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 2019

Lodged with the ASX under Listing Rule 4.2A

Contents

<u>Reporting Period</u>

The reporting period is the half year ended 31 January 2019 with the previous corresponding period the half year ended 31 January 2018.

Results for Announcement to the Market

		% Change	Amount of Change $'000		$'000
Revenue from ordinary activities	Up	10%	3,233	to	34,265
Profit from ordinary activities after tax attributable to members	Up	40%	1,290	to	4,483
Net profit for the period attributable to members	Up	40%	1,290	to	4,483

Explanation of Operating Results

Clover Corporation Limited ("Clover Corporation") has reported a profit after tax of $4.5 million for the half year ended 31 January 2019 (2018: $3.2million), an increase of 40%.

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 2019.

Dividends/distributions	Amount per security	Franked amount per security
Final dividend – 31 July 2018	1.25 cent	1.25 cent
Interim dividend – 31 January 2019	0.625 cent	0.625 cent

NTA Backing

	31-Jan-19	31-Jul-18
Net tangible asset backing per ordinary share	23.10 cents	21.63 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 2019.

Acquired entities

No entity was acquired during the half-year ended 31 January 2019. A subsidiary company was established in the Netherlands.

Additional dividend/distribution information

A fully franked final dividend of 1.25 cent per share for the period ended 31 July 2018 was paid during the half year ended 31 January 2019. A fully franked interim dividend of 0.625 cent per share has been declared for half year ended 31 January 2019. The record date for the dividend is Tuesday 9 April 2019, with a payment date of Tuesday 30 April 2019.

Dividend reinvestment plans (“DRP”)

There are no dividends or distribution reinvestment plans as at 31 January 2019.

Foreign Accounting Standards

N/A

Independent Review Report

Refer to the attached Clover Corporation Limited 31 January 2019 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 2019

CLOVER CORPORATION LIMITED
ABN 85 003 622 866

CORPORATE DIRECTORY

Directors

Mr Rupert A. Harrington	Non-Executive Director & Chairman
Mr Graeme A. Billings	Non-Executive Director
Mr Peter J. Davey	Managing Director – Executive
Mr Ian D. Glasson	Non-Executive Director
Ms Cheryl L. Hayman	Non-Executive Director
Dr Merilyn J. Sleigh	Non-Executive Director

Secretary

Mr Paul A. Sherman

Registered Office

39 Pinnacle Road
Altona North VIC 3025
Phone: +61 38347 5001
Fax: +613 8347 5055

Auditors

PKF Melbourne
12/440 Collins St,
Melbourne VIC 3000

Share Registry

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000

Australian Securities Exchange Code

Ordinary Shares	CLV

Website
http://www.clovercorp.com.au

DIRECTORS' REPORT

The directors of Clover Corporation Limited (the Company) present the following report for the six months to 31 January 2019.

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 - Executive
Mr Ian D. Glasson	Non-Executive Director
Ms Cheryl L. Hayman	Non-Executive Director
Dr Merilyn J. Sleigh	Non-Executive Director

Review of Operations

Clover Corporation Limited (Clover) has reported a Net Profit after Tax of $4.5 million for the half year ended 31 January 2019 (2018: $3.2 million) an increase of 40%. Sales revenue increased 10% to $34.3 million (2018: $31.0 million). Product and customer mix have delivered revenue growth and improved profitability, whilst spending has been well managed to facilitate improved EBITDA margin rates.

Financial Highlights

- Clover has added new customers and applications, with new products launched over the past three years. Each new addition to product sales is the endpoint of a lengthy process of business development requiring the establishment of relationships, identification of product opportunities, product development and extensive shelf life trials.

- The infant formula market has continued to provide growth, although customers have been hesitant to build inventory with the pending regulatory change of DHA inclusion in Europe, the slowing SAMR (CFDA) licensing by Chinese authorities, and the potential for draft legislation to be enacted in China requiring a minimum 15mg/100Kcal of DHA in infant formula sold in China (effectively doubling the current use). As a result, Clover's existing customers are running down levels of existing inventory, while planning for the introduction of the revised products that will be required under the new rules.

- Chinese authorities have confirmed that the Cross Border Economic Channel (CBEC) market will continue with no end date established and an additional 22 warehouses to help facilitate the availability of western made infant formula, along with other imported products, through the e-commerce channel. The CBEC market is a key channel to market for most of Clover's customers, and the confirmation of its continuance relieves pressure upon brand owners who do not have a bricks and mortar channel established, or a SAMR license.

- The Company's balance sheet remains strong with cash at $6.2 million and net assets of $40.6 million (July 2018: $38.1 million). The inventory position of $24.8 million (July 2018: $19.8 million) reflects the current demand.

- In November the company announced its investment in a new company, Melody Dairies, in Hamilton, New Zealand. This company will build, own and operate a spray drying facility, in which Clover is a 35% shareholder. Following completion of the dryer facility (expected late 2020 to early 2021), Clover will have rights to utilize 35% of the facilities' manufacturing capacity.

DIRECTORS' REPORT continued

Operational Highlights

- Clover's efforts, both through its own sales staff and distributors, has improved the Company's prospects to enter new market segments in the future, with a broader group of customers and applications. These applications are across food products, covering powdered and liquid drinks, health bars, gummies and pressed tablets. Similar to Infant Formula, for these products there is a considerable period of testing before any substantial sales are reported.

- The company has taken an active position to build raw material inventories, to assure availability for future demand. Production at the Altona North facility has increased, providing improved overhead recovery and asset utilisation.

- Clover has established a new warehouse in the Netherlands to support growing demand in Europe along with a permanent full time sales person to support customers and develop growth opportunities.

Outlook

The current demand conditions, stability of Chinese regulations and growth of new customers is expected to continue in the near term, with the Company expecting demand patterns from customers to continue in the second half of the year, with third quarter order rates being consistent with first half FY19 sales.

Dividend

After careful consideration of the company's short term cash requirements, the Board has declared a fully franked interim dividend of 0.625 cent per share in respect of the financial period ended 31 January 2019.

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 Class Order 98/0100 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 2019 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 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR TO 31 JANUARY 2019

	Notes	**31-Jan-19**	31-Jan-18
		$'000	$'000
Revenue		**34,265**	31,031
Other income/(expense)	2	**75**	(379)
Raw materials, consumables and conversion costs		**(23,540)**	(22,505)
Sales and marketing expenses		**(1,557)**	(1,242)
Administration and corporate expenses		**(2,291)**	(1,707)
Research and development expenses		**(736)**	(795)
Profit before income tax		**6,216**	4,403
Income tax expense		**(1,733)**	(1,210)
Profit after tax for the period		**4,483**	3,193
Other comprehensive income			
Foreign currency translation adjustment		**(13)**	79
Other comprehensive income for the period		**(13)**	79
Total comprehensive income for the period		**4,470**	3,272
Earnings per share (EPS)			
Basic earnings per share (cent per share)		**2.71**	1.93
Diluted earnings per share (cent per share)		**2.71**	1.93

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019

	Notes	**31-Jan-19**	31-Jul-18
		$'000	$'000
Current Assets			
Cash and cash equivalents		**6,170**	7,894
Trade and other receivables		**13,906**	15,257
Inventories		**24,769**	19,768
Other current assets		**347**	656
		45,192	43,575
Non-Current Assets			
Financial assets		**0**	4
Property, plant and equipment		**5,899**	6,062
Investments in Associates		**3,732**	0
Deferred tax assets		**508**	502
Intangible assets		**1,907**	1,907
		12,046	8,475
Total Assets		**57,238**	52,050
Current Liabilities			
Trade and other payables		**6,949**	7,821
Interest bearing liabilities		**1,473**	450
Current tax liabilities		**1,639**	1,278
Short-term provisions		**593**	599
		10,654	10,148
Non-Current Liabilities			
Interest bearing liabilities		**5,965**	3,737
Long-term provisions		**43**	20
		6,008	3,757
Total Liabilities		**16,662**	13,905
Net Assets		**40,576**	38,145
Equity			
Issued Capital		**32,920**	32,920
Reserves		**(145)**	(158)
Retained Profits		**7,801**	5,383
Total Equity		**40,576**	38,145

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR TO 31 JANUARY 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 for the period	-	3,193	-	3,193
Dividend Paid	-	(1,239)	-	(1,239)
Foreign Currency Translation Reserve	-	-	79	79
Balance at 31 January 2018	**32,920**	**1,814**	**(125)**	**34,609**
Balance at 1 August 2018	**32,920**	**5,383**	**(158)**	**38,145**
Profit for the period	-	4,483	-	4,483
Dividend Paid	-	(2,065)	-	(2,065)
Foreign Currency Translation Reserve	-	-	13	13
Balance at 31 January 2019	**32,920**	**7,801**	**(145)**	**40,576**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR TO 31 JANUARY 2019

	Note	31-Jan-19 $ '000	31-Jan-18 $ '000
Cash flows from operating activities			
Receipts from customers		**35,778**	30,180
Payments to suppliers and employees		**(33,483)**	(27,949)
Interest paid		**(88)**	(25)
Income tax paid		**(1,378)**	(811)
Net cash inflow from operating activities		**829**	1,395
Cash flows from investing activities			
Purchases of plant and equipment		**(11)**	(3,772)
Proceeds from sales of financial assets		**4**	-
Investment in Associates		**(3,732)**	-
Net cash outflow from investing activities		**(3,739)**	(3,772)
Cash flows from financing activities			
Dividends paid	3	**(2,065)**	(1,239)
Repayment of interest bearing liabilities		**(4,339)**	(88)
Receipt of Interest bearing liabilities		**7,590**	4,500
Net cash inflow from financing activities		**1,186**	3,173
Net (decrease)/increase in cash held		**(1,724)**	796
Cash at the beginning of the period		**7,894**	5,916
Cash at the end of the period		**6,170**	6,712

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 2019

1. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements of Clover Corporation Limited ('the Company') and its controlled entities ('the Group') for the half-year ended 31 January 2019 have been prepared in accordance with the requirements of 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 2019.

The interim condensed consolidated 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 2018, 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 Class Order 98/0100 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 interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 July 2018, 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 2018.
The Group applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.
Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

AASB 15 *Revenue from Contracts with Customers* (AASB 15)
AASB 15 supersedes AASB 18 *Revenue* and related Interpretations and applies, with limited exceptions, to all revenue arising from contracts with the Group's customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
AASB 15 requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 JANUARY 2019 (continued)

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 period. However, the policy changes relative to the Group's application of AASB 15 are described in section (iii) below.

AASB 9 *Financial Instruments* (AASB 9)
AASB 9 replaces AASB 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.
The Group has applied the requirements of AASB 9 and there has been no material impact on the Group's current financial reporting from the adoption of the standard. However, the policy changes relative to the Group's application of AASB 15 are described in section (iii) below.

(ii) Early adoption of standards
The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 16 *Leases* (AASB 16)
AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Standard requires lessees to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.
The Group has not yet assessed the potential impact of adjustments arising upon implementation of AASB 16 because of the impact of factors such as variable lease payments and extension and termination options.
The impact of these factors will be assessed for disclosure in the annual financial report. At this stage, the Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(iii) Changes in accounting policies arising from implementation of accounting standards
Following adoption of new accounting standards as described in Note (i) the updated accounting policies are as follows:

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.
Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Trade receivables are generally due for settlement between 30 and 120 days.
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 JANUARY 2019 (continued)

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (that is, only the passage of time is required before payment of the consideration is due).
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.

Allowance for expected credit losses (ECL)
For trade receivables and contract assets, the Group applies a simplified approach in calculating 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 JANUARY 2019 (continued)

	31-Jan-19	31-Jan-18
	$'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)	**163**	(293)
Interest (expense)	**(88)**	(25)
Proceeds on sale of investment	**4**	-
Loss on sale of investment	**(4)**	-
Other (expense)	**-**	(61)
	75	(379)
Depreciation and amortisation expenses	**(196)**	(267)

3. Dividends

(a) Dividends paid during the year

Final dividend for the period ended 31 July 2018 of 1.25 cent per share (31 July 2017: 0.75 cent per share) fully franked at the tax rate 30%.	**(2,065)**	(1,239)

(b) Dividends declared

On 20 November 2018, the Company paid the final dividend in respect of the year ended 31 July 2018 of 1.25 cent per share (31 July 2017: final dividend 0.75 cent per share).

The Directors have declared a fully franked interim dividend of 0.625 cent per share in respect of the financial period ended 31 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 JANUARY 2019 (continued)

4. Events subsequent to reporting date

No events have occurred subsequent to balance date which would materially affect the half year financial report.

5. 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 2019 $'000	Jan 2018 $'000	Jan 2019 $'000	Jul 2018 $'000
Australia/NZ	17,575	19,223	11,538	7,970
Asia	12,214	8,804	-	-
Europe	3,042	1,994	-	-
Americas	1,434	1,010	-	-
Total	**34,265**	**31,031**	**11,538**	**7,970**

6. Contingent liabilities

There have been no changes in contingent liabilities since the last annual reporting period.

7. Capital Commitments

The company has entered into a contract to fund the purchase shares in a company that shall own and manage a spray dryer. There are debt-funded current capital commitments of A$8.0m (NZ$8.4m).

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 2019 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 2019

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 (the Group) which comprises the statement of financial position as at 31 January 2019, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the consolidated financial position of the Group as at 31 January 2019 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.*

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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 January 2019 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*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

PKF
Melbourne, 20 March 2019

Steven Bradby
Director

PKF Melbourne
Audit & Assurance Pty Ltd
ABN 75 600 749 184

Melbourne

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Melbourne VIC 3000 Australia

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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 2019, 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* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF

Melbourne, 20 March 2019

Steven Bradby

Partner

PKF Melbourne
Audit & Assurance Pty Ltd
ABN 75 600 749 184

Melbourne

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