



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

Clover Corporation Limited

ASX Appendix 4D

Half-Year Financial Report

31 January 2024

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period

The reporting period is the half-year ended 31 January 2024 with the previous corresponding period the half-year ended 31 January 2023.

Results for Announcement to the Market

		% Change	Amount of Change \$'000		\$'000
Revenue from ordinary activities	Down	39%	17,104	to	27,321
Profit / (Loss) from ordinary activities after tax attributable to members	Down	118%	4,281	to	(643)
Net profit / (Loss) for the period attributable to members	Down	118%	4,281	to	(643)

Explanation of Operating Results

Clover Corporation Limited ("Clover Corporation") has reported a loss after tax of \$0.6 million for the half-year ended 31 January 2024 (2023: \$3.7million), a decrease of 118%.

For a further explanation of the half-year operating result, please refer to the Directors' Report in the financial report for the half-year ended 31 January 2024.

Dividends/distributions	Amount per security	Franked amount per security
Final dividend – 31 July 2023	0.75 cent	0.75 cent
Interim dividend – 31 January 2024	Nil	Nil

NTA Backing

	31-Jan-24	31-Jul-23
Net tangible asset backing per ordinary share	38.0 cents	39.1 cents

Results for Announcement to the Market – Continued

Controlled entities acquired or disposed of

Disposed entities

No entity was disposed of during the half-year ended 31 January 2024.

Acquired entities

No entity was acquired during the half-year ended 31 January 2024.

Associate entities

Clover owns 43.9% of Melody Dairies Limited Partnership.

Additional dividend/distribution information

A fully franked final dividend of 0.75 cent per share for the period ended 31 July 2023 was paid during the half-year ended 31 January 2024.

An interim dividend has not been declared for half-year ended 31 January 2024.

Dividend reinvestment plans (“DRP”)

There are no dividends or distribution reinvestment plans as at 31 January 2024.

Foreign Accounting Standards

N/A

Independent Review Report

Refer to the attached Clover Corporation Limited 31 January 2024 Half-Year Report for the Independent Review Report to the Members of Clover Corporation Limited.



ABN 85 003 622 866

REPORT
FOR THE HALF-YEAR ENDED 31 JANUARY 2024

CLOVER CORPORATION LIMITED
ABN 85 003 622 866

CORPORATE DIRECTORY

Directors

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

Secretary

Mr Andrew G. M. Allibon

Registered Office

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Altona North VIC 3025
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Auditors

PKF Melbourne
L15/500 Bourke St,
Melbourne VIC 3000

Share Registry

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000

Australian Securities Exchange Code

Ordinary Shares CLV

Website

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

DIRECTORS' REPORT

The directors of Clover Corporation Limited (the Company) present the following report for the half-year to 31 January 2024.

Directors

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

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

Review of Operations

Clover Corporation Limited (Clover) has reported a revenue decrease of 39% to \$27.3m (2023: \$44.4m), although essentially in line with 1H FY22 (\$29.7m).

Clover reported Net Loss after Tax of \$0.6m for the half-year ended 31 January 2024 (2023: \$3.6m), a decrease of 118.0%.

Excluding market development costs (\$0.4m) & Melody Dairies (\$0.3m), the underlying business would have generated a break-even result.

Financial & Operational Highlights

- Clover experienced ongoing challenges in its infant formula segment. A combination of factors, including a declining global birth rate, a shift in Chinese manufacturing preferences towards Algae DHA over fish DHA, and intensified competition in a shrinking market, has led to continued sluggish demand for infant formula products.
- The company has diversified its revenue streams by expanding into non-infant formula products. Additionally, Clover has been able to supply certain infant formula manufacturers who have managed to recover their volumes in mainland China.
- The overall decline in the infant formula market persists across various regions. Globally, birth rates in 2023 have declined by 1.15% per 1000 people, with significant drops observed in the EU (5.9%) and China (2.3%)* continuing the 5-year trend. Consequently, all stages of infant formula production, from birth to growing up milks, have declined.
- The introduction of the requirement to hold a license to sell Infant formula in China, has reduced the number of manufacturers, intensifying competition among ingredient suppliers, with Chinese competitors engaging in price-based competition. This competitive landscape has pressured Clover's margins.
- Clover remains committed to diversifying its customer base and exploring new markets and products. Initiatives include advancing encapsulated Choline for dry mix applications, scaling up microencapsulated probiotics to enhance usability, progressing regulatory approvals for Premneo, an emulsion that boosts the IQ of preterm infants, and investing in facilities for fish oil sourcing to address the shortage of Anchovy oil.

* www.macrotrends.net/global-metrics/countries

DIRECTORS' REPORT continued

- The Chinese Government advised infant formula manufacturers that they should reconsider the use of tuna oil in infant formula. Consequently, orders from China over the last 6 months for Clover's tuna DHA powders have reduced. This requires the qualification of Clover's Algae DHA products. Manufacturers have demonstrated an eagerness to expedite this process to ensure future supply.
- Responding to this period of softer demand, management has sought to reduce operating costs where appropriate in preserving cash and reducing inventory holdings of crude oils and powder stocks reflective of this lower demand.
- Melody Dairies continues to be a key strategic investment providing diversified manufacturing capacity at low cost. The change in management structure will deliver improved planning and operational performance in the 2nd half.
- The Company's balance sheet remains strong with cash at \$8.1m following targeted reductions in inventory levels from preceding periods.
- Looking to the full-year result, uncertainty persists regarding the recovery of Clover's infant formula segment and the market acceptance timeline for new products. Consequently, Clover anticipates FY2024 revenue to range between \$60m to \$70m.

Dividend

After careful consideration of the Company's short-term cash requirements and capital management priorities, the Board is not declaring an interim dividend. This cash is to be used in supporting the new product commercialisation which will add greater shareholder value over time.

The Board expects a stronger second-half FY24 performance assuming current forecast demand and the global conditions remain stable. The Board will consider reinstating company dividends at the end of the financial year in line with the status of key projects and operating results.

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

Rounding of Amounts

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

Auditors Independence Declaration

The auditor's independence declaration for the half-year ended 31 January 2024 has been received and is set out on page 19.

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



Rupert Harrington
Chairman
Melbourne
Date: 20 March 2024

Clover Corporation Limited
Half-Year ended 31 January 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR TO 31 JANUARY 2024**

	Notes	31-Jan-24 \$'000	31-Jan-23 \$'000
Revenue	3	27,321	44,425
Other income/(expense)	2	(266)	(803)
Interest expense		(481)	(360)
Raw materials, consumables and conversion costs		(19,959)	(30,533)
Sales and marketing expenses		(2,375)	(2,867)
Administration and corporate expenses		(2,679)	(2,967)
Research and development expenses		(1,992)	(1,770)
Share of net profit of investments accounted for under the equity investment method		(276)	(51)
		<hr/>	<hr/>
(Loss) / Profit before income tax		(707)	5,074
Income tax benefit / (expense)		64	(1,436)
		<hr/>	<hr/>
(Loss) / Profit after tax for the period		(643)	3,638
Other comprehensive income			
Foreign currency translation adjustment		50	351
Other comprehensive income for the period		50	351
		<hr/>	<hr/>
Total comprehensive (Loss)/Income for the period		(593)	3,989
		<hr/>	<hr/>
(Loss) / Earnings per share (EPS)			
Basic earnings per share (cent per share)		(0.38)	2.18
Diluted earnings per share (cent per share)		(0.38)	2.17

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

Clover Corporation Limited
Half-Year ended 31 January 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2024

	Notes	31-Jan-24 \$'000	31-Jul-23 \$'000
Current Assets			
Cash and cash equivalents		8,052	9,437
Trade and other receivables		13,082	11,948
Inventories		34,014	36,877
Prepayments		1,003	1,744
		<u>56,151</u>	<u>60,006</u>
Non-Current Assets			
Property, plant and equipment		10,314	9,103
Right of Use Assets		2,045	2,238
Investments in Associates		11,719	11,662
Deferred tax assets		2,734	1,286
Intangible assets		1,907	1,907
		<u>28,719</u>	<u>26,196</u>
Total Assets		<u>84,870</u>	<u>86,202</u>
Current Liabilities			
Trade and other payables		1,745	4,647
Interest bearing liabilities		3,412	1,743
Lease liability		398	386
Current tax liabilities		86	594
Short-term provisions		861	919
		<u>6,502</u>	<u>8,289</u>
Non-Current Liabilities			
Interest bearing liabilities		10,166	7,690
Lease liability		1,706	1,893
Deferred tax liability		1,142	1,142
Long-term provisions		48	37
		<u>13,062</u>	<u>10,762</u>
Total Liabilities		<u>19,564</u>	<u>19,051</u>
Net Assets		<u>65,306</u>	<u>67,151</u>
Equity			
Issued Capital	4	36,270	36,270
Reserves		(805)	(855)
Retained Profits		29,841	31,736
		<u>65,306</u>	<u>67,151</u>
Total Equity		<u>65,306</u>	<u>67,151</u>

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

Clover Corporation Limited
Half-Year ended 31 January 2024

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR TO 31 JANUARY 2024

	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Share- based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 August 2022	35,603	28,448	-	(1,011)	63,040
Profit for the period	-	3,638	-	-	3,638
Dividend paid (Note 5)	-	(1,664)	-	-	(1,664)
Share-based payment	667	-	(667)	-	-
Foreign currency translation	-	-	-	351	351
Balance at 31 January 2023	36,270	30,422	(667)	(660)	65,365
Balance at 1 August 2023	36,270	31,736	(667)	(188)	67,151
Loss for the period	-	(643)	-	-	(643)
Dividend paid (Note 5)	-	(1,252)	-	-	(1,252)
Share-based payment	-	-	-	-	-
Foreign currency translation	-	-	-	50	50
Balance at 31 January 2024	36,270	29,841	(667)	(138)	65,306

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

Clover Corporation Limited
Half-Year ended 31 January 2024

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR TO 31 JANUARY 2024

	Note	31-Jan-24 \$ '000	31-Jan-23 \$ '000
Cash flows from operating activities			
Receipts from customers		25,931	46,375
Payments to suppliers and employees		(26,616)	(46,076)
Interest paid		(481)	(360)
Income tax paid		(1,893)	(817)
Net cash outflow from operating activities		(3,059)	(878)
Cash flows from investing activities			
Purchases of plant and equipment		(943)	(275)
Investment in Associates		(57)	-
Net cash outflow from investing activities		(1,000)	(275)
Cash flows from financing activities			
Dividends paid	5	(1,253)	(1,664)
Principal payments of lease liabilities		(188)	(79)
Repayment of interest-bearing liabilities		(885)	(708)
Loan Drawdown		5,000	-
Net cashflows from or used in financing activities		2,674	(2,451)
Net decrease in cash held		(1,385)	(3,604)
Cash at the beginning of the period		9,437	10,111
Cash at the end of the period		8,052	6,507

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2024

1. Significant accounting policies

Basis of preparation

The financial report of Clover Corporation Limited (“the Company”) and its controlled entities (“the Group”) for the half-year ended 31 January 2024 is a condensed general purpose financial report, prepared by a ‘for-profit’ entity in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. The Financial Statements were authorised for issue in accordance with a resolution of the directors on 20 March 2024.

The half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 July 2023, and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements of the ASX listing rules.

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

The accounting policies adopted in the preparation of the half-year financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 July 2023, except for the impact, if any, of adoption of new standards and interpretations noted below.

New/Amended Accounting Standards and Interpretations

(i) New standards and interpretations

In the half-year the Group has reviewed all of the revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for annual reporting periods beginning on or after 1 August 2023.

(ii) Early adoption of standards

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

Clover Corporation Limited
Half-Year ended 31 January 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2024

	31-Jan-24	31-Jan-23
	\$'000	\$'000
2. Operating Result		
Profit before income tax expense includes the following items of income and expense which, together with other disclosures in this report are relevant in explaining the financial performance for the half-year:		
Other income/(expense):		
Foreign exchange gain/(loss)	87	(145)
Market Development	(354)	(658)
Interest (expense)	(481)	(360)
Depreciation and amortisation expenses	(516)	(414)

3. Revenue

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

Timing of revenue:		
Goods transferred at a point in time	27,321	44,425

4. Issued Capital

	<u>31-Jan-24</u>	<u>31-Jul-23</u>
Ordinary shares on issue:		
Number of shares	166,999,341	166,999,341
	<u>\$'000</u>	<u>\$'000</u>
Value of shares	36,270	36,270

Clover Corporation Limited
Half-Year ended 31 January 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2024 (continued)

	31-Jan-24	31-Jan-23
	\$'000	\$'000
5. Dividends		
(a) Dividends paid during the half-year		
Final dividend for the period ended 31 July 2023 of 0.75 cent per share (31 July 2022: 1.0 cent per share) fully franked at the tax rate 30%.	(1,253)	(1,663)

(b) Dividends declared

On 22 November 2023, the Company paid the final dividend in respect of the year ended 31 July 2023 of 0.75 cent per share (31 July 2022: final dividend 1.0 cent per share).

The Directors have not declared an interim dividend in respect of the financial period ended 31 January 2024.

6. Banking Covenants

There remains a breach of a covenant with the Bank of New Zealand (BNZ) loan agreement held by Melody Dairies as at 31 January 2024. BNZ has acknowledged the breach and has not taken any action in relation to the breach at this time. The total value of the borrowings held by Melody Dairies is \$NZ19.7m with BNZ.

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

7. Events subsequent to reporting date

No matters or circumstance have arisen since 31 January 2024 up to the date of this report that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Clover Corporation Limited
Half-Year ended 31 January 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR TO 31 JANUARY 2024(continued)

8. Geographical Information

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

	Revenue from external customers		Non-current assets	
	Jan 2024 \$'000	Jan 2023 \$'000	Jan 2024 \$'000	Jul 2023 \$'000
Australia/NZ	13,847	15,588	22,357	22,485
Asia	6,881	15,366	-	-
Europe	5,532	12,019	-	-
Americas	1,061	1,452	3,807	1,804
Total	27,321	44,425	26,164	24,289

9. Contingencies

Nil

10. Capital Commitments

There are capital commitments totalling \$0.5m that relate to future market developments.

Clover Corporation Limited
Half-Year ended 31 January 2024

DIRECTORS'
DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity as set out in this financial report:
 - 1. give a true and fair view of the consolidated entity's financial position as at 31 January 2024 and of its performance for the half-year ended on that date; and
 - 2. comply with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001; and

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

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



Rupert Harrington
Chairman

Melbourne
20 March 2024

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Clover Corporation Limited (the Company) and its subsidiaries (collectively, the Group) which comprises the statement of financial position as at 31 January 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 January 2024 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to

enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 January 2024 and its consolidated financial performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



PKF

Melbourne, 20 March 2024



Kenneth Weldin

Partner

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

In relation to our review of the financial report of Clover Corporation Limited for the half-year ended 31 January 2024, I declare to the best of my knowledge and belief, there have been:

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

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



PKF

Melbourne, 19 March 2024



Kenneth Weldin

Partner