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Clover Corporation Limited

ASX Appendix 4E
Preliminary Final Report
30 June 2010

Lodged with the ASX under Listing Rule 4.3A

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The reporting period is the financial year ending 30 June 2010 with the corresponding period to the financial year ending 30 June 2009.

Results for Announcement to the Market

- Profit before tax and associates up 48.8% to \$7.29m;
- Total sales revenue increased 65.4% to \$34.9m;
- Loss after tax of \$0.97m after equity accounted losses and impairments of Future Food Ingredients Pty Limited ;

		% Change	Amount of Change \$'000		\$'000
Revenue from ordinary activities	Up	56.6%	12,960	to	35,851
Profit/(Loss) from ordinary activities after tax attributable to members	Down	-131.4%	(4,049)	to	(967)
Net profit/(loss) for the period attributable to members	Down	-131.4%	(4,049)	to	(967)

Dividends/distributions	Amount per security	Franked %
This Period		
Final dividend (subject to amendment of the Company's constitution)	1.25 cent	100%
Interim dividend	Nil	Nil
Previous corresponding period		
Final dividend	1 cent	100%
Interim dividend	Nil	Nil

Record date for determining entitlements to the final dividend:
(subject to amendment of the Company's constitution)

3 December 2010

Payment date for determining entitlements to the final dividend:
(subject to amendment of the Company's constitution)

15 December 2010

Amendment to Company constitution

In order for the above final dividend to be paid the Company must amend its constitution. Shareholders will be asked to approve this amendment at the Company's 2010 Annual General Meeting. For a further explanation please refer to the Review of Operations.

Dividend/distribution reinvestment plans

There are no dividend or distribution reinvestment plans as at 30 June 2010.

Explanation of Operating Results

For a further explanation of the year's operating result, please refer to the Review of Operations.

NTA Backing

	2010	2009
Net tangible asset backing per ordinary share after tax	14.31 cents	15.92 cents

EPS

	2010	2009
Basic Earnings per Share	(0.59) cents	1.87 cents
Diluted Earnings per Share	(0.59) cents	1.87 cents

Explanation of Profit after tax

For a further explanation of the financial year's operating results, please refer to the Review of Operations.

Explanation of Net Profit

For a further explanation of the financial year's operating results, please refer to the Review of Operations.

Explanation of Dividends

For a further explanation of the dividend declared, please refer to the Review of Operations.

Other information

This report is based on accounts which are in the process of being audited and an unqualified audit opinion is expected to be issued.

Review of Operations

The core business of Clover Corporation Limited ("Clover" or "the Company") has recorded a net profit before tax and before Associates of \$7.29 million (2009: \$4.90m), an increase of 48.8%. This increase reflects the strength of the Company's omega 3 oil products business. After taking to account the Company's share of the net loss of Associate, Future Food Ingredients Pty Limited ("FFI"), as well as the impairment of the investment in, and a shareholder loan to, FFI, Clover has recorded a profit before tax of \$1.57 million (2009: profit \$4.36m).

The Company has derecognised prior year capital tax losses of \$0.68m (2009: \$nil) during the year, due to a revision in the Directors' estimate of the possibility to utilise these losses in the foreseeable future. After taking account of this adjustment, Clover has recorded a loss after tax for the full year of \$0.97 million (2009: profit \$3.08m)

Results for the Year ended 30 June 2010	\$m	\$m
Core Business – profit before tax		7.29
Future Foods Ingredients		
Clover share of Loss	(0.98)	
Impairment of Investment	(2.10)	
Impairment of Loans	(2.64)	
		(5.72)
		1.57
Income Tax Expense (including derecognition of prior period capital losses of \$0.68m)		(2.54)
Loss after Tax		(0.97)

Clover advised shareholders at the release of its Half Year results that a strategic review had been initiated to address FFI's continued under performance and first half loss. The review identified a number of key operational issues as well as the need for urgent plant maintenance. Having addressed a number of identified issues, including management changes and improved operational procedures, a decision was made that, based on a revised business plan, the projected costs associated with moving the FFI joint venture to a breakeven position could not be justified. As a result, Clover has taken the decision to fully impair its investment in FFI and its related shareholder loans as at 30 June 2010. In addition, a decision has been taken to dispose of the business. Information Memorandums have been issued to several interested parties.

Clover's core business is the development, manufacture and sale of Omega-3 oils and encapsulated bioactive ingredients for infant formula, children's foods, foods, supplements and medical foods. This core business continued its strong growth during the year under review. Sales revenue for the period increased by 65.4% to a record \$34.94 million, with commercial activity featuring value-added encapsulated oil products into Asia, in particular for use in infant formula and children's foods, gaining significant momentum.

Other items of note during the financial year for the core business were:

- Expanded market reach, including the further development of the Chinese market, where sales advanced by some 90% in FY10.
- Increased cash generation by the business with \$12.15 million (2009: \$9.19m) in cash reserves at the end of the period.
- Strategic appointments in the areas of sales, marketing and operations to support the expanded business activity.

Review of Operations (*continued*)

- Increased commitment to the development of new products to support Clover's strong position in the infant formula market. Expenditure on innovation and research increased by 28% to \$1.13 million (2009: \$0.88m).
- Successful outcomes from past product innovation and development - the percentage of sales revenue now being generated by products commercialised during the past 4 years is 50%.
- Expanded use of non marine nutritional oils and other bioactive materials in the Company's encapsulated powdered products.
- Expanding strategic associations to increase the impact of the company's product innovation efforts. These include a long term research linkage with CSIRO to improve encapsulation technology and the development of innovative proprietary products, and a Technical Cooperation Agreement recently enacted with Corn Products International, Inc. to facilitate the development of further specialty nutritional bioactive combinations and delivery systems.
- Involvement in 18 nutritional and clinical trials, evaluating the benefits of omega 3 oils for human health.
- The establishment of additional sources of tuna oil to secure supply in support of growing future sales requirements.
- Effective risk management resulting in continuous product supply and support of Clover's customers in spite of the interruption of crude tuna oil supply from American Samoa following a tsunami, and a fire in an electrical distribution box at the Company's Altona oil refinery temporarily disrupting refining activities

Dividend

Given the strong performance of the Company's core business, the Directors have declared a fully franked dividend of 1.25 cents per share in respect of the year ended 30 June 2010, subject to amendment of the Company's Constitution. The record date for this dividend, subject to the change to the Company's Constitution being approved at the Annual General Meeting, will be 3 December 2010 with payment due on 15 December 2010.

The amendment to the constitution is required to reflect a recent revision of section 254T of the Corporations Act 2001. Under the revised section a company is permitted to pay a dividend provided its assets exceed its liabilities, the dividend is fair and reasonable to shareholders as a whole and the dividend does not materially prejudice creditors.

At the Company's 2010 Annual General Meeting the Shareholders will be asked to approve an amendment to the constitution which will allow the payment of dividends using these criteria. Provided the amendment is approved, the Company will confirm the record and payment dates by announcement to the Australian Securities Exchange and the dividend will be paid. If the amendment is not approved, the Company will be unable to pay the dividend.

With the pending sale of Associate FFI, Clover is now focused on its core Omega-3 and encapsulated nutritional product business with particular emphasis on the Asian market including China. The outlook for FY 2011 is positive, however costs associated with the divestment of FFI may have an impact on the first half result.



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PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

		Consolidated	
	Notes	30-Jun-10 \$'000	30-Jun-09 \$'000
Sale of goods		34,937	21,121
Cost of goods sold	2	<u>(21,565)</u>	<u>(13,299)</u>
Gross profit		13,372	7,822
Other income	2	914	1,770
Sales and marketing expenses		(3,116)	(1,668)
Administration and corporate expenses		(2,702)	(2,051)
Research and development expenses		(1,126)	(882)
Management fee expense		(50)	(49)
Impairment of inventory		-	(44)
Impairment of investment	4	(2,100)	-
Impairment of receivable	4	(2,642)	-
Share of net loss of associate accounted for using equity accounting	7	<u>(983)</u>	<u>(430)</u>
Profit before income tax		1,567	4,468
Income tax expense		<u>(2,534)</u>	<u>(1,386)</u>
(Loss) / Profit after tax for the period		<u>(967)</u>	<u>3,082</u>
Other comprehensive loss			
Foreign currency translation adjustment loss, net of 30% tax		<u>(28)</u>	<u>(113)</u>
Other comprehensive loss for the period		<u>(28)</u>	<u>(113)</u>
Total comprehensive (loss) / income for the period		<u>(995)</u>	<u>2,969</u>
Earnings per share (EPS)			
Basic earnings per share (cents per share)		(0.59)	1.87
Diluted earnings per share (cents per share)		(0.59)	1.87

This Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

		Consolidated	
	Notes	30-Jun-10	30-Jun-09
		\$'000	\$'000
Current Assets			
Cash and cash equivalents		12,153	9,192
Trade and other receivables		8,162	5,452
Inventories		6,463	6,373
Other current assets		36	188
		<u>26,814</u>	<u>21,205</u>
Non-Current Assets			
Trade and other receivables		-	1,618
Financial assets		4	4
Investments accounted for using the equity method	7	-	3,084
Property, plant and equipment		2,112	2,172
Deferred tax assets		832	1,522
Intangible assets		1,984	1,976
		<u>4,932</u>	<u>10,376</u>
Total Assets		<u>31,746</u>	<u>31,581</u>
Current Liabilities			
Trade and other payables		4,080	2,326
Current tax liabilities		1,309	418
Short-term provisions		458	317
		<u>5,847</u>	<u>3,061</u>
Non-Current Liabilities			
Deferred tax liabilities		200	183
Long-term provisions		72	63
		<u>272</u>	<u>246</u>
Total Liabilities		<u>6,119</u>	<u>3,307</u>
Net Assets		<u>25,627</u>	<u>28,274</u>
Equity			
Issued Capital	5	32,920	32,920
Foreign Currency Translation Reserves		(50)	(22)
Accumulated Losses	6	(7,243)	(4,624)
Total Equity		<u>25,627</u>	<u>28,274</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

Consolidated	Issued Capital \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 30 June 2008	32,920	(6,054)	91	26,957
Profit for the period	-	3,082	-	3,082
Dividend Paid	-	(1,652)	-	(1,652)
Foreign Currency Translation Reserve	-	-	(113)	(113)
Balance at 30 June 2009	32,920	(4,624)	(22)	28,274
Balance at 1 July 2009	32,920	(4,624)	(22)	28,274
Profit for the period	-	(967)	-	(967)
Dividend Paid	-	(1,652)	-	(1,652)
Foreign Currency Translation Reserve	-	-	(28)	(28)
Balance at 30 June 2010	32,920	(7,243)	(50)	25,627

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010**

	Consolidated	
	30-Jun-10	30-Jun-09
	\$ '000	\$ '000
Cash flows from operating activities		
Receipts from customers	35,569	24,097
Payments to suppliers and employees	(30,109)	(23,554)
Interest received	284	474
Income tax paid	(938)	(607)
Net cash inflow from operating activities	4,806	410
Cash flows from investing activities		
Purchases of plant and equipment	(169)	(308)
Purchases of patents and trademarks	(24)	(17)
Net cash outflow from investing activities	(193)	(325)
Cash flows from financing activities		
Dividends paid	(1,652)	(1,652)
Net cash outflow from financing activities	(1,652)	(1,652)
Net increase / (decrease) in cash held	2,961	(1,567)
Cash at the beginning of the year	9,192	10,759
Cash at the end of the year	12,153	9,192

The Cash flow Statement should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. Significant accounting policies

Basis of preparation

This financial report for the year ended 30 June 2010 is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Clover Corporation Limited ("Clover" or "the Company") and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been applied in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

This financial report does not include full disclosures of the type normally included in an annual financial report.

Change in accounting policy

From 1 July 2009 the Company has adopted the following Standards for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards does not have any effect on the financial performance or position of the Company.

- AASB 8: Operating Segments
- AASB 101: Revised Presentation of Financial Statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

	Consolidated	
	30-Jun-10	30-Jun-09
	\$'000	\$'000
2. Revenue		
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 year:		
Revenue		
Sale of goods	34,937	21,121
Government grant	110	75
Foreign exchange gains (net)	105	698
Interest revenue	429	620
Other	270	377
Total Revenue	35,851	22,891
Expenses		
Cost of goods sold	21,565	13,299
Depreciation & Amortisation	247	303

3. Dividends

	\$'000	Amount per security CPS
Final dividend		
Final dividend not recognised in accumulated losses expected to be paid on 15 December 2010 (subject to an amendment of the Company's constitution)	(2,065)	1.25c
Final dividend for previous corresponding year, paid on the 19 November 2009	(1,652)	1.00c

Interim dividend

No interim dividend was declared respect of the current financial year ending 30 June 2010 (2009: nil).

Dividend declared after balance date

The Directors have declared a final dividend for the year ended 30 June 2010 of 1.25 cent per share (2009: final 1.00 cent per share) fully franked at 30% subject to the amendment of the Company's constitution, payable on 15 December 2010, but not recognised as a liability at the end of the financial year. The record date for this dividend will be 3 December 2010.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

3. Dividends (continued)

The amendment to the constitution is required to reflect a recent revision of section 254T of the Corporations Act 2001. Under the revised section, a company is permitted to pay a dividend provided its assets exceed its liabilities, the dividend is fair and reasonable to shareholders as a whole and the dividend does not materially prejudice creditors. At the Company's 2010 Annual General Meeting the Shareholders will be asked to approve an amendment to the constitution which will allow the payment of dividends using these criteria. Provided the amendment is approved, the Company will confirm the record and payment dates by announcement to the Australian Securities Exchange and the dividend will be paid. If the amendment is not approved, the Company will be unable to pay the dividend.

4. Events subsequent to reporting date

On 8 July 2010 the Directors announced the decision to divest Clover's investment in Future Food Ingredients Pty Ltd, ("FFI") a company owned 50% by Clover.

In addition, the Directors fully impaired Clover's investment in FFI of \$2,100,000 and the Company's loan to FFI of \$2,642,000.

The Directors' decision to impair was based on ongoing disappointing results of the FFI business, culminating in a loss before tax in FY 2009/10 of \$1,966,000 (Clover's 50% share, \$983,000) and a negative outlook for the business for FY 2010/11. Under the terms of the shareholder's agreement, Clover offered its share in FFI to their joint venture partner which was declined. Both joint venture partners have decided to offer the business for sale as a going concern, or as an asset sale.

The joint venture partners have provided guarantees to jointly and severally underwrite the loans extended to FFI by its finance provider in the event of any shortfall emanating from the sale process. The Directors estimate that proceeds from the ongoing sale process will be sufficient to cover FFI's financial liabilities.

As at the date of this report, the joint venture partners are in the process of seeking expressions of interest from purchasers. The Directors will report on the outcome of the sale process, once this has been finalised.

Other than the above, no events have occurred subsequent to balance date which would materially affect the financial report.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

		Consolidated	
		30-Jun-10	30-Jun-09
		\$'000	\$'000
5.	Contributed equity		
	Issued and paid up capital		
	165,181,696 (2009: 165,181,696) ordinary shares, fully paid	<u>32,920</u>	<u>32,920</u>
6.	Accumulated losses		
	Accumulated losses at the beginning of the financial period	(4,624)	(6,054)
	Dividend paid	(1,652)	(1,652)
	Net profit attributable to members	(967)	3,082
		<u> </u>	<u> </u>
	Accumulated losses at the end of the financial period	<u>(7,243)</u>	<u>(4,624)</u>
7.	Associates		
		Interest in	
		Associates	
		30-Jun-10	30-Jun-09
		\$'000	\$'000
	Future Food Ingredients Pty Limited	50%	
	- carrying value of investment	-	3,084
	- share of net loss	(983)	(430)
	- carrying value of loan from Clover Corporation Limited		1,618
	JSR Clover Limited	50%	-

Refer to *Note 4: Events subsequent to reporting date* for more information regarding Future Food Ingredients Pty Limited.

8. Related party transactions

Clover Corporation Limited is the ultimate parent entity of the economic entity.

Other related parties and Director- related entities with whom the economic entity continues to transact are:

- Corporate & Administrative Services Pty Limited – accounting fees

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

9. Controlled entities

Control has neither been gained nor lost over any entities during the year ended 30 June 2010 (2009: None).

10. Segment information

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors in assessing performance and in determining the allocation of resources.

The Company operates entirely in the industry of manufacturing tuna oils and related products in Australia. The operating segments are identified by management based on the oil derived omega-3 oils and microencapsulated powders. The reportable segments are split between the omega-3 oil and soy bean products. Financial information about each of these segments is reported to the Chief Executive Officer and Board of Directors on a monthly basis.

Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments are the same as those contained in note 1 to the accounts and in the prior period. The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)**

10. Segment information

The following represents profit and loss information for reportable segments for the year ended 30 June 2010.

Primary Reporting – Business Segments

	Soy production and supply		Tuna Oil and DHA product refinement, development and supply		Investment/Treasury		Economic Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue								
Sales Revenue	1,250	1,025	33,687	20,096	-	-	34,937	21,121
Other revenue	-	-	380	452	534	1,318	914	1,770
Total segment revenue	1,250	1,025	34,067	20,549	534	1,318	35,851	22,891
Total revenue consolidated							35,851	22,891
Results								
Segment result	-	-	6,758	3,578	534	1,318	7,292	4,897
Share of net profits/(losses) of equity accounted associate	(983)	(430)	-	-	-	-	(983)	(430)
Impairment loss on investment	(2,100)	-	-	-	-	-	(2,100)	-
Impairment loss on receivable	(2,642)	-	-	-	-	-	(2,642)	-
Profit before income tax							1,567	4,467
Income tax expense							(2,534)	(1,386)
Profit for the year							(967)	3,082