



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 2021**

***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 2021 with the previous corresponding period the half-year ended 31 January 2020.

## Results for Announcement to the Market

		% Change	Amount of Change \$'000		\$'000
<b>Revenue</b> from ordinary activities	Down	21.7%	8,176	to	29,443
<b>Profit</b> from ordinary activities after tax attributable to members	Down	45.8, %	2,122	to	2,512
<b>Net profit</b> for the period attributable to members	Down	45.8%	2,122	to	2,512

## Explanation of Operating Results

Clover Corporation Limited ("Clover Corporation") has reported a profit after tax of \$2.5 million for the half-year ended 31 January 2021 (2020: \$4.6million), a decrease of 45.8%.

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 2021.

<b>Dividends/distributions</b>	Amount per security	Franked amount per security
Final dividend – 31 July 2020	2.5 cent	2.5 cent
Interim dividend – 31 January 2021	0.5 cent	0.5 cent

## NTA Backing

	31-Jan-21	31-Jul-20
Net tangible asset backing per ordinary share	31.45 cents	33.18 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 2021.

#### Acquired entities

No entity was acquired during the half-year ended 31 January 2021.

#### Associate entities

Clover owns 41.9% of Melody Dairies Limited Partnership.

### Additional dividend/distribution information

A fully franked final dividend of 2.5 cent per share for the period ended 31 July 2020 was paid during the half-year ended 31 January 2021. A fully franked interim dividend of 0.5 cent per share has been declared for half-year ended 31 January 2021. The record date for the dividend is Thursday 8 April 2021, with a payment date of Thursday 29 April 2021.

### Dividend reinvestment plans (“DRP”)

There are no dividends or distribution reinvestment plans as at 31 January 2021.

### Foreign Accounting Standards

N/A

### Independent Review Report

Refer to the attached Clover Corporation Limited 31 January 2021 Half-Year Report for the Independent Review Report to the Members of Clover Corporation Limited.



ABN 85 003 622 866

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REPORT  
FOR THE HALF-YEAR ENDED 31 JANUARY 2021

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**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 Toni L. Brendish	Non-Executive Director
Dr Simon P. Green	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
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**Website**

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

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## **DIRECTORS' REPORT**

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The directors of Clover Corporation Limited (the Company) present the following report for the half-year to 31 January 2021.

### **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 Toni L. Brendish	Non-Executive Director
Dr Simon P. Green	Non-Executive Director
Ms Cheryl L. Hayman	Non-Executive Director
Dr Marilyn J. Sleigh	Non-Executive Director

### **Review of Operations**

Clover Corporation Limited (Clover) has reported a revenue decrease of 21.7% to \$29.4 million (2020: \$37.6 million), within the guidance of a 15% to 25% reduction of 1H2020 provided at the 20 November 2020 Annual General Meeting.

Clover reported Net Profit after Tax of \$2.5 million for the half-year ended 31 January 2021 (2020: \$4.6 million), a decrease of 45.8%.

### **Financial Highlights**

- Clover has been negatively impacted by COVID-19 as customer demand for their infant formula products reduced in the half-year.
- The Australian and NZ market has been heavily impacted by COVID-19 restrictions and reduced demand from Daigou and Chinese travel market supplying infant formula to Chinese consumers.
- Clover has increased its revenue from the EU, Asia and USA markets against the comparative half-year with new customers and product initiatives taking effect. Each of these markets remain under severe constraint from COVID-19 conditions.
- Clover has retained and grown its customer base
- The stronger Australian dollar to US dollar has further impacted the financial performance. Given that more than 50% of sales are invoiced in US dollars, translation back into AU dollars has reduced overall revenues. On a like for like foreign exchange basis, revenue would have been \$30.3m.
- Clover has carefully managed discretionary expenditure in the half-year with operating expenditure at \$4.6m, a reduction of 15% on the prior half-year. Clover has continued to experience legal expenses in enforcing its intellectual property rights against Pharmamark Nutrition Pty Ltd and an individual.
- The company has recognised its \$578,000 share of the first half loss of Melody Dairies, as the new spray drying facility in Hamilton New Zealand (NZ) has taken longer to be available and has been hampered by COVID-19 restrictions for product and customer qualification. Clover will use the spray dryer in 2H FY2021 for product development, customer acceptance testing and production of its hypoallergenic product range.

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**DIRECTORS' REPORT continued**

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- Excluding the one-off impacts of Melody Dairies delays and legal costs defending Intellectual Property rights, imply an underlying, normalised NPAT of \$3.3m
- The company's balance sheet remains strong with cash at \$9.8m.

**Operational Highlights**

- The company has released a highly concentrated Omega 3 powder which is under application trials for new health food products and the Research and Development team have several new products undergoing internal approvals for release in 2H FY2021.
- COVID-19 and industrial action have restricted container availability and access to shipping, making supply chains insecure. Accordingly, Clover maintains a strong raw materials inventory position to avoid these constraints and enable flexibility to respond to fluctuations in demand.
- The company remains focused on growing its markets and products to diversify its revenue opportunities. The EU, Asia and USA all remain key growth platforms for the company as they recover from COVID-19 conditions.
- Clover has managed its production through COVID-19 with a restricted workforce, increased hygiene procedures and constant communication. The company has not sought or received any government assistance during the period.

The fundamentals of the business remain strong. Whilst COVID-19 has impacted the customer base, curtailed growth and new projects, as vaccines become available and take effect, global markets are expected to recover. Clover is well placed to take advantage of new opportunities and grow with its existing customer base.

The global uncertainty is leading to a slow recovery in the infant formula market, leading Clover to expect revenue for FY2021 to be in the range of \$60m to \$70m.

**Dividend**

After careful consideration of the company's short-term cash requirements, the Board has declared a fully franked interim dividend of 0.5 cent per share in respect of the financial period ended 31 January 2021.

For more information please refer to:

[www.clovercorp.com.au](http://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 2021 has been received and is set out on page 19.

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

A handwritten signature in black ink, appearing to be 'Rupert Harrington', written in a cursive style.

**Rupert Harrington**  
**Chairman**  
**Melbourne**  
**Date: 15 March 2021**



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE HALF-YEAR TO 31 JANUARY 2021**

	Notes	31-Jan-21 \$'000	31-Jan-20 \$'000
Revenue	3	<b>29,443</b>	37,621
Other income/(expense)	2	<b>(269)</b>	385
Interest expense		<b>(220)</b>	(296)
Raw materials, consumables and conversion costs		<b>(20,447)</b>	(25,848)
Sales and marketing expenses		<b>(1,569)</b>	(1,783)
Administration and corporate expenses		<b>(1,854)</b>	(2,850)
Research and development expenses		<b>(1,211)</b>	(852)
Share of net profit of investments accounted for under the equity investment method		<b>(578)</b>	(18)
Profit before income tax		<b>3,295</b>	6,359
Income tax expense		<b>(783)</b>	(1,725)
Profit after tax for the period		<b>2,512</b>	4,634
Other comprehensive income			
Foreign currency translation adjustment		<b>(21)</b>	2
Other comprehensive income for the period		<b>(21)</b>	2
Total comprehensive income for the period		<b>2,491</b>	4,636
Earnings per share (EPS)			
Basic earnings per share (cent per share)		<b>1.51</b>	2.79
Diluted earnings per share (cent per share)		<b>1.50</b>	2.78

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 2021**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2021**

	Notes	31-Jan-21 \$'000	31-Jul-20 \$'000
Current Assets			
Cash and cash equivalents		9,815	9,241
Trade and other receivables		9,654	16,781
Inventories		31,537	31,933
Other current assets		639	1,118
Income tax prepaid		488	-
		<u>52,133</u>	<u>59,073</u>
Non-Current Assets			
Property, plant and equipment		6,258	5,756
Assets under use		37	93
Investments in Associates		13,094	13,580
Deferred tax assets		1,201	1,077
Intangible assets		1,907	1,907
		<u>22,497</u>	<u>22,413</u>
Total Assets		<u>74,630</u>	<u>81,486</u>
Current Liabilities			
Trade and other payables		4,194	8,009
Interest bearing liabilities		1,623	1,616
Lease liability		40	97
Current tax liabilities		-	584
Short-term provisions		666	630
		<u>6,523</u>	<u>10,936</u>
Non-Current Liabilities			
Interest bearing liabilities		12,153	12,904
Long-term provisions		56	77
		<u>12,209</u>	<u>12,981</u>
Total Liabilities		<u>18,732</u>	<u>23,917</u>
Net Assets		<u>55,898</u>	<u>57,569</u>
Equity			
Issued Capital	4	35,368	35,368
Reserves		212	237
Retained Profits		20,318	21,964
Total Equity		<u>55,898</u>	<u>57,569</u>

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

**Clover Corporation Limited**  
**Half-Year ended 31 January 2021**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR TO 31 JANUARY 2021**

	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Share- based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
<b>Balance at 1 August 2019</b>	<b>32,920</b>	<b>12,387</b>	<b>-</b>	<b>(166)</b>	<b>45,141</b>
Shares issued for the period (Note 4)	2,448	-	-	-	2,448
Profit for the period	-	4,634	-	-	4,634
Dividend paid (Note 5)	-	(2,910)	-	-	(2,910)
Share-based payment	-	-	72	-	72
Foreign Currency Translation	-	-	-	2	2
<b>Balance at 31 January 2020</b>	<b>35,368</b>	<b>14,111</b>	<b>72</b>	<b>(164)</b>	<b>49,387</b>
<b>Balance at 1 August 2020</b>	<b>35,368</b>	<b>21,964</b>	<b>389</b>	<b>(152)</b>	<b>57,569</b>
Profit for the period	-	2,512	-	-	2,512
Dividend paid (Note 5)	-	(4,158)	-	-	(4,158)
Share-based payment	-	-	(4)	-	(4)
Foreign currency translation	-	-	-	(21)	(21)
<b>Balance at 31 January 2021</b>	<b>35,368</b>	<b>20,318</b>	<b>385</b>	<b>(173)</b>	<b>55,898</b>

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

**Clover Corporation Limited**  
**Half-Year ended 31 January 2021**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR TO 31 JANUARY 2021**

	Note	31-Jan-21 \$ '000	31-Jan-20 \$ '000
<b>Cash flows from operating activities</b>			
Receipts from customers		37,049	43,223
Payments to suppliers and employees		(28,437)	(44,737)
Interest paid		(220)	(289)
Income tax paid		(1,978)	(1,758)
<b>Net cash inflow from operating activities</b>		<b>6,414</b>	<b>(3,561)</b>
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment		(805)	(498)
Investment in Associates		-	(3,661)
<b>Net cash outflow from investing activities</b>		<b>(805)</b>	<b>(4,159)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	3	(4,158)	(2,910)
Lease liability payments		(57)	(52)
Repayment of interest bearing liabilities		(820)	(697)
Receipt of interest bearing liabilities		-	3,019
<b>Net cash inflow from financing activities</b>		<b>(5,035)</b>	<b>(640)</b>
<b>Net (decrease)/increase in cash held</b>		<b>574</b>	<b>(8,360)</b>
Cash at the beginning of the period		<b>9,241</b>	<b>8,271</b>
<b>Cash at the end of the period</b>		<b>9,815</b>	<b>(89)</b>

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR TO 31 JANUARY 2021**

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**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 2021 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 16 March 2021.

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 2020, 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 2020, 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 2020.

**(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 2021**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR TO 31 JANUARY 2021**

	31-Jan-21 \$'000	31-Jan-20 \$'000
<b>2. Operating Result</b>		
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:		
<b>Other income/(expense):</b>		
Foreign exchange gain/(loss)	(269)	385
Interest (expense)	(220)	(296)
<b>Depreciation and amortisation expenses</b>	<b>(303)</b>	<b>(324)</b>

**3. Revenue**

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

<b>Timing of revenue:</b>		
Goods transferred at a point in time	29,443	37,621

**4. Issued Capital**

	31-Jan-21	31-Jul-20
<b>Ordinary shares on issue:</b>		
Number of shares	166,310,104	166,310,104
	<b>\$'000</b>	<b>\$'000</b>
Value of shares	35,368	35,368

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR TO 31 JANUARY 2021 (continued)**

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**5. Dividends**

**(a) Dividends paid during the half-year**

Final dividend for the period ended 31 July 2020 of 2.5 cent per share (31 July 2019: 1.75 cent per share) fully franked at the tax rate 30%.

<b>(4,158)</b>	<b>(2,910)</b>
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**(b) Dividends declared**

On 18 November 2020, the Company paid the final dividend in respect of the year ended 31 July 2020 of 2.5 cent per share (31 July 2019: final dividend 1.75 cent per share).

The Directors have declared a fully franked interim dividend of 0.5 cent per share in respect of the financial period ended 31 January 2021.

**6. Events subsequent to reporting date**

No matter or circumstance has arisen since 31 January 2021 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR TO 31 JANUARY 2021 (continued)**

**7. 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 2021 \$'000	Jan 2020 \$'000	Jan 2021 \$'000	Jul 2020 \$'000
Australia/NZ	11,362	21,237	21,296	21,336
Asia	11,272	10,147	-	-
Europe	4,506	3,981	-	-
Americas	2,303	2,256	-	-
<b>Total</b>	<b>29,443</b>	<b>37,621</b>	<b>21,296</b>	<b>21,336</b>

**8. Contingencies**

Litigation has been initiated by the company (and its subsidiary) against an individual and Pharmamark Nutrition Pty Ltd. During the half-year ended 31 January 2021 the company continued to incur legal and other expenses in conducting the litigation, and this is expected to continue until the matter is resolved.

The company alleges that the individual has engaged in conduct in breach of obligations owed to the company and that Pharmamark Nutrition Pty Ltd has supported that conduct. The company is seeking an injunction to restrain the conduct, as well as compensation, damages and costs. The directors are of the opinion that the company has good prospects of success in the litigation. The additional information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

**9. Capital Commitments**

There are no capital commitments



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**DIRECTORS' DECLARATION**

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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 2021 and of its performance for the half-year ended on that date; and
  - 2. comply with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Rupert Harrington**  
**Chairman**

**Melbourne**  
**15 March 2021**

## 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 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 January 2021 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 2021 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, 15 March 2021



Steven Bradby  
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 2021, I declare to the best of my knowledge and belief, there have been:

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

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



**PKF**  
Melbourne, 15 March 2021



**Steven Bradby**  
Partner