



Clover Corporation Limited
ABN 85 003 622 866

ASX ANNOUNCEMENT

30 August 2010

CLOVER CORPORATION RECORDS CONTINUED STRONG GROWTH IN ITS CORE BUSINESS AND APPROVES EXIT FROM ITS UNDERPERFORMING JOINT VENTURE

- Profit before tax and before Associates up 48.8% to \$7.29 million.
- Loss after tax of \$0.97 million (2009: profit \$3.08m) due primarily to full impairment of the investment, shareholder loan and interest accrued in joint venture Future Food Ingredients Pty Ltd (FFI).
- Total sales revenue of \$34.94 million (2009: \$21.12).
- Directors have declared a conditional dividend of 1.25 cents per share fully franked (2009: 1c).
- Positive outlook for FY11 with strong start to the year to date.

Clover Corporation Limited (Clover) has reported a net profit before tax (before joint venture impact and abnormals) for the financial year ended 30 June 2010 of \$7.29million (2009: \$4.90m), an increase of 48.8%.

However due to the full impairment of the investment, shareholder loan and interest accrued in the joint venture FFI and the proportion of operational losses of \$0.98million, the net profit after tax has fallen from a profit of \$3.08 million in 2009 to a net loss after tax in 2010 of \$0.97 million.

Despite the impact of the full impairment and the share of the operational losses from FFI on the Clover NPAT there was a substantial increase in sales revenue and improved cash generation.

Total sales revenues increased 65.4% for the period, growing to \$34.94 million (2009: \$21.12m).

Fully franked dividend

Directors have declared a fully franked final 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 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. 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 under the new 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.

FFI review completed; Board decides on full impairment and divestment

Clover CEO and Managing Director Dr Ian Brown said this year has been one in which Clover has operated in two business areas which were completely divergent; the strong performing core business of Nu-Mega Ingredients Pty Ltd (Nu-Mega), and the impaired FFI business.

FFI failed to meet its business objectives and in turn necessitated a detailed review in the second half of the financial year.

"The outcome of this review was the decision by Clover to exit the JV, cease to sell any of FFI's products through Nu-Mega, fully impair its investment and seek a purchaser for its portion of FFI," Dr Brown said.

Strong growth in Clover's core business line

In contrast the sales and operational performance of Nu-Mega, which represented in FY10 more than 96% of Clover's sales revenue, had another impressive year with sales revenue increasing by 67.6% to \$33.69million (2009: \$20.10million).

The significant expansion of sales in value-added encapsulated oil products was focused in Asia, in particular in infant formula and children's food applications. These sales into Asia also resulted from the introduction of new products.

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: \$9.10million) in cash reserves at the end of the period.
- 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: \$0.88million).

Dr Brown said that Clover remained committed to the continuing development of new products which support the company's strong position in the infant formula market.

The company continued to develop new products and enter new markets during the year. Highlights here included;

- Expanded use of non marine nutritional oils and other bioactive materials in the Company's encapsulated powdered products.

- 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%.
- Expanding strategic associations to increase the impact of the Company's product innovation efforts. These included;
 - 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.
- The establishment of additional sources of tuna oil to secure supply in support of growing future sales requirements.
- Involvement in 18 nutritional and clinical trials, evaluating the benefits of Omega-3 oils for human health.
- Strategic appointments in the areas of sales, marketing and operations to support the expanded business activity.
- 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.

Strong start to the year and a positive outlook for FY11

Dr Brown said 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 high growth potential Asian markets, including China.

"We have had a very sound start to the new financial year. Whilst costs associated with the divestment of FFI may have an impact on the first half result, the overall outlook for Clover for FY11 is positive," Dr Brown said.

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