruments from 1 August 2018 resulted in changes to the Group’s accounting policies. No opening adjustment was necessary as a result of the adoption of AASB 9.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### A. (ii) Early adoption of standards

The consolidated entity has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 August 2018.

### A. (iii) New accounting standards for application in future periods

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

#### *AASB 16 Leases.*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Upon adoption of the standard with effect from 1 August 2019 the Consolidated Entity will apply the modified retrospective approach (with the application of practical expedients) equating the 'right-of-use' asset (ROUA) with the value of the lease liability, thus requiring no restatement of accumulated losses or prior period comparatives.

Subject to exceptions, a ROUA will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a ROUA is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

Upon adoption of AASB 16 as of 1 August 2019 under the modified retrospective approach, the ROUA and lease liability will be recognised in equal amount of \$220,728. Inclusive of interest, note 26 reflects the commitments relative to this liability, as at 31 July 2019.

### B. Principles of consolidation

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

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

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

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

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

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

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

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

### C. Income tax

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### *Depreciation*

The depreciable amount of all fixed assets including capitalised lease assets, are depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<b>Class of Asset</b>	<b>Depreciation Rates</b>		
Buildings, at cost	4.00%	-	15.00%
Plant and equipment, at cost	5.00%	-	33.33%
Furniture and equipment, at cost	4.80%	-	40.00%

### *Impairment*

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

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

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

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

Impairment losses are recognised in the statement of comprehensive income.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

### *De-recognition*

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### **F. Leases**

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

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

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

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

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

### **G. Financial instruments**

#### **Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

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.

#### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### *Allowance for expected credit losses (ECL)*

For trade receivables and contract assets, the Group applies a simplified approach in calculation of ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group'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.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

#### *Financial liabilities*

The Group 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 Group comprise trade payables, bank and other loans and finance lease liabilities.

### **H. Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

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

### **I. Intangibles**

#### **Goodwill**

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

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

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

### **J. Foreign currency transactions and balances**

#### *Functional and presentation currency*

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

#### *Transaction and balances*

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

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

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

### **K. Cash and cash equivalents**

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### L. 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 Group 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 Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; 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.

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.

### M. Trade and other payables

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

### N. Employee benefits

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

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

### O. 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.

### P. 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.

### Q. 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.

### **R. Operating segments**

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

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

### **S. Comparative figures**

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

### **T. Critical accounting estimates and judgements**

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

#### **Key estimate**

##### *Impairment*

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

##### *Allowance for expected credit losses*

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

#### **Key judgements**

##### *Impairment of goodwill:*

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

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

##### *Inventory realisation:*

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

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

##### *Income tax:*

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2019 \$'000	2018 \$'000
<b>2. REVENUE AND OTHER INCOME</b>		
<b>Operating activities:</b>		
Sales of goods	76,682	62,961
	76,682	62,961
<b>Other income:</b>		
Net exchange gains	716	645
Proceeds on sale of investments	4	-
Interest revenue	12	20
	732	665
<b>Total revenue</b>	<b>77,414</b>	<b>63,626</b>
The disaggregation of revenue from contracts with customers is as follows:		
<b>Timing of revenue:</b>		
Goods transferred at a point in time	76,682	62,961
<b>Geographical location:</b>		
Australia / New Zealand	38,713	37,650
Asia	28,101	18,485
Europe	5,944	4,111
Americas	3,924	2,715
	76,682	62,961
<b>3. EXPENSES</b>		
Profit before income tax includes the following items:		
Employee benefits expense:	7,334	5,752
Inventory impairment (recoveries)/charge:	(417)	62
<b>Depreciation and amortisation:</b>		
– leasehold improvements	-	40
– buildings	194	216
– plant and equipment	195	438
– office furniture and equipment	20	7
	409	701
Loss on asset disposal	-	60
Interest expense	330	209
<b>Minimum lease payments:</b>		
– operating lease	127	206
<b>4. INCOME TAX EXPENSE/(CREDIT):</b>		
<b>A. The components of tax expense/(credit) comprise:</b>		
Current tax	4,611	2,798
Deferred tax liability	-	(120)
Deferred tax asset	(748)	350
	3,863	3,028
<b>B. Reconciliation of income tax expense/(credit):</b>		
The aggregated amount of income tax expense attributable to the period differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:		
Prima facie tax payable on profit before income tax at 30%	4,189	3,184
<b>Tax effect amounts:</b>		
– Research and development claim	(148)	(107)
– Sundry other	(178)	(49)
Income tax expense/(credit) attributable to profit	3,863	3,028

	Consolidated	
	2019 \$'000	2018 \$'000
<b>C. Deferred tax assets</b>		
Deferred tax asset	1,250	502
The deferred tax assets balance comprises the following temporary differences:		
Impairment of inventory	236	378
Provisions	331	312
Unrealised foreign exchange	(122)	(198)
Other temporary differences	805	10
	<b>1,250</b>	<b>502</b>
Reconciliation:		
Opening balance	502	852
(Charges) / credits to income statement	748	(350)
Closing balance	<b>1,250</b>	<b>502</b>
<b>D. Deferred tax liabilities</b>		
The deferred tax liability balance comprises the following timing differences:		
Depreciating assets	0	0
	<b>0</b>	<b>0</b>
Reconciliation:		
Opening balance	0	120
Charge / (benefit) to income statement	0	(120)
Closing balance	<b>0</b>	<b>0</b>

## 5. DIVIDENDS

### A. Dividend paid during the period

Final dividend for the year ended 31 July 2018 of 1.25 cent per share (2017FY: 0.75 cent per share) fully franked at the tax rate of 30%, paid 20 November 2018	2,065	1,239
Interim dividend for the year ended 31 July 2019 of 0.625 cent per share (2018FY: 0.50 cent per share) fully franked at the tax rate of 30%, paid 30 April 2019	1,032	826
	<b>3,097</b>	<b>2,065</b>

### Franking account balance

Franking credits available for subsequent financial years	6,614	5,274
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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 2019 of 1.75 cent per share (2018: final 1.25 cent per share) fully franked at 30%, payable on 20 November 2019, but not recognised as a liability at the end of the financial period. The record date for this dividend will be 30 October 2019.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2019 \$'000	2018 \$'000
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	8,271	7,894
	<b>8,271</b>	<b>7,894</b>
<b>7. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	17,428	13,910
Less allowance for expected credit losses	(9)	-
Other debtors	1,027	1,347
<b>Total current trade and other receivables</b>	<b>18,446</b>	<b>15,257</b>
<b>Provision for impairment of receivables</b>		
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 24 for more information on credit risk of trade and other receivables.		
<b>8. INVENTORIES</b>		
Raw materials, at lower of cost & net realisable value	13,127	10,167
Goods in transit	1,310	1,717
Finished goods	13,244	7,884
<b>Total inventories</b>	<b>27,681</b>	<b>19,768</b>
<b>9. OTHER CURRENT ASSETS</b>		
Prepayments	958	656
<b>Total other current assets</b>	<b>958</b>	<b>656</b>
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
Land, at cost	2,000	2,000
Buildings, at cost	3,845	3,845
Less: accumulated depreciation	(1,128)	(934)
<b>Total Buildings</b>	<b>2,717</b>	<b>2,911</b>
Plant and equipment, at cost	4,229	4,161
Less: accumulated depreciation	(3,239)	(3,037)
<b>Total plant and equipment</b>	<b>990</b>	<b>1,124</b>
Furniture and equipment, at cost	294	231
Less: accumulated depreciation	(224)	(204)
<b>Total furniture and equipment</b>	<b>70</b>	<b>27</b>
<b>Total property, plant and equipment</b>	<b>5,777</b>	<b>6,062</b>
Reconciliation of the carrying amounts of each class of asset at the beginning and the end of the current financial period:		
<b>Land</b>		
Balance at beginning of the period	2,000	-
Additions	-	2,000
<b>Carrying amount at the end of the period</b>	<b>2,000</b>	<b>2,000</b>

	Consolidated	
	2019 \$'000	2018 \$'000
<b>Buildings</b>		
Balance at beginning of the period	2,911	-
Additions	-	2,390
Transfer, from leasehold improvements	-	387
Transfer, from other assets	-	350
Depreciation expense	(194)	(216)
Carrying amount at the end of the period	2,717	2,911
<b>Leasehold improvements</b>		
Balance at beginning of the period	-	789
Transfer, to Buildings	-	(737)
Transfer, to Equipment	-	(12)
Depreciation expense	-	(40)
Carrying amount at the end of the period	-	-
<b>Plant and equipment</b>		
Balance at beginning of the period	1,124	1,463
Additions, net of disposals	46	99
Transfers, from leasehold improvements	-	12
Foreign Currency Translation	15	(12)
Depreciation expense	(195)	(438)
Carrying amount at the end of the period	990	1,124
<b>Furniture and equipment</b>		
Balance at the beginning of the period	27	10
Additions, net of disposals	62	24
Foreign Currency Translation	1	-
Depreciation expense	(20)	(7)
Carrying amount at the end of the period	70	27
<b>11. INVESTMENT IN ASSOCIATES</b>		
Investment in Melody Dairies, at cost	10,461	0
<b>Total Investment in Associates assets</b>	<b>10,461</b>	<b>0</b>

Through an agreement with three other investing parties on 5 November 2018 the Group has a 35% 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 Group's capacity to deliver its products to the market, through its equity interest in the project.

The Group's interest in Melody Dairies is accounted using the equity method in the consolidated financial statements. As of the reporting date, the Group's investment is represented by its share of assets under construction, cash and related working capital amounts to an equity accounted total of \$10,485,000, net of \$24,000 in equity accounted operating losses. The Group's contribution to capital commitments relating to the continuing construction of the facility is disclosed in Note 26.

Associates are entities over which the Group 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 Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2019 \$'000	2018 \$'000
<b>12. INTANGIBLE ASSETS</b>		
Goodwill on acquisition, at cost	1,907	1,907
<b>Total intangible assets</b>	<b>1,907</b>	<b>1,907</b>

There were no acquisitions of controlled entities in 2019 (2018: None).

### A. Impairment assessment

Goodwill is allocated to the tuna oil cash-generating unit which is based on the controlled entities' principal activities.

During the 31 July 2019 financial year, the Company assessed the recoverable amount of goodwill relating to the tuna oil segment and determined that goodwill is not impaired. The recoverable amount of the cash-generating unit, being the assets of the cash-generating unit and goodwill, was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period approved by the Board of Directors. The cash flows are discounted using a rate of 12% and 2% annual growth rates. Management believes that any reasonable possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount of the cash generating unit to exceed its recoverable amount.

### 13. TRADE AND OTHER PAYABLES

#### Current

Trade creditors	7,967	5,984
Sundry creditors and other accruals	4,550	1,837
	<b>12,517</b>	<b>7,821</b>

### 14. INTEREST BEARING LIABILITIES

Current interest bearing liabilities	1,473	450
Non-current interest bearing liabilities	11,986	3,737
	<b>13,459</b>	<b>4,187</b>

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 \$10.461m), land and buildings (with a carrying value of \$4.717m), as well as a general charge over Group assets.

### 15. PROVISIONS

Aggregate employee entitlements:

Current	603	599
Non-current	61	20
<b>Total employee entitlements</b>	<b>664</b>	<b>619</b>

### 16. ISSUED CAPITAL

#### A. Issued and paid up capital

165,181,696 (2018:165,181,696) fully paid ordinary shares	32,920	32,920
<b>Total contributed equity</b>	<b>32,920</b>	<b>32,920</b>

The Company has issued share capital amounting to 165,181,696 ordinary shares of no par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### B. Movement in ordinary shares

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

#### Rights to capital

At the reporting date there were 911,536 performance rights offers whose conditions had been met, entitling recipients to one share per right, which vest in 2019, 2020 or 2021, and an additional 405,740 performance rights available, subject to meeting relevant conditions.

### C. Capital management

The Company's objective in managing capital is to continue to provide shareholders with attractive investment returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 31 July 2019 gross debt was \$13,459,000 (2018: \$4,187,000).

There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

	Consolidated	
	2019	2018
	\$'000	\$'000

#### 17. RESERVES

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

Foreign currency translation	(166)	(158)
<b>Total</b>	<b>(166)</b>	<b>(158)</b>

#### 18. PARENT COMPANY INFORMATION

Current assets	5,899	71
Non-current assets	22,063	22,065
<b>Total assets</b>	<b>27,962</b>	<b>22,136</b>

Current liabilities	189	1,176
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>189</b>	<b>1,176</b>

<b>Net assets</b>	<b>27,773</b>	<b>20,960</b>
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#### Equity

Issued capital	32,920	32,920
Accumulated losses	(5,147)	(11,960)
<b>Total equity</b>	<b>27,773</b>	<b>20,960</b>

Net profit for the period (principally transactions with subsidiaries) before other comprehensive income	9,910	236
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Total comprehensive income for the period	9,910	236
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Earnings per share (cents per share)	6.0c	0.14c
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		Percentage Owned	
		2019	2018
		%	%
<b>Controlled entities:</b>	<b>Country of Incorporation</b>		
Clover Corporation Ltd Employee Incentive Plans Trust	Australia	100	0
Nu-Mega Lipids Pty Limited	Australia	0	100
Nu-Mega Ingredients Pty Limited	Australia	100	100
<b>Subsidiaries:</b>			
- Nu-Mega Ingredients Limited	United Kingdom	100	100
- Nu-Mega Ingredients Limited	United States of America	100	100
- Nu-Mega Ingredients (NZ) Limited	New Zealand	100	100
- Nu-Mega Ingredients NL B.V.	Netherlands	100	0

#### Contingent liabilities

There are no contingent liabilities at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

	Consolidated	
	2019 \$'000	2018 \$'000
<b>19. RECONCILIATION OF CASH FLOW</b>		
Reconciliation of cash flow from operating activities to operating profit		
Profit for the period	10,101	7,588
Non cash items:		
– Amortisation and depreciation	409	701
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
(Increase)/Decrease in receivables	(3,189)	(3,082)
(Increase)/Decrease in other assets	(302)	(242)
(Increase)/Decrease in inventories	(7,913)	(958)
(Decrease)/Increase in payables	4,689	(1,350)
(Decrease)/Increase in deferred tax liabilities	0	(120)
Decrease/(Increase) in deferred tax assets	(748)	350
(Decrease)/Increase in current tax liabilities	1,699	1,130
(Decrease)/Increase in employee entitlements	45	64
Net cash inflow/(outflow) from operating activities	4,791	4,081

### 20. EARNINGS PER SHARE

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

#### A. Reconciliation of earnings to net profit or loss

Profit attributable to members of the parent entity	10,101	7,588
Earnings used to calculate basic and diluted EPS	10,101	7,588

#### B. Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share

165,181,696	165,181,696
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#### C. Weighted average number of ordinary shares outstanding during the period used in the calculation diluted earnings per share

166,498,972	165,181,696
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D. Basic earnings per share (cents per share)	6.12c	4.59c
E. Diluted earnings per share (cents per share)	6.07c	4.59c

	2019 \$	2018 \$
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### 21. AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity in respect of:

– Auditing and reviewing the financial reports of the Company and the controlled entities	93,000	92,000
– Taxation structuring and compliance services	29,975	8,853
	122,975	100,853

### 22. 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 18.



## 23. 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
<b>Directors</b>	
R A Harrington	Non-Executive Chairman
G A Billings	Non-Executive Director
P J Davey	Chief Executive Officer and Managing Director
I D Glasson	Non-Executive Director
C L Hayman	Non-Executive Director
Dr M J Sleigh	Non-Executive Director

### Executive KMP

P A Sherman	Chief Financial Officer and Company Secretary
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Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. The table below summarises the total compensation:

	2019 \$	2018 \$
Short-term benefits	1,299,313	1,283,202
Long-term benefits	1,127,574	571,120
	<b>2,426,887</b>	<b>1,854,322</b>

### B. Performance rights:

There were 732,196 Performance Rights offers available to key management personnel whose conditions have been met as at 31 July 2019, which vest during 2019, 2020 or 2021. There were an additional 325,320 Performance Rights offers available to key management personnel, subject to meeting relevant conditions.

### C. Shareholding:

	Balance 31 July 2018	Shares Purchased & (Sold)	Balance 31 July 2019
<b>Directors</b>			
R A Harrington	322,748	111,003	433,751
G A Billings	50,000	-	50,000
P J Davey	23,454	-	23,454
I D Glasson	40,000	20,000	60,000
C L Hayman	200,000	-	200,000
Dr M J Sleigh	312,397	-	312,397
	<b>948,599</b>	<b>131,003</b>	<b>1,079,602</b>

## 24. 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.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 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 2019, the consolidated entity had the following financial assets and liabilities denominated in foreign currency.

	2019 \$'000	2018 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	3,414	818
Trade and other receivable	15,165	11,597
<b>Total financial assets</b>	<b>18,579</b>	<b>12,415</b>
<b>Financial liabilities</b>		
Trade and other payables	(2,797)	(1,761)
<b>Total financial liabilities</b>	<b>(2,797)</b>	<b>(1,761)</b>

At 31 July 2019, had the Australian Dollar moved as illustrated in the table below with all other variables held constant, profit after tax and equity would have been affected as follows:

Foreign exchange movement	Post Tax Profit Higher/(Lower)		Change in Equity Higher/(Lower)	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Change in Profit</b>				
USD/AUD + 5%	(607)	(499)	(607)	(499)
USD/AUD - 5%	671	548	671	548
EURO/AUD + 5%	(47)	(5)	(47)	(5)
EURO/AUD - 5%	52	5	52	5
GBP/AUD + 5%	0	(1)	0	(1)
GBP/AUD - 5%	0	1	0	1
NZD/AUD + 5%	(85)	(5)	(85)	5
NZD/AUD - 5%	94	6	94	6

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.

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 2019

	Consolidated	
	2019 \$'000	2018 \$'000
<b>Trade receivables:</b>		
Within terms	17,410	13,543
Over terms	18	367
<b>Total</b>	<b>17,428</b>	<b>13,910</b>

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

### D. Liquidity risk

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

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

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

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

Consolidated	Balance as at 31 July 2019 \$'000	Less than 1 year \$'000	1-5 years \$'000	Over 5 years \$'000
<b>Realisable cash flows from financial assets</b>				
Cash and cash equivalents	8,271	8,271	-	-
Trade and other receivables	18,446	18,446	-	-
<b>Anticipated cash inflows</b>	<b>26,717</b>	<b>26,717</b>	-	-
<b>Financial liabilities and obligations due for payment</b>				
Trade and other payables	(12,517)	(12,517)	-	-
Interest bearing liabilities	(13,459)	(1,473)	(6,341)	(5,645)
Leasing commitments	(251)	(131)	(120)	-
<b>Anticipated cash outflows</b>	<b>(26,227)</b>	<b>(14,121)</b>	<b>(6,461)</b>	<b>(5,645)</b>
<b>Net inflow/(outflow)</b>	<b>490</b>	<b>12,596</b>	<b>(6,461)</b>	<b>(5,645)</b>

### E. Interest Rate Risk

The consolidated entity's primary interest rate risk arises from long-term borrowings. The consolidated entity's bank loans outstanding, totalling \$13,459,000 (2018: \$4,187,000) are principal and interest payment loans, bearing interest at a weighted average current annual rate of 4.33%.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 25. OPERATING SEGMENTS

#### Identification of reportable segments

The consolidated entity operates in the industry of manufacturing tuna oil and encapsulated products in Australia. Whereas in the previous financial year, a treasury segment was separately disclosed, the Chief Executive Officer and the Board of Directors consider that there is no true separation of the treasury function from the primary business and operating segment of the Group, nutritional oil and microencapsulated powders. Financial information about the business as a whole is reported to and reviewed by the Chief Executive Officer and Board of Directors on a monthly basis, in order to assess performance and determine the allocation of resources.

#### Geographical information

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

	Revenue from external customers		Non-current assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Australia / New Zealand	38,713	37,650	18,145	7,970
Asia	28,101	18,485	-	-
Europe	5,944	4,111	-	-
Americas	3,924	2,715	-	-
<b>Total</b>	<b>76,682</b>	<b>62,961</b>	<b>18,145</b>	<b>7,970</b>

During the financial year there were 2 customers who represented 41% and 20% of total sales respectively (2018: 38% and 19% respectively).

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

	Consolidated	
	2019 \$'000	2018 \$'000

### 26. CAPITAL AND LEASING COMMITMENTS

#### A. Operating lease commitments

Operating leases primarily related to premises, contracted for but not capitalised in the financial statements:

Payable:

Not later than 1 year	131	127
Later than 1 year but not later than 5 years	120	234
<b>Total operating leases</b>	<b>251</b>	<b>361</b>

#### B. Capital commitment

Melody Dairy capital commitment	3,654	0
Payable not later than 1 year	3,654	0

### 27. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the Reporting Date, 1,128,408 shares were issued by the consolidated entity to the Clover Corporation Ltd Employee Incentive Plans Trust under the terms of the Long Term Incentive (LTI).

Apart from the above, no matter or circumstance has arisen since 31 July 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### 28. CONTINGENT LIABILITIES

There are no contingent liabilities at the reporting date.

# DIRECTORS' DECLARATION

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

- a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 July 2019 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 2019.

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



**Rupert Harrington**  
Chairman  
Melbourne

Date: 20 September 2019



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



## REPORT ON THE FINANCIAL REPORT

### Opinion

We have audited the accompanying financial report of Clover Corporation Limited (the Company), which comprises the consolidated statement of financial position as at 31 July 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and 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 the consolidated entity (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:

- giving a true and fair view of the Group's consolidated financial position as at 31 July 2019 and of its consolidated financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

### Independence

We are independent of the Group in accordance with 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* (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.

### 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

As at 31 July 2019, the carrying value of inventory was \$27,681,000 (2018: \$19,768,000) as disclosed in note 8 of the financial report.

The Group's manufacturing planning processes consider forecast customer demand and access to materials from a range of suppliers. These factors impact on the quantity of raw material and finished goods inventory on hand, and necessitate minimum inventory levels to ensure that the Group's sales objectives continue to be met.

A standard cost system is used to account for inputs to inventory. Management conducts regular analysis to determine the cost of inventory, and whether adjustment to the carrying amount is required to reflect net realisable value, if that is lower than cost.

Inventory is the most significant of the Group's assets, and accordingly we considered it a Key Audit Matter.

#### How our audit addressed this matter

Our procedures included but were not limited to:

- attending and observing year-end inventory counts performed by Management at locations of significance;
- testing the accuracy of 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.

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#### *Key audit matter – Revenue recognition*

The Group's sales revenue amounted to \$76,682,000 during the year (2018: \$62,961,000). Note 1(l) *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 – Investment in associate (Melody Dairies)*

During the year a controlled entity entered into a limited partnership with three other parties 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 Group's capacity to deliver its products to the market, through its 35% equity interest in the project.

The Group's investment is initially recognised at cost under the equity method, and the carrying amount is thereafter adjusted for the Group's share of the profit or loss of the investee, as described in note 11.

The equity accounted carrying amount of the investment is also disclosed in note 11 as \$10,461,000 and note 14 includes related amortised bank borrowings secured by the Group's investment.

On the basis of the significance of the investment and its related borrowings we have considered this a Key Audit Matter.

#### *How our audit addressed this matter*

Our procedures included but were not limited to:

- obtaining a detailed understanding of the terms and conditions of the partnership arrangement, and evaluating the appropriateness of Management's assessment that the nature of the Group's participation in the project is that characterised as an investor of significant influence;
- validating the accounting treatment of the investment under the equity method in accordance with AASB 128 *Investment in Associates and Joint Ventures*;
- inquiring of Management and assessing whether there are any impairment indicators obligating the Group to perform an impairment analysis under AASB 136 *Impairment of Assets*; and
- assessing the appropriateness of the disclosures included in note 11 and the validity of classifying borrowings between current and non-current liabilities as disclosed in note 14.

#### *Other Information*

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the financial report and our Auditor's Report thereon. The directors are responsible for the other Information in the annual report.

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' responsibility for the Financial Report*

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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 responsibility is to express an opinion on the financial report based on our audit.

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, individually 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors.

We 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 on the financial report. 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.

We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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, related safeguards.

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 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

#### *Opinion*

We have audited the Remuneration Report included in pages 11 to 15 of the Directors' Report for the year ended 31 July 2019. In our opinion, the Remuneration Report of Clover Corporation Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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



**PKF**  
Melbourne, 20 September 2019



**Steven Bradby**  
Partner



# AUDITOR'S INDEPENDENCE DECLARATION 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 2019, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

**PKF**  
Melbourne, 20 September 2019

**Steven Bradby**  
Partner

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# ADDITIONAL ASX INFORMATION

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

## Shareholdings as at 31 August 2019

### Substantial shareholders

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

Washington H. Soul Pattinson and Company Limited	35,787,743 ordinary shares
Brickworks Limited <sup>1</sup>	35,787,743 ordinary shares

<sup>1</sup> Details included on substantial shareholder notice dated 18 November 2013. Shares held by Brickworks Limited represent a technical relevant interest as a result of Brickworks Limited's shareholding in Washington H. Soul Pattinson & Company Limited.

## Distribution of shareholders as at 31 July 2019

Category	Number of holders of ordinary shares
1 – 1,000	608
1,001 – 5,000	1,154
5,001 – 10,000	713
10,001 – 100,000	816
100,001 and over	105
<b>Total Number of Holders</b>	<b>3,396</b>
<b>Total number of holders of less than a marketable parcel, being 216 shares @ 2.32</b>	<b>88</b>

## 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.

## Twenty largest shareholders as at 31 July 2019\*

Rank	Name	Number of Fully Paid Ordinary Shares	Percentage of Issued Ordinary Shares (%)
1	Washington H Soul Pattinson & Company	35,787,743	21.67
2	UBS Nominees Pty Ltd	16,335,966	9.89
3	JP Morgan Nominees Australia Ltd	10,621,059	6.43
4	Citicorp Nominees Pty Ltd	8,828,289	5.34
5	Evelin Investments Pty Ltd	7,550,000	4.57
6	BNP Paribas Noms Pty Ltd	6,864,487	4.16
7	HSBC Custody Nominees (Australia) Ltd	5,361,166	3.25
8	National Nominees Ltd	5,026,613	3.04
9	HSBC Custody Nominees (Australia) Ltd A/C 2	3,026,789	1.83
10	BNP Paribas Noms Pty Ltd	2,563,528	1.55
11	Inceni & Papadopoulos Super Pty Ltd	2,017,500	1.22
12	Mr Peter Howells	1,500,000	0.91
13	BNP Paribas Noms Pty Ltd	1,167,723	0.71
14	Mr Garrie Ellice	1,045,738	0.63
15	Mr Pei Yin Foo	1,018,000	0.62
16	Connaught Consultants (Finance) Pty Ltd	1,000,000	0.61
17	Sandhurst Trustees Ltd	958,652	0.58
18	Ms Nina Tschernykov	858,881	0.52
19	Ganesh Super Fund A/C	850,816	0.52
20	Bellite Pty Ltd	719,600	0.44
<b>Total top 20 shareholders</b>		<b>113,102,550</b>	<b>68.47</b>
<b>Total number of shares on issue</b>		<b>165,181,696</b>	

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

### Securities quoted by the ASX

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

### Register of securities

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



## 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 Cheryl L Hayman	Non-Executive Director
Dr Marilyn J Sleigh	Non-Executive Director

### Secretary

Mr Paul A Sherman

### Registered Office

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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>

