Clover Corporation Limited
ABN 85 003 622 866

1st Floor, 160 Pitt Street
SYDNEY. N.S.W. 2000
Telephone + 61 2 9232 7166
Facsimile + 61 2 9233 1025

18 October 2010

Australian Securities Exchange
Attention: Companies Department

BY ELECTRONIC LODGEMENT

Dear Sir/Madam

2010 Annual Report and Annual General Meeting

Please be advised that Clover Corporation Limited will today dispatch its 2010 Annual Report to its shareholders, along with the following:

- Notice of Annual General Meeting
- Annual General Meeting Explanatory Notes
- Proxy Form

Copies of the documents dispatched including a sample proxy form are attached.

Yours sincerely

Ian Bloodworth
Company Secretary

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SYDNEY NSW 2000
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Facsimile+ 61 2 9233 1025

NOTICE OF ANNUAL GENERAL MEETING
23 November 2010

Notice is hereby given that the Annual General Meeting of Clover Corporation Limited will be held in the Lyceum Theatre at the Wesley Conference Centre, 220 Pitt Street, Sydney N.S.W. 2000 on Tuesday 23 November 2010 at 11:00am.

ORDINARY BUSINESS

1. Annual Report

To receive and consider the annual financial report and the reports of the directors and of the auditor for the financial year ended 30 June 2010.

2. Remuneration Report

To adopt the Remuneration Report for the year ended 30 June 2010 (ordinary resolution).

Note: Pursuant to section 250R(3) of the Corporations Act the vote on this resolution is advisory only and does not bind the Directors or the Company.

3. Election of Directors

a. To re-elect as a director Dr M.J. Sleigh who retires by rotation in accordance with article 16 of the Company's constitution and, being eligible, offers herself for re-election (ordinary resolution).

b. To re-elect as a director Mr D.E. Wills who retires by rotation in accordance with article 16 of the Company's constitution and, being eligible, offers himself for re-election (ordinary resolution).

SPECIAL BUSINESS

4. Amendment of the Company's Constitution

To consider, and if thought fit, to pass the following as a special resolution:

"That the Company adopt an amendment to its constitution by the insertion of the new article 28, tabled at this meeting, in substitution for, and to the exclusion of, the existing article 28."

The amendment concerns conditions under which the Company may pay dividends.

By order of the Board

I.D. Bloodworth
Company Secretary
15 October 2010

Voting Entitlements

For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7.00pm Australian Eastern Standard Time on Friday 19 November 2010 will be taken, for the purpose of the Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

PROXIES
A Member entitled to vote at the Meeting may appoint a Proxy to attend and vote in their place.

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ANNUAL GENERAL MEETING
EXPLANATORY NOTES

Item 1. - Receive and consider the financial and other reports

This item does not require voting by shareholders. It is intended to provide an opportunity for shareholders to raise questions on the reports themselves and on the performance and management of the Company.

The auditors of the Company will be present at the meeting and will also be available to answer questions.

Item 2. - Adopt the Remuneration Report for the year ended 30 June 2010

The Corporations Act requires that the remuneration report be presented to the shareholders of the Company for consideration and adoption.

The Directors' Report contains within it, a separate and clearly identified section which contains the Remuneration Report.

The vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders will also be given a reasonable opportunity, as a whole, to ask questions about, and make comments on, the Remuneration Report.

Item 3. - Election of Directors

Dr Merilyn J. Sleigh, B.Sc, PhD, DipCorp Man, FTSE

Dr Sleigh was appointed to the Board on 9 July 2008. She was re-elected by shareholders at the 2008 Annual General Meeting and is the chairperson of the remuneration committee and a member of the audit committee.

She was formerly CEO & Managing Director of EvoGenix Limited; Dean, Faculty of Life Sciences, University of NSW; Director, Research & Development at Peptech Limited and Scientist & Senior Manager, CSIRO.

Dr Sleigh is currently a director of Tyrian Diagnostics Limited and a private biotechnology company and advises government and life sciences companies and their investors.

Mr David E. Wills, B.Com, FCA

Mr Wills was appointed to the Board on 27 January 2005. He was re-elected by shareholders at the 2008 Annual General Meeting and is the chairman of the audit committee and a member of the remuneration committee.

He is a non-executive director of Washington H. Soul Pattinson and Company Limited, which is a substantial shareholder of the Company.

Mr Wills holds a B.Com and is a Chartered Accountant. He was a partner of Coopers & Lybrand and then PricewaterhouseCoopers for 25 years. Mr Wills is currently the Chairman of the Board of Governors of the Sir David Martin Foundation. He is a non-executive director of Souls Private Equity Limited, together with a number of unlisted companies.

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Item 4. - Amendment of the Company's Constitution

It is proposed to amend the Company's constitution by replacing the existing article 28.

The purpose of the new article 28 is to:

- bring the Company's constitution into line with recent changes to s254T of the Corporations Act. The new s254T allows companies flexibility to pay dividends where funds are available but, as a result of the application of the Accounting Standards, the company's accounts do not show sufficient profits in a particular financial year. As the current article 28 requires that dividends only be paid out of profits, it is necessary to amend the constitution to allow payment of a dividend for the 2010 year.
- remove a number of provisions dealing with accounting concepts that are no longer relevant following changes to the Corporations Act.

If the amendment to the constitution is not approved, the Company will not be able to pay a dividend in respect of the year ended 30 June 2010.

The Australian Securities Exchange has no objections to the new article 28.

A copy of the new and existing article 28 can be viewed at the Company's website, <http://www.clovercorp.com.au>, under the Corporate Governance tab and will be made available at the meeting.

Admission to meeting

Shareholders who will be attending the meeting, and who will not be appointing a proxy, are asked to bring their proxy form to the meeting to facilitate the admission process.

Shareholders who do not plan to attend the meeting are encouraged to complete and return their proxy form to Computershare Investor Services in the prepaid envelope provided. Alternatively, shareholders can return the proxy form by facsimile as detailed on the proxy form.

Questions and comments by shareholders at the meeting

A reasonable opportunity will be given to shareholders, as a whole, to ask questions about or make comments on the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to shareholders, as a whole, to ask the Company's external auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to the auditor if the question is relevant to:

- the content of the Auditor's Report to be considered at the meeting; or
- the conduct of the audit of the annual financial report to be considered at the meeting.

Relevant written questions to the auditor must be received no later than 5:00pm (Sydney time) on 12 November 2010. A list of those relevant written questions will be made available to shareholders attending the meeting.

If written answers are tabled at the meeting, they will be made available to shareholders as soon as practicable after the meeting.

<u>Please send any written questions for the auditor to:</u>
Clover Corporation Limited
GPO Box 479, SYDNEY NSW 2001
or by facsimile to +61 2 9233 1025

CLOVER
CORPORATION

Clover Corporation Limited
ABN 85 003 622 866

000001 000 CLV
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11:00am (AEDT), Sunday 21 November 2010

How to Vote on Items of Business
All your securities will be voted in accordance with your directions.

Appointment of Proxy
Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions
Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting
Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View your securityholder information, 24 hours a day, 7 days a week:
www.investorcentre.com

☑ **Review your securityholding**
☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Clover Corporation Limited hereby appoint

☐ **the Chairman of the meeting** **OR** ______

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Clover Corporation Limited to be held at the Lyceum Theatre at the Wesley Conference Centre, 220 Pitt Street, Sydney N.S.W. 2000 on Tuesday 23 November 2010 at 11:00am and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS		For	Against	Abstain
2	To adopt the Remuneration Report for the year ended 30 June 2010	☐	☐	☐
3a	To re-elect Dr M.J. Sleigh as a Director	☐	☐	☐
3b	To re-elect Mr D.E. Wills as a Director	☐	☐	☐
SPECIAL BUSINESS				
4	To amend the Company's Constitution	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______ **Contact Daytime Telephone** ______ **Date** ___/___/___

CLV 118426A

Computershare

Annual Report
Year Ended 30 June 2010

CLOVER
CORPORATION

Clover Corporation Limited ABN 85 003 622 866

CORPORATE DIRECTORY

Directors

Peter R. Robinson	Non-Executive Director and Chairman
Ian L. Brown	Managing Director - Executive
Cheryl L. Hayman	Non-Executive Director
Merilyn J. Sleigh	Non-Executive Director
David E. Wills	Non-Executive Director

Secretary

Ian D. Bloodworth

Registered Office

Level 1
160 Pitt Street Mall
Sydney NSW 2000

Telephone: (02) 9232 7166
Facsimile: (02) 9233 1025

Auditors

Lawler Partners
Level 9
1 O'Connell Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: 1300 850 505

Australian Stock Exchange Code

Ordinary Shares CLV

Website

http://www.clovercorp.com.au

List of Contents

Mission Statement

We seek to improve human nutrition and thereby quality of life by delivering innovative, added value ingredients of the highest quality to foods and nutritional supplements. In doing so we will provide a competitive advantage for our customers, value to our shareholders and a working environment in which our employees can fully utilise and develop their respective skills.

Chairman's and Managing Director's Report

Clover Corporation Limited (Clover) has reported a loss after tax for the financial year ended 30 June 2010 of $0.97 million (2009: $3.08 million) as a result of fully impairing the Company's investment in Future Food Ingredients Pty Limited (FFI) as well as derecognising deferred tax assets relating to prior periods of $0.68 million.

The core and ongoing business of Clover recorded a strong net profit before tax of $7.29 million (2009: $4.90 million), an increase of 48.8%. This increase reflects the growth of the Company's omega-3 oil products business.

To fully understand Clover's performance the table below clearly highlights the material variance to last year's result.

Results for the Year ended 30 June 2010 compared with last year

	2010 $m	2009 $m
Core Business – profit before tax	7.29	4.90
Future Food Ingredients		
Clover – share of loss	(0.98)	(0.43)
Impairment of Investment	(2.10)	Nil
Impairment of Loans	(2.64)	Nil
Profit before tax	1.57	4.47
Income Tax Expense (including derecognising deferred tax assets relating to prior periods of $0.68 million)	2.54	1.39
(Loss)/Profit after tax	(0.97)	3.08

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. FFI, a joint venture with Austgrains Pty Limited was formed in 2005 to commercialise the production of bland flavoured soy ingredients manufactured from non-GM soybeans. The FFI plant located in Moree, NSW experienced lengthy delays in plant commissioning which caused significant setbacks in the commercialisation of the product range. As a result, the joint venture continued to record losses for a longer period than expected.

The review conducted by Clover 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 by the joint venture partners that, based on a revised business plan, the projected costs associated with moving FFI to a breakeven position could not be justified. As a result, Clover took the decision to fully impair its investment and related shareholder loans in FFI totalling $4.74 million as at 30 June 2010. In addition, a decision was made to dispose of the business and a number of interested parties have inspected the plant. The outcome of this decision and the sale process is likely to be known during the first half of the 2011 financial year.

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.
- 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).

Chairman's and Managing Director's Report (continued)

- 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 further development of 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.
- 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.

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. If the amendment is not approved, the Company will be unable to pay the dividend.

With the pending exit from the FFI joint venture, 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.

We would like to thank the staff, management and directors of Clover and Nu-Mega Ingredients Pty Limited for their continued commitment which has enabled the Consolidated entity to record a strong profit result from core activities whilst managing the challenges faced by FFI during the year.

Peter R. Robinson
Chairman
Date: 22 September 2010

Ian L. Brown
Managing Director

About Clover

Company Focus

Clover seeks to improve human nutrition and quality of life by developing value-added nutrients for use in foods or as nutritional supplements. In doing so, Clover provides a competitive advantage for its customers, value to shareholders and a working environment in which employees can fully utilise and develop their respective skills.

Company History

Clover was formed in 1988 as a family-owned Australian company providing lipid-based ingredients for the food industry. Clover was listed on the ASX in November, 1999.

In November, 2002, Clover entered into a joint venture with the Queensland-based Food Spectrum Group of companies. The incorporated joint venture, Nu-Mega Ingredients Pty Limited (Nu-Mega), was 70% owned by Clover. The joint venture ceased in November 2007 when Clover acquired the remaining 30% of Nu-Mega to make it a wholly owned subsidiary. Nu-Mega has significantly expanded its markets, introduced new products with a focus on encapsulation technology and the delivery of bioactive nutritional ingredients.

Clover established a second joint venture, Future Food Ingredients Pty Limited (FFI), in 2004. FFI is jointly held by Clover Corporation Limited and Austgrains Pty Limited. FFI uses a specialised process to remove the "beany" flavour from soy bean flour and other soy-based ingredients for addition into food products. On 8th July 2010 the Company announced its intention to sell its interest in the FFI joint venture, and Nu Mega has ceased its role as marketer and distributor of Nu Soya products.

In 2009 Nu-Mega entered an exclusive agreement with GTC Nutrition to expand sales in the America's and Europe. GTC was chosen because it shares a common market philosophy with Clover, including the focus on value-added markets and technical support. Market activity is expanding in the target territories.

The improved business performance of Nu-Mega has been recognised by the 2009 Frost & Sullivan Asia Pacific Industrial Technologies Award for Functional Ingredient Company of Year. The award for Nu-Mega's success in the omega-3 infant and nutrition market was made in Singapore on the 20 August 2009.

Company Operations

Clover operates from three sites:

- Company headquarters in Sydney which supports executive management of the company, finance and investor relations functions.
- A manufacturing plant for tuna oils and related products at Altona in Victoria.
- A product development R&D facility in Brisbane.

Company Technology and Products

The major focus of the Company is on the delivery of bioactive ingredients via encapsulation principally involving tuna oil and other nutritional lipids. The human health benefits of marine derived omega-3 fatty acids in the diet have been well documented and this has assisted in developing the expanding global market for omega-3 products. Clover uses tuna oil which is high in DHA, an essential fatty acid which is recognised for its importance in the brain, nerve and eye tissue in babies and infants. Clover, through its subsidiary Nu-Mega, supplies a range of encapsulated and lipid ingredients for use in infant formula.

Clover has licensed patented technology from the CSIRO for the encapsulation of marine and algal oils to protect them from oxidation and degradation. Nu-Mega's Driphorm® range of microencapsulated powders enable the addition of Hi-DHA® tuna and/or algal oils to a broad spectrum of products in a convenient and stable dry powder form. These ingredients are marketed globally.

Directors' Report

Your directors present their report on the consolidated entity consisting of Clover Corporation Limited ("the Company") and the entities it controlled ("the consolidated entity") at the end of, or during, the year ended 30 June 2010.

Directors

The following persons were directors of Clover Corporation Limited during the financial year and up to the date of this report unless otherwise stated:

Name and qualifications	Experience and special responsibilities
Mr Peter R. Robinson, B.Com Chairman Non-executive director	Mr Robinson has held both executive and non-executive directorships for a period of 25 years. Mr Robinson has over 30 years experience at general management and chief executive officer level. Mr Robinson joined Washington H. Soul Pattinson and Company Limited (WHSP) in 1978 and was appointed an executive director of WHSP in 1984. Mr Robinson is also non-executive Chairman of Australian Pharmaceutical Industries Limited and is a non-executive director of New Hope Corporation Limited. Appointed Chairman 1 December 2002. Director since 14 August 1997. Listed company directorships held during the last three years: Australian Pharmaceutical Industries Limited, appointed 2000, current. KH Foods Limited (in liquidation), appointed 2008, current. New Hope Corporation Limited appointed 1997, current. WHSP appointed 1984, current.
Dr Ian L. Brown, PhD, M.Sc, B.Sc, Dip Bus Stud, Dip Ed, AFAIM, MRACI, MAIFST Chief Executive Officer Managing Director	Dr Brown brings over 30 years of international involvement in both a technical and commercial capacity in the cereal, ingredient, food and nutritional industries. Dr Brown has global experience in technical, scientific, commercial and sales management. He has an international reputation for the successful discovery, development and commercialisation of nutraceuticals and health related dietary components. Dr Brown maintains strong links to the research community through positions as a Visiting Professorial Fellow at the University of Wollongong and an Adjunct Professor at Flinders University in Australia and as a Special Visiting Professor at the University of Colorado, USA. In addition he serves as the Chairman of the Cereal Chemistry Division of the Royal Australian Chemical Institute. CEO and Managing Director since 26 June 2006.

Directors' Report (continued)

Name and qualifications	Experience and special responsibilities
Ms Cheryl L. Hayman, B.Com(Mktg) Non-executive director Member of the audit committee Member of the remuneration committee	Ms Hayman was formerly Marketing Director for the Baking Division of George Weston Foods (Australia/NZ) and was largely responsible for the successful launch of the Hi-DHA Tip Top Up bread. Ms Hayman has extensive food industry experience in the management and development of the branding, marketing and innovation of functional foods. Non-executive director, Peer Support Foundation. Non-executive director, Australian Businesswomen's Network. Previous Convenor of Go Grains Marketing Communications Advisory Board. Advisory Board Sumo Salad Group Limited since July 2008. Director since 9 July 2008.
Dr Merilyn J. Sleigh, B.Sc, PhD, DipCorp Man, FTSE Non-executive director Member of the audit committee Chairperson of the remuneration committee	Dr Sleigh was formerly CEO & Managing Director of EvoGenix Limited; Dean, Faculty of Life Sciences, University of NSW; Director, Research & Development at Peptech Ltd and Scientist & Senior Manager, CSIRO. She is currently a director of a private biotechnology company and advises government and life sciences companies and their investors. Director since 9 July 2008. Listed company directorships held during the last three years: EvoGenix Limited, appointed October 2001, resigned August 2007. Tyrian Diagnostics Ltd, appointed December 2008, current.
Mr David E. Wills, B.Com, FCA Non-executive director Chairman of the audit committee Member of the remuneration committee	Mr Wills holds a B.Com and is a Chartered Accountant. He was a partner of Coopers & Lybrand and then PricewaterhouseCoopers (PwC) for 25 years. Mr Wills is currently the Chairman of the Board of Governors of the Sir David Martin Foundation. He is a non-executive director of Souls Private Equity Limited and Washington H. Soul Pattinson and Company Limited (WHSP), together with a number of private companies. Director since 27 January 2005. Listed company directorships held during the last three years: Dyno Nobel Limited, appointed 2006 resigned 2008. WHSP appointed 2006, current. Souls Private Equity Limited, appointed 2004, current.

Directors' Report (continued)

Name and qualifications	Experience and special responsibilities
Mr Guy H. Drummond, B.Econ, ACA Non-executive director - resigned 24 November 2009 Member of the audit committee Member of the remuneration committee	Mr Drummond is a founding senior executive of the Clover Group and was involved in the sales and marketing of Clover's Omega-3 DHA from incorporation until 1999. Mr Drummond is the Managing Director of a nutritional supplement trading company, Pharmamark Australia which has an interest in a pharmacy retail brand business in South Africa. Director from13 December 2005 to 24 November 2009. Listed company directorships held during the last three years: 1300 Smiles Limited, resigned November 2007.
COMPANY SECRETARY Mr Ian D. Bloodworth, B.Bus, ACA	Mr Bloodworth is a Chartered Accountant and has more than 25 years accounting and company secretarial experience. Company Secretary since 11 July 2007. Mr Bloodworth is also the Company Secretary of Washington H. Soul Pattinson and Company Limited.

Directors' Report (continued)

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the refining and sale of natural oils, production of microencapsulated powders and the research and product development of functional food and infant nutrition ingredients. There were no significant changes in the nature of the principal activities of the consolidated entity during the financial year.

Operating Results

The core business of the consolidated entity has recorded a net profit before tax and share of net loss in associate and impairment of the investment and loan to Future Food Ingredients Pty Limited (FFI) of $7.29 million (2009: $4.90m), an increase of 48.8%. This increase reflects the strength of the consolidated entity's omega-3 oil products business. After taking into account the consolidated entity's share of the net loss of its Associate, FFI, as well as the impairment of the investment in, and shareholder loans to FFI, Clover has recorded a profit before tax of $1.57 million (2009: profit $4.47m).

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 probability of utilising 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)**

* Refer to "Events Subsequent to Reporting Date" commentary on the following page for further information

Review of Operations

A full review of operations is included in the Chairman's and Managing Director's Report appearing on pages 2 and 3 of this report.

Employees

The consolidated entity had 35 employees as at 30 June 2010 (2009: 31 employees).

Directors' Report (continued)

Events Subsequent to Reporting Date

On 8 July 2010 the directors announced their decision to fully impair the Company's investment in, and loans owing from, its Associate Company – Future Food Ingredients Pty Ltd. The effect of the impairment has been reflected in the accompanying financial statements.

The directors also announced their intention to divest this investment. Since this announcement, and up to the date of this report, Clover and its 50% joint venture partner have been actively engaged in the sale of this business.

Clover has provided guarantees to the Associate's debt provider to underwrite 50% of any potential shortfall between the proceeds from sale of the business and the current debt obligations. The directors estimate that the proceeds from the sale process will be sufficient to cover these obligations.

Other than the above, no events have occurred subsequent to balance date which would materially affect the results for the financial year ended 30 June 2010.

Significant changes in the State of the Affairs

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of the affairs of the consolidated entity during the financial year.

Likely Developments

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its operating businesses during the next financial year. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the consolidated entity.

Dividends

A fully franked final dividend of 1 cent per share for the year ended 30 June 2009 was paid on 19 November 2009. The total final 2009 dividend paid was $1,652,000.

Given the strong performance of the Company's core business, the directors have declared a fully franked final dividend of 1.25 cents per share ($2,065,000 total dividend) 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. If the amendment is not approved, the Company will be unable to pay this dividend.

Amendment to the Company's Constitution

In order for the above final dividend to be paid the Company must amend its constitution. Shareholders will be asked to approve the amendment at the Company's 2010 Annual General Meeting.

The amendment 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.

Environmental Regulations

The consolidated entity's operations are subject to environmental regulations under the laws of the Commonwealth and State. The consolidated entity complies with all applicable environmental regulations.

Directors' Report (continued)

Directors' Meetings

The number of directors' meetings (including meetings of sub-committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number Eligble to Attend[1]	Number Attended	Number Eligble to Attend	Number Attended	Number Eligble to Attend	Number Attended
P R Robinson	15	15	-	-	-	-
I L Brown	14	14	-	-	-	-
C L Hayman	12	11	3	3	5	5
M J Sleigh	12	12	3	3	5	5
D E Wills	15	14	3	3	5	4
G H Drummond[2]	6	4	2	1	3	3

1 - Includes sub-committee meetings. Not all directors were appointed to the sub-committees of the Board.

2 - Mr G H Drummond resigned on 24 November 2009 and was ineligible to attend any meetings after this date.

Insurance of Directors and Officers

During the year the Company paid a premium in respect of a contract insuring its directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving lack of good faith. The contract covers any past, present or future director, secretary, executive officer or employee of the Company and its controlled entities. Further details have not been disclosed due to confidentiality provisions of the contract of insurance.

Rounding Off of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Directors' Report (continued)

Remuneration Report (Audited)

The remuneration report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations.

(i) Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements for the directors themselves, the Chief Executive Officer and the executive team. It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions and their experience and expertise.

(ii) Elements of director and executive remuneration

Remuneration packages contain the following key elements:

(a) Primary benefits – salary/fees, bonuses and non-monetary benefits including the provision of a motor vehicle or the payment of a car allowance where necessary.

(b) Post employment benefits including superannuation.

(c) Other benefits.

(iii) Remuneration of the directors and the highest remunerated executives

The following tables disclose details regarding the remuneration of the directors and the highest remunerated executives of the Company and group executives of the consolidated entity.

Table 1. Names and positions held of consolidated and Company key management personnel in office at any time during the financial year are:

Name	*Position*
Directors	
P R Robinson	Non-Executive Chairman
I L Brown	Chief Executive Officer and Managing Director
C L Hayman	Non-Executive Director
M J Sleigh	Non-Executive Director
D E Wills	Non-Executive Director
G H Drummond (resigned 24 November 2009)	Non-Executive Director
Specified Executives	
A Beeson (appointed 1 December 2009)	Chief Financial Officer
M Mangion (promoted 1 December 2009)	Sales Manager
S Orchard	Business Development Manager - NuSoya products
C Patch	Innovations Manager
D Pierotti	Operations Manager
J Luff (resigned 15 January 2010)	Business Development Manager - UK, Europe
P Pek (resigned 3 September 2009)	General Manager - Sales and Marketing

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Table 2. The remuneration of directors and the Key Management Personnel of the Company.

2010	Salary and Fees $	Superannuation Contributions $	Bonus Payments $	Non-cash Benefits $	Options Issued $	Total $
Directors						
P R Robinson	66,125	5,951	-	-	-	72,076
I L Brown	268,334	21,666	112,074	35,000	-	437,074
C L Hayman	32,500	2,925	-	-	-	35,425
M J Sleigh	32,500	2,925	-	-	-	35,425
D E Wills	32,500	2,925	-	-	-	35,425
G H Drummond [1]	10,417	938	-	-	-	11,355
	442,376	37,330	112,074	35,000	-	626,780
Key Executives						
A Beeson [2]	109,709	9,874	14,350	-	-	133,933
M Mangion [3]	159,383	14,916	22,017	14,716	-	211,032
S Orchard	147,061	14,705	-	20,000		181,766
C Patch	151,376	13,624	14,400	24,000	-	203,400
D Pierotti	107,288	9,656	10,174	20,000	-	147,118
J Luff [4]	150,624	18,205	-	-	-	168,829
P Pek [5]	76,230	3,652	-	-	-	79,882
	901,671	84,632	60,941	78,716	-	1,125,960

1 – Resigned 24 November 2009
2 – Appointed 1 December 2009
3 – Promoted 1 December 2009
4 – Resigned 15 January 2010
5 – Resigned 3 September 2009

2009	Salary and Fees $	Superannuation Contributions $	Bonus Payments $	Non-cash Benefits $	Options Issued $	Total $
Directors						
P R Robinson	52,250	4,703	-	-	-	56,953
I L Brown	261,477	20,223	58,000	31,500	-	371,200
G H Drummond	25,000	2,250	-	-	-	27,250
C L Hayman [6]	25,000	2,250	-	-	-	27,250
M J Sleigh [6]	25,000	2,250	-	-	-	27,250
D E Wills	25,000	2,250	-	-	-	27,250
	413,727	33,926	58,000	31,500	-	537,153
Key Executives						
J Luff [7]	246,830	27,342	-	9,529	-	283,701
S Orchard	144,200	14,420	-	15,000	-	173,620
C Patch	142,202	12,798	-	25,000	-	180,000
P Pek	211,000	19,000	-	-	-	230,000
D Pierotti	104,690	9,422	-	15,000	-	129,112
	848,922	82,982	-	64,529	-	996,433

6 - Appointed 9 July 2008

7 - Salary and fees includes a living away from home allowance of $68,750. Payout of long service leave of $45,618 due to a new contract as at 1 June 2009.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Fees paid to non-executive directors

Fees paid to non-executive directors reflect the demands on and responsibilities of the directors. Non-executive directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-executive directors do not receive any options or bonus payments nor are they provided with retirement benefits other than statutory superannuation.

Managing Director

Dr Ian Brown is employed by the Company under a contract of employment. The length of the contract is 4 years from 26 June 2010 to 26 June 2014, with an allowable extension of 12 months. Under the terms of the present contract:

- Dr Brown's remuneration is fixed at $345,000 for the year commencing 1 July 2010 and reviewed annually thereafter
- A short term incentive equating to up to 30% of the remuneration package will be paid annually if agreed KPI's are achieved during the year
- Dr Brown may resign from his position and terminate this contract by giving 6 months' written notice
- The Company may terminate this employment agreement by providing 6 months' written notice or provide payment in lieu of notice (based on the fixed component of Dr Brown's remuneration)
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Long term Incentive ("LTI")

Dr Brown's remuneration package contains a long term incentive up to the value of 25% of his Total Fixed Remuneration ("TFR"). The LTI is satisfied by the Company granting shares to Dr Brown based on the Company's achievement of the following financial hurdles over a three year period. The grant is satisfied by the Company purchasing existing shares on-market.

The grants which were current during the financial year were:

Granted	Hurdle	At 30 June 2008	At 30 June 2009	At 30 June 2010	Performance as at 30 June 2011	Performance as at 30 June 2012
2007	Target - EPS	1.5c	1.5c	3.2c	-	-
	Max - EPS	2.5c	3.0c	3.8c	-	-
2008	Target - EPS	-	1.5c	3.2c	3.8c	-
	Max - EPS	-	3.0c	3.8c	4.8c	-
2009	Target - EPS	-	-	2.8c	3.5c	4.4c
	Max - EPS	-	-	3.1c	3.8c	4.8c
2009	Target Share price	-	-	37c	47c	59c
	Max Share price	-	-	41c	52c	65c

Note –

- 50% of the total value of the grant vests on achievement of the target and a further 50% on the achievement of the maximum.
- the target and maximum share price is measured 14 days after the release of the Company's annual results.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

During the financial year, the Company satisfied its obligations to Dr Brown in respect of a grant provided in 2006 by the purchase of 114,582 shares at a price of 22 cents per share, for a total consideration of $25,074.

The Company has not expensed any costs in relation to the 2007, 2008 and 2009 grants as actual performance in the current financial year has not met the targets, both in terms of EPS performance and share price performance of any of the three grants.

Other executives (standard contract)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing between one and three months' written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Directors

Dr Ian Brown is the only director who is employed under a contract of employment due to his position as Managing Director.

All other directors are employed under a letter of appointment that does not contain specified incentive entitlements including options.

Directors' Interests

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange in accordance with section 250G(1) of the Corporations Act 2001 at the date of this report is as follows:

Director	Fully Paid Ordinary Shares
P R Robinson	1,387,108
I L Brown	254,582
C L Hayman	100,000
M J Sleigh	90,000
D E Wills	966,036
	2,797,726

Directors' Report (continued)

Auditor's Independence and Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the APES110 Code of ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

	$
Taxation services	13,000
Other services	22,000
	35,000

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

Signed in accordance with a resolution of the Board of Directors.

Peter R. Robinson

Chairman

Sydney

Date: 22 September 2010

Corporate Governance

The Board of Clover Corporation Limited ("the consolidated entity") is committed to ensuring its policies and practices reflect good corporate governance and recognise that for the success of the Company an appropriate culture needs to be nurtured and developed throughout all levels of the Company.

This statement outlines the Company's Corporate Governance practices in place throughout the year, unless otherwise stated, and has been summarised into sections in line with the 8 core principles set out in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 2nd edition".

Principle 1 – Lay solid foundations for management and oversight

The Board is ultimately responsible for the operations, management and performance of the Company. In discharging this responsibility the Board delegates to senior management whose role it is to manage the Company in accordance with the directions and policies set by the Board. The Board monitors the activities of senior management in the performance of their delegated duties.

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

Responsibilities of the Board include the following:-

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

The Board has delegated responsibility for the following to management:

- Day to day management of the Company;
- Production of performance measurement reports;
- Managing the compliance and risk management systems;
- Management of staff including, appointment, termination, staff development and performance measurement;

The Managing Director is responsible for ensuring that the responsibilities delegated by the Board are properly discharged.

The performance of the Managing Director is evaluated by the Board with reference to the overall performance of the Company, its subsidiaries and associates in which the Managing Director represents the Company. Both qualitative and quantitative measures are used to evaluate performance.

The Managing Director evaluates the performance of the other senior executives and reports to the Board. The Board also reviews the performance of these executives via their attendance at Board meetings and the monthly Board reports.

The performance of the senior executives of the Company was assessed, as set out above, during the reporting period.

Corporate Governance (continued)

Principle 2 – Structure the Board to add value

The Company's constitution states that its Board is to comprise no less than three and no more than ten Directors. The names and details of the Directors of the Company at the date of this statement are set out in the Directors' Report.

At the date of this report the Board consisted of four non-executive and one executive director. The Board has assessed the independence of its members and is of the view that the following directors are independent:

Mr P R Robinson - Chairman, non-executive

Ms C L Hayman - Non-executive

Dr M J Sleigh - Non-executive

Mr D E Wills - Non-executive

Mr G H Drummond resigned on the 24 November 2009 and although he was a non-executive director, Mr Drummond was not defined as independent due to having acted as a consultant to the Company within the last three years.

Each director has undertaken to provide the Board with all information which is relevant to the assessment of his/her independence in a timely manner.

Under the ASX Corporate Governance Principles and Recommendations two non-executive directors do not qualify as independent for the following reasons.

Mr Robinson and Mr Wills are both directors of Washington H. Soul Pattinson and Company Limited, a major shareholder in the Company.

Whilst the above non-executive directors do not meet the criteria for independence in accordance with the ASX Corporate Governance Principles and Recommendations, all directors are committed to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists it may exercise its discretion to determine whether the director concerned may be present at the meeting while the item is considered. For these reasons the Board believes that Mr Robinson and Mr Wills can be considered to be acting independently in the execution of their duties.

The current Chairman of the Board is Mr Robinson who is a non-executive director. For the reasons stated above he is considered to be independent. The current Managing Director is Dr IL Brown.

As the Company has a relatively small Board, the full Board undertakes the duties of a Nomination Committee. The Board periodically reviews its membership having regard to the Company's particular needs, both present and future and considers the issues which would otherwise be considered by a Nomination Committee. Where a director is due for re-election at the next Annual General Meeting that director abstains from consideration of their nomination for re-election.

The directors consider the structure, balance and skills of the Board in making decisions regarding appointment, retirement and nominations for re-election. When a vacancy occurs, the necessary and desirable skills, expertise and experience required to complement the Board are identified and a process to identify the most appropriate candidates is implemented. The Board engage recruitment consultants and other independent experts to undertake research and assessment as required.

Directors are initially appointed by the full Board, subject to election by the shareholders of the Company at the next Annual General Meeting. Under the Constitution, one third of the Board is required to retire from office each year. Retiring directors may stand for re-election subject to approval by the Board.

In the discharge of their duties and responsibilities, the directors either individually or jointly, have the right to seek independent professional advice at the Company's expense. In respect of advice to individual directors, the prior approval of the Chairman is required; such approval is not to be unreasonably withheld. The Chairman is entitled to receive a copy of any such advice obtained.

Corporate Governance (continued)

Principle 2 – Structure the Board to add value (continued)

The Chairman is responsible for monitoring and assessing the performance of individual directors, each Board committee and the Board as a whole. The Chairman interviews each director and provides feedback regarding their performance. Each director independently completes a confidential assessment of the performance of the Board. The results of the assessments are compiled into a written report which is presented to the Board and discussed.

The performance of each director of the Company was assessed during the reporting period.

Principle 3 – Promote ethical and responsible decision-making

The Company has an established code of conduct dealing with matters of integrity and ethical standards. The Board recognises the need for the directors and employees to adhere to the highest standards of behaviour and business ethics.

All directors and employees are expected to abide by the code of conduct which covers a number of areas including the following:-

- Professional conduct and ethical standards;
- Compliance with laws and regulations;
- Relationships with shareholders, customers, suppliers and competitors;
- Confidentiality and continuous disclosure;
- Standards of workplace behaviour and equal opportunity;
- Privacy and anti-discrimination;
- Proper use of Company assets;
- Trading in Company securities;
- The environment; and
- Investigation and reporting of breaches of the code.

The Company has established a share trading policy, the main principles being as follows:-

- The policy relates to trading in shares of the Company and any controlled and associated entities of the Company that are publicly listed;
- Trading is prohibited when directors and employees are in possession of price sensitive information which is not available to the public;
- In respect of directors and senior executives trading in its shares, the Company has established the following prohibitions. Shares must not be traded in the 4 weeks prior to:-
    - The release of the Company's annual result to the ASX;
    - The release of the Company's half yearly result to the ASX;
- Directors must advise and provide details to the Chairman at least 2 days before trading in Company's shares. Subsequent confirmation of any trades is to be given to the Chairman and the Company Secretary.
- Directors are prohibited from using margin loans to finance the purchase of shares in the Company or from trading in any financial products issued or created over the Company's shares.

Corporate Governance (continued)

Principle 4 – Safeguard integrity in financial reporting

The Company has an established audit committee, which has a formal charter outlining the committee's function, composition, authority, responsibilities and reporting.

The current members of the audit committee are:

Mr D E Wills - Chairman

Ms C L Hayman

Dr M J Sleigh

All of the members of the committee are non-executive directors and are considered to be independent, refer to principle 2 above.

Mr Wills, who is the Chairman of the audit committee, is not the Chairman of the Board. The Chairman of the Board is not a member of the audit committee. The details of the audit committee members at the date of this statement and their attendance at meetings are set out in the Directors' Report.

The non-executive Chairman, Managing Director, Chief Financial Officer and Company Secretary may attend audit committee meetings by invitation. The external auditors, Lawler Partners, are requested by the audit committee to attend the appropriate meetings to report on the results of their half-year review and full year audit.

The function of the audit committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:-

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements; and
- The application and adequacy of risk management systems within the Company.

The Managing Director and the Chief Financial Officer are required to state in writing to the Board, by submission to the audit committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards. A declaration from the Managing Director and the Chief Financial Officer has been received in respect of the current reporting period.

Principle 5 – Make timely and balanced disclosure

The Board recognises the need to ensure that all investors have equal and timely access to material information regarding the Company and for announcements to be factual, clear, balanced and complete.

The Company has established a Continuous Disclosure Policy to ensure compliance with the ASX and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX companies' announcement platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities or which would materially influence the decision making of investors. Internal procedures are in place to ensure that relevant information is communicated promptly.

The Chairman and Managing Director are responsible for determining disclosure obligations and the Company Secretary is the nominated continuous disclosure officer for the Company.

Corporate Governance (continued)

Principle 6 – Respect the rights of shareholders

The Board is committed to ensuring that shareholders are fully informed of all material matters affecting the Company in a timely manner.

The dissemination of information is mainly achieved as follows:-

- An Annual Report is distributed to shareholders in October each year;
- Annoucements to the ASX and press releases advising of events which are of particular significance to the progress and prospects of the Company, and
- Significant information is also posted on the Company's website.

In addition, shareholders are encouraged to attend and participate in the AGM of the Company. The external auditor attends the AGM to answer shareholders' questions with regard to the conduct of the audit and the content of the auditor's report.

Principle 7 – Recognise and manage risk

The Company is committed to identifying and managing areas of significant business risk to protect shareholders, employees, earnings and the environment. Arrangements in place include:-

- Regular detailed financial, budgetary and management reporting;
- Procedures to manage financial and operational risks;
- Established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters;
- Comprehensive insurance and risk management programs;
- Procedures requiring Board approval for all borrowings, guarantees and capital expenditure beyond minor levels;
- Where applicable, the utilisation of specialised staff and external advisors; and
- Regular operational audits undertaken by major customers.

Management is responsible for the design and implementation of a risk management and internal control system which manages the material business risks of the Company and reporting to the Board on whether those risks are being managed efficiently. Management reported to the Board on an ongoing basis during the current reporting period.

External risks to the Company are regularly reviewed by the Board of Directors. The Board advises and recommends best practice strategies and systems to reduce the impact of potential risks.

The Managing Director and the Chief Financial Officer are required to state in writing to the Board, by submission to the audit committee that the risk management and internal control compliance systems are operating efficiently and effectively. In their declaration under section 295A of the Corporations Act the Managing Director and the Chief Financial Officer have made this statement in respect of the current reporting period.

Corporate Governance (continued)

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration Committee which consists of three directors, the majority of whom are independent, and is chaired by an independent director. The Committee makes recommendations to the full Board on remuneration matters and other terms of employment for executive directors, senior executives and non-executive directors.

Senior executive performance is continually monitored by the Managing Director and the Managing Director's performance is subject to continuous monitoring by the full Board.

The remuneration of the Managing Director is reviewed annually by the Remuneration Committee, which consists of only non executive directors. The remuneration of the senior executive staff is reviewed annually by the full Board after taking into consideration the recommendations of the Remuneration Committee and the Managing Director.

The Managing Director and senior executive staff are remunerated by way of salary, performance incentive payments, non monetary benefits, and superannuation contributions. The Managing Director is also eligible to receive performance rights for shares under a long term incentive plan.

Non-executive directors' fees are reviewed periodically by the full Board after taking into consideration the Company's performance, market rates, level of responsibility and the recommendations of the Remuneration Committee. Non-executive directors are remunerated by way of fees in the form of cash and superannuation contributions and are not entitled to receive bonus payments or any equity based remuneration.

Remuneration is set so as to attract and retain suitable personnel and to motivate them to pursue the long term growth and success of the Company.

Further information of directors' and executives' remuneration is set out in the Remuneration Report.

For further information concerning the corporate governance practices of the Company refer to the corporate governance section of the Company's web site at www.clovercorp.com.au .

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	Consolidated	
		2010 $'000	2009 $'000
Revenue	2	34,937	21,121
Cost of goods sold	3	(21,565)	(13,299)
Gross profit		13,372	7,822
Other income	2	914	1,770
Marketing and sales expenses		(3,116)	(1,668)
Administration and corporate expenses		(2,701)	(2,051)
Research and development expenses		(1,126)	(882)
Management expense		(50)	(49)
Impairment of inventory		-	(44)
Impairment of investment	11(a)	(2,101)	-
Impairment of receivable	7	(2,642)	-
Share of net loss of associate accounted for using equity accounting	11(b)	(983)	(430)
Profit before income tax		1,567	4,468
Income tax expense	4	(2,534)	(1,386)
(Loss) / Profit after tax for the year		(967)	3,082
Other comprehensive loss			
Foreign currency translation adjustment loss		(28)	(113)
Other comprehensive loss for the period		(28)	(113)
Total comprehensive (loss) / income for the period		(995)	2,969
(Loss) / profit attributable to members of the parent entity		(995)	2,969
Earnings per share (EPS)			
Basic earnings per share (cents per share)	23	(0.59)	1.87
Diluted earnings per share (cents per share)	23	(0.59)	1.87

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

Consolidated Statement of Financial Position
As at 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Current Assets			
Cash and cash equivalents	6	12,153	9,192
Trade and other receivables	7	8,162	5,452
Inventories	8	6,463	6,373
Other current assets	9	36	188
		26,814	21,205
Non-Current Assets			
Trade and other receivables	7	-	1,618
Financial assets	10	4	4
Investments accounted for using the equity method	11	-	3,084
Property, plant and equipment	12	2,088	2,172
Deferred tax assets	13	832	1,522
Intangible assets	14	2,008	1,976
		4,932	10,376
Total Assets		31,746	31,581
Current Liabilities			
Trade and other payables	15	4,080	2,326
Current tax liabilities	16	1,309	418
Short-term provisions	17	458	317
		5,847	3,061
Non-Current Liabilities			
Deferred tax liabilities	18	200	183
Long-term provisions	17	72	63
		272	246
Total Liabilities		6,119	3,307
Net Assets		25,627	28,274
Equity			
Issued Capital	19	32,920	32,920
Foreign currency translation reserves		(50)	(22)
Accumulated losses		(7,243)	(4,624)
Total Equity		25,627	28,274

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

	Issued Capital $'000	Retained Profits/ (Accumulated Losses) $'000	Foreign Currency Translation Reserve $'000	Total $'000
Balance at 1 July 2008	32,920	(6,054)	91	26,957
Profit attributable to members of the entity	-	3,082	-	3,082
Dividend Paid	-	(1,652)	-	(1,652)
Adjustment loss	-	-	(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
Loss attributable to members of the entity	-	(967)	-	(967)
Dividend Paid	-	(1,652)	-	(1,652)
Adjustment loss	-	-	(28)	(28)
Balance at 30 June 2010	32,920	(7,243)	(50)	25,627

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

Consolidated Cash Flow Statement

For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Receipts from customers		35,571	24,097
Payments to suppliers and employees		(30,103)	(23,554)
Interest received		284	474
Income tax paid		(939)	(607)
Net cash inflow from operating activities	21	4,813	410
Cash flows from investing activities			
Purchases of plant and equipment		(150)	(308)
Purchases of patents and trademarks		(50)	(17)
Net cash outflow from investing activities		(200)	(325)
Cash flows from financing activities			
Dividends paid	5 (a)	(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 and cash equivalents at the beginning of the year		9,192	10,759
Cash and cash equivalents at the end of the year	6	12,153	9,192

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

Notes to the Financial Statements

For the year ended 30 June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Clover Corporation Limited ("the Company") and controlled entities ("the consolidated entity"). Subsequent to recent changes to the corporate reporting requirement, the parent company information is summarised in Note 20 and complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Clover Corporation Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

The accounting policies and methods of computation have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2009 annual report and the corresponding interim reporting period unless otherwise stated.

Adoption of New and Revised Accounting Standards

New and revised accounting standards adopted are as follows:-

AASB 8: Operating Segments

Disclosure impact

AASB 8 replaces AASB 114 Segment Reporting upon its effective date. The consolidated entity concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The consolidated entity's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be

Notes to the Financial Statements

For the year ended 30 June 2010

disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

The new revised disclosure did not impact the consolidated entity's net assets and/or net profit.

(a) Principles of Consolidation

A controlled entity is any entity over which Clover Corporation Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

Control exists where Clover Corporation Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Clover Corporation Limited to achieve the objectives of Clover Corporation Limited.

A list of controlled entities is contained in Note 20 to the financial statements. All controlled entities have a June financial year-end.

Inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

The minority interest in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax (continued)

Tax consolidation

Clover Corporation Limited and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under tax consolidation legislation.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost, less where applicable any accumulated depreciation and impairment losses.

Plant and Equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, are depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rates
Leasehold improvements, at cost	6.66% - 15.00%
Plant and equipment, at cost	5.00% - 33.33%
Office furniture and equipment, at cost	4.80% - 40.00%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

De-recognition

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair

Notes to the Financial Statements

For the year ended 30 June 2010

value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;

b. less principal repayments;

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a consolidated entity of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Notes to the Financial Statements

For the year ended 30 June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the consolidated entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the consolidated entity's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2010

(g) Investments

Non-current investments are carried at cost. The carrying amount of investments is reviewed annually by directors to ensure they are not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(h) Investments in Associates

Associate companies are companies in which the consolidated entity has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the consolidated entity's share of net assets of the associate company. In addition the consolidated entity's share of the profit or loss of the associate company is included in the consolidated entity's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the consolidated entity's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the consolidated entity and the associate are eliminated to the extent of the relation to the consolidated entity's investment in the associate.

When the reporting dates of the consolidated entity and the associate are different, the associate prepares, for the consolidated entity's use, financial statements as of the same date as the financial statements of the consolidated entity with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, the consolidated entity discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the consolidated entity will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

(i) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Intangibles

Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 5 years.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the consolidated entity's cash generating

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangibles (continued)

units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

(k) Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(l) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

(m) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts, and investments in money market instruments with less than 14 days to maturity.

(n) Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Trade debtors and other receivables are recognised at the amount due. The consolidated entity establishes a provision for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off when they are identified.

(o) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Financial Statements

For the year ended 30 June 2010

(p) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(q) Trade and other Payables

Trade payables and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within payments fall due and payable.

(r) Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages, salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

(s) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(t) Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

(v) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Operating Segments (continued)

The consolidated entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- nature of the production processes,
- type or class of customer for the products and services,
- methods used to distribute the products or provide the services, and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(w) Comparative Figures

Where required by the Accounting Standards comparative figures have been adjusted to conform with changes in presentation in the current financial year.

(x) Rounding of Amounts

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

(y) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data; obtained both externally and within the consolidated entity.

Key estimate

(i) Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions and events specific to the consolidated entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using Value-in-use calculations preformed. In assessing recoverable amounts a number of key estimates are made.

Key Judgements

(i) *Impairment of investment in and loans to associates:* During the current year, the Company has assessed their investment in and recoverability of loans to Future Food Ingredients Pty Ltd. This resulted in a $4,743,000 impairment charge to the statement of comprehensive income during the year.

Refer to Note 11 for further details on the assumptions used in these calculations.

(ii) *Impairment of goodwill:* Goodwill is allocated to the tuna oil cash-generation units which are based on the controlled entities' principal activities. The Company assessed the recoverable amount of goodwill and determined that no impairment was required at reporting date. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Refer to Note 14 for further details on the assumptions used in these calculations.

(iii) *Recoverability of deferred tax assets:* 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.

There are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

Notes to the Financial Statements

For the year ended 30 June 2010

(z) Australian Accounting Standards not yet effective

The consolidated entity has not yet applied any Australian Accounting Standards or Australian Accounting interpretations that have been issued as at balance date but are not yet mandatory for year ended 30 June 2010. The impact of these new standards and interpretations has been assessed and is set out below:

1) AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The consolidated entity has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - the objective of the entity's business model for managing the financial assets; and
  - the characteristics of the contractual cash flows.

2) AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the consolidated entity.

3) AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the consolidated entity.

4) AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the consolidated entity.

5) AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the consolidated entity.

The consolidated entity does not anticipate the early adoption of any of the above Australian Accounting Standards.

No other new Australian Accounting Standards that have been issued but are not yet effective are expected to have a material impact on the consolidated entity.

	Consolidated 2010 $'000	Consolidated 2009 $'000

2. REVENUE AND OTHER INCOME

	2010 $'000	2009 $'000
Sales of goods	34,937	21,121
	34,937	21,121
Other income:		
Interest revenue	429	620
Foreign exchange gains (net)	105	698
Government grant	185	75
Other revenue	195	376
	914	1,770
Total revenue	35,851	22,891

3. EXPENSES

	2010 $'000	2009 $'000
Cost of sales:	21,565	13,299
Employee benefits expense:	3,476	3,745
Depreciation and amortisation:		
- leasehold improvements	1	1
- plant and equipment	198	240
- office furniture and equipment	36	42
- amortisation	18	20
	253	303

4. INCOME TAX EXPENSE

The aggregated amount of income tax expense attributable to the year differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

(a) The components of tax expense comprise:

	2010 $'000	2009 $'000
Current tax	1,203	869
Deferred tax liability	17	(52)
Deferred tax asset	1,336	591
Over provision in prior years	(22)	(22)
	2,534	1,386

Notes to the Financial Statements
For the year ended 30 June 2010

	Consolidated 2010 $'000	Consolidated 2009 $'000
4 INCOME TAX EXPENSE (continued)		
(b) Prima facie tax payable on profit before income tax at 30% (2009 - 30%)	470	1,340
Tax effect amounts:		
- Tax benefit not recognised	-	(738)
- Impairment of loans	575	-
- Impairment of investment	630	-
- Share of profits of associates	295	129
- Research and development claim	(125)	(84)
- Sundry other	10	10
- Tax losses utilised	679	729
Income tax expense attributable to profit	2,534	1,386

5. DIVIDENDS

(a) Dividends paid during the year

	2010 $'000	2009 $'000
Final dividend for the year ended 30 June 2009 of 1.0 cent per share (2008: 1 cent) fully franked at the tax rate 30%, paid 25 November 2009	(1,652)	(1,652)
Franking account balance		
Franking credits available for subsequent financial years	2,292	1,287

The above available amounts are based on the balance of the dividend franking account at the year end adjusted for: franking credits that will arise from the payment of the current tax liability; franking credits that will arise from payment of dividends recognised as a liability or as a receivable at year end; and franking credits that the entity may be prevented from distributing in subsequent years.

There were no dividend or distribution reinvestment plans operating during the year.

(b) Dividends 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.

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.

	Consolidated 2010 $'000	Consolidated 2009 $'000
6. CASH AND CASH EQUIVALENTS		
Cash at bank	5,043	3,637
Cash on deposits, at call	7,110	5,555
	12,153	9,192
7. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	7,950	4,599
Other debtors	212	274
Interest receivable from:		
- associate	724	578
- provision for doubtful debts	(724)	-
Amounts receivable from:		
- related parties	62	62
- provision for doubtful debts	(62)	(62)
Total current trade and other receivables	8,162	5,452
Non-current		
Amounts receivable from:		
- associate entities	1,918	1,618
- provision for amounts receivable from associates	(1,918)	-
Total non current trade and other receivables	-	1,618

Provision for Impairment of Receivables

Current trade and term receivables consist of receivables from customers and interest on loans to associates. They are non-interest bearing and trade debtors are generally on 30-day terms. Non-current trade and term receivables are interest bearing loans. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in impairment expense in the statement of comprehensive income.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1-Jul-09 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 2010 $000
Consolidated Group				
Current interest receivable from associate	-	724	-	724
Current receivable from related party	62	-	-	62
Non-current receivable from associate	-	1,918	-	1,918
	62	2,642	-	2,704

	Opening Balance 1-Jul-08 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 2009 $000
Consolidated Group				
Current receivable from related party	62	-	-	62
	62	-	-	62

Refer to Note 27 for more information on credit risk of Trade and other Receivables.

Notes to the Financial Statements
For the year ended 30 June 2010

	Consolidated 2010 $'000	Consolidated 2009 $'000
8. INVENTORIES		
Raw materials, at cost	2,427	1,918
Goods in transit	2,647	736
Finished goods, at cost	1,389	3,769
	6,463	6,423
Less: provision for inventory obsolescence, finished goods	-	(50)
Total inventories	6,463	6,373
9. OTHER CURRENT ASSETS		
Prepayments	36	188
10. FINANCIAL ASSETS		
Available-for-sale financial assets:		
Listed investment, at fair value		
- shares in listed corporation	4	4

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of investments in unlisted entities at reporting date was:

	Country of Incorporation	Principal Activities	Beneficial Interest %	Carrying Amount of Investment 2010 $'000	Carrying Amount of Investment 2009 $'000
Future Food Ingredients Pty Limited	Australia	Food Science	50	-	3,084
JSR Clover Limited	United Kingdom	Food Science	50	-	-
				-	3,084

	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Movements during the year in equity accounted investment in associated entities:		
Balance at beginning of the financial year	3,084	3,514
Add/(less):		
- Share of associated company losses	(983)	(430)
- Impairment of carrying value of investment	(2,101)	-
Balance at end of the financial year	-	3,084

	Consolidated	
	2010	2009
	$'000	$'000

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Retained earnings attributable to associate

Share of associate's loss before income tax expense	(983)	(430)
Share of associate's income tax expense	-	-
Share of associate's loss after income tax expense	(983)	(430)
Share of loss at the beginning of the financial year	(1,287)	(857)
Share of accumulated loss at the of the financial year	(2,270)	(1,287)
Adjustment for accumulated interest charged by parent and capitalised by associate for qualifying asset	(88)	(88)
Adjusted share of accumulated losses at end of financial year	(2,358)	(1,375)

(c) Impairment of Associate

The directors conducted an evaluation of the carrying value of the assets relating to their investment in the associate entity, Future Food Ingredients Pty Ltd (FFI). As at the balance date these assets comprised loans to associate and the Company's investment.

The directors have recognised full impairment of the loan balances and investment as at 30 June 2010, after performing a long term assessment of the value of the associate, and its ability to repay the loans extended to it by the Company, in the foreseeable future.

In conducting the assessment, the directors employed a discounted cash flow approach to determine the value of the associate. The key assumptions used in the valuation include:

- a pre-tax discount rate of 12%
- 5 year forecast period
- Sales growth of 12%
- Long term growth rate of 3%

(d) Contingent liabilities arising from FFI

The Company, along with its joint venture partner has provided guarantees to jointly and severally underwrite the loans extended to FFI by its finance provider. The balance of loans drawn down by FFI at 30 June 2010 is $3,349,000.

Refer to Note 31 for more information regarding Future Food Ingredients Pty Limited.

(e) Summarised presentation of aggregate assets and liabilities and performance of associate

Current assets	1,553	3,524
Non-current assets	4,791	9,399
Total assets	6,344	12,923
Current liabilities	6,344	1,180
Non-current liabilities	-	5,399
Total liabilities	6,344	6,579
Net (Liabilities) / Assets *	-	6,344
* The net assets of Future Food Ingredients Pty Limited at 30 June 2010 are shown at estimated recoverable value after cessation of operations.		
Revenue	4,205	3,930
Loss after income tax of associate	(1,966)	(860)

Notes to the Financial Statements
For the year ended 30 June 2010

	Consolidated 2010 $'000	2009 $'000
12. PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements, at cost	6	6
Less: accumulated depreciation	(6)	(6)
Total leasehold improvements	-	-
Plant and equipment, at cost	6,051	5,902
Less: accumulated depreciation	(4,118)	(3,919)
Total plant and equipment	1,933	1,983
Furniture and equipment, at cost	538	536
Less: accumulated depreciation	(383)	(347)
Total furniture and equipment	155	189
Total property, plant and equipment	2,088	2,172
Reconciliation of the carrying amounts of each class of asset at the beginning and the end of the current financial year:		
Leasehold improvements		
Balance at beginning of the year	1	1
Depreciation expense	(1)	(1)
Carrying amount at the end of the year	-	-
Plant and equipment		
Balance at beginning of the year	1,983	2,012
Additions	148	211
Depreciation expense	(198)	(240)
Carrying amount at the end of the year	1,933	1,983
Furniture and equipment		
Balance at the beginning of the year	189	133
Additions	2	98
Depreciation expense	(36)	(42)
Carrying amount at the end of the year	155	189

	Consolidated 2010 $'000	Consolidated 2009 $'000

13. DEFERRED TAX ASSETS

	2010 $'000	2009 $'000
Deferred tax asset comprise:		
Future income tax benefit	832	1,522
The deferred tax assets balance comprises the following timing differences and unused tax losses:		
Impairment of inventory	-	129
Provisions	186	77
Timing differences	646	174
Tax losses	-	1,142
	832	1,522
Reconciliation:		
Opening balance	1,522	1,939
Charge to statement of comprehensive income	(1,336)	(591)
Timing differences	646	174
Closing balance	832	1,522

14. INTANGIBLE ASSETS

	2010 $'000	2009 $'000
Patents and trademarks, at cost	496	446
Less: accumulated amortisation	(395)	(377)
	101	69
Goodwill on acquisition, at cost	1,907	1,907
Total intangible assets	2,008	1,976
(a) Movement in the carrying amounts for patents and trademarks between the beginning and the end of the current financial year:		
Balance at beginning of the year	69	72
Additions	50	17
Amortisation charges	(18)	(20)
Carrying amount at the end of the year	101	69
(b) Movement in the carrying amounts for goodwill between the beginning and the end of the current financial year:		
Balance at the beginning of the year	1,907	1,907
Additions	-	-
Carrying amount at the end of the year	1,907	1,907

There were no acquisitions of controlled entities in 2010 (2009: None). Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included in marketing and sales expense is in the statement of comprehensive income. Goodwill has an indefinite life.

Notes to the Financial Statements
For the year ended 30 June 2010

14. INTANGIBLE ASSETS (continued)

(c) Impairment assessment

Goodwill is allocated to the tuna oil cash-generating units which are based on the controlled entities' principal activities.

During the 30 June 2010 financial year, the Company assessed the recoverable amount of goodwill relating to the tuna oil segment and determined that goodwill is not impaired. The recoverable amount of the cash-generating unit, being the assets of the cash-generating unit and goodwill, was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period approved by the Board of Directors. The cash flows are discounted using a rate of 10% and nil annual growth rates. Management believes that any reasonable possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount of the cash generating unit to exceed the recoverable amount of the cash-generating unit.

	Consolidated	
	2010 $'000	2009 $'000

15. TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Current		
Trade creditors	3,059	2,009
Sundry creditors and other accruals	1,021	317
	4,080	2,326

Included within Sundry creditors and other accruals is an amount of $250,000 (2009: Nil) payable to FFI to ensure that FFI is operating within its agreed loan covenants.

16. CURRENT TAX LIABILITIES

	2010 $'000	2009 $'000
Income tax payable	1,309	418

17. PROVISIONS

	2010 $'000	2009 $'000
Aggregate employee entitlements:		
Current	458	317
Non-current	72	63
Total employee entitlements	530	380

18. DEFERRED TAX LIABILITIES

	2010 $'000	2009 $'000
The deferred tax liability balance comprises of the following timing differences:		
Exchange gain	30	46
Interest Receivable	7	6
Depreciating assets	163	131
	200	183
Reconciliation:		
Opening balance	183	235
Charge / (benefit) to statement of comprehensive income	17	(52)
Closing balance	200	183

	Consolidated 2010 $'000	2009 $'000

19. ISSUED CAPITAL

(a) Issued and paid up capital

	2010 $'000	2009 $'000
165,181,696 (2009: 165,181,696) fully paid ordinary shares	32,920	32,920
Total contributed equity	32,920	32,920

The Company has issued share capital amounting to 165,181,696 ordinary shares of no par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Movement in ordinary shares

There were no movements in issued capital during the year.

Options

There are no options over the unissued capital of the Company at the end of the financial year. Refer to Note 27(d) Ownership Based Remuneration Scheme.

(c) Capital management

The Company's objective in managing capital is to continue to provide shareholders with attractive investment returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 30 June 2010 net debt was $ nil (2009: $nil).

There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

20. PARENT COMPANY INFORMATION

	2010 $'000	2009 $'000
Current Assets	15,633	11,964
Non-Current Assets	8,444	14,940
Total Assets	24,077	26,904
Current Liabilities	1,100	868
Non-Current Liabilities	199	183
Total Liabilities	1,299	1,051
Net Assets	22,778	25,853
Equity		
Issued Capital	32,920	32,920
Accumulated losses	(10,142)	(7,067)
Total Equity	22,778	25,853
Net (loss) / profit for the year before other comprehensive income	(1,424)	504
Total comprehensive (loss) / income for the year	(1,424)	504
Earnings per share (EPS)	(0.86)	1.87

Notes to the Financial Statements

For the year ended 30 June 2010

20. PARENT COMPANY INFORMATION (continued)

Controlled entities:	Country of Incorporation	Percentage Owned 2010 %	2009 %
Nu-Mega Lipids Pty Limited	Australia	100	100
Nu-Mega Ingredients Pty Limited	Australia	100	100
Subsidiaries:			
- Nu-Mega Ingredients Limited	United Kingdom	100	100
- Nu-Mega Ingredients Limited	United States of America	100	100
Clover Healthcare Limited	United Kingdom	100	100
Clover Corporation PLC	United Kingdom	100	100

Contingent liabilities

The parent entity, along with its joint venture partner, has provided guarantees to jointly and severally underwrite the loans extended to Future Food Ingredients Pty Limited (FFI) by its finance provider. The balance of loans drawn down by FFI at 30 June 2010 is $3,349,000.

The directors estimate that the proceeds from the sale process of FFI will be sufficient to cover these obligations.

	Consolidated 2010 $'000	2009 $'000
21. RECONCILIATION OF CASH FLOW		
Reconciliation of cash flow from operating activities to operating profit		
(Loss)/profit for the period	(967)	3,082
Non cash items :		
- Amortisation and depreciation	253	303
- Impairment of investment	2,101	-
- Impairment of receivable	2,642	-
- Foreign exchange movement	-	(114)
Share of associated companies net loss after income tax and dividends	983	430
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
(Increase)/Decrease in receivables and prepayments	(2,722)	(173)
Decrease/(Increase) in other assets	152	3
(Increase)/Decrease in inventories	(90)	(2,578)
(Decrease)/Increase in payables	1,754	(1,340)
(Decrease)/Increase in deferred tax liabilities	16	(51)
Decrease/(Increase) in deferred tax assets	690	417
(Increase)/Decrease in receivables - associate	(1,040)	-
Increase/(Decrease) in current tax liabilities	891	414
Decrease/(Increase) in employee entitlements	150	17
Net cash (outflow)/inflow from operating activities	4,813	410

	Consolidated 2010 $'000	Consolidated 2009 $'000

22. EXPLANATION OF RESERVES

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

23. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	2010 $'000	2009 $'000
(a) Reconciliation of earnings to net profit or loss		
Profit attributable to members of the parent entity	(967)	3,082
Earnings used to calculate basic and diluted EPS	(967)	3,082
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	165,181,696	165,181,696
(c) Basic and Diluted earnings per share (cents)	(0.59)	1.87

24. AUDITOR'S REMUNERATION

	2010 $'000	2009 $'000
Remuneration of the auditor of the parent entity in respect of:		
- Auditing and reviewing the financial reports of the Company and the controlled entities	142	76
- Taxation services	13	10
- Other	22	33
	177	119

25. RELATED PARTY TRANSACTIONS

(a) Ultimate parent entity:

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

	2010 $'000	2009 $'000
(b) Director-related entities:		
Corporate advisory fees paid to Pitt Capital Partners Limited, a company controlled by Washington H Soul Pattinson & Company Limited, with related directors being Peter Robinson and David Wills.	-	2
Accounting services paid to Washington H Soul Pattinson & Company Limited and Corporate & Administrative Services Pty Limited, a subsidiary of Washington H Soul Pattinson & Company Limited, with related directors being Peter Robinson and David Wills.	173	160
(c) Associate entities:		
Loans to Future Food Ingredients Pty Limited ("FFI") under the loan agreement between Clover and FFI. All loan balances to FFI have been fully impaired at 30 June 2010.	-	-
Interest charged to FFI on loans under the loan agreement between Clover and FFI. All interest receivable balances from FFI have been fully impaired at 30 June 2010.	146	146

(d) Ownership interests:

Information in relation to ownership interest in controlled entities is provided in Note 22.

Notes to the Financial Statements
For the year ended 30 June 2010

26. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held in the consolidated entity of key management personnel in office at any time during the year were:

Name	*Position*
Directors	
P R Robinson	Non-Executive Chairman
I L Brown	Chief Executive Officer and Managing Director
G H Drummond (resigned 24 November 2009)	Non-Executive Director
C L Hayman	Non-Executive Director
M J Sleigh	Non-Executive Director
D E Wills	Non-Executive Director
Specified Executives	
A Beeson (appointed 1 December 2009)	Chief Financial Officer
M Mangion (promoted 1 December 2009)	Sales Manager
S Orchard	Business Development Manager - NuSoya products
C Patch	Innovations Manager
D Pierotti	Operations Manager
J Luff (resigned 15 January 2010)	Business Development Manager - UK, Europe
P Pek (resigned 3 September 2009)	General Manager - Sales and Marketing

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. The table below summarises the total compensation:

	2010	2009
Short-term benefits	1,605,704	1,262,649
Long-term benefits	25,074	-
Post-employment benefits	121,962	116,908
	1,752,740	1,379,557

(b) Performance Rights:

No rights were granted during the year (2009 – $Nil).

26. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(c) Shareholding:

	Balance 30 June 2009	Received as remuneration	Options Exercised	Shares Purchased & Sold	Balance 30 June 2010
Directors					
Directors					
P R Robinson	1,309,108	-	-	-	1,309,108
I L Brown	140,000	114,582	-	-	254,582
G H Drummond [1]	450,000	-	-	-	N/A
C L Hayman	50,000	-	-	50,000	100,000
M J Sleigh	90,000	-	-	-	90,000
D E Wills	766,036	-	-	200,000	966,036
Specified Executives					
A Beeson [2]	-	-	-	-	-
M Mangion [3]	-	-	-	-	-
C Patch	-	-	-	-	-
D Pierotti	1,200	-	-	-	1,200
J Luff [4]	-	-	-	-	-
S Orchard	-	-	-	-	-
P Pek [5]	-	-	-	-	-
	2,806,344	114,582	-	250,000	2,720,926

1 – Resigned 24 November 2009
2 – Appointed 1 December 2009
3 – Promoted 1 December 2009
4 – Resigned 15 January 2010
5 – Resigned 3 September 2009

27. FINANCIAL RISK MANAGEMENT

The consolidated entity's principal financial instruments consist of cash, deposits with bank, accounts receivable and payables.

Financial risk management policies

The consolidated entity manages its exposure to key financial risks, including interest rate and currency risk in accordance with the consolidated entity's financial risk management policies. The objective of the policies is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with the audit and risk committee under the authority of the board. The board reviews and agrees policies for managing each of the risks identified below, including the review of credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk; liquidity risk is monitored through the development of future rolling cash flow forecasts.

Notes to the Financial Statements

For the year ended 30 June 2010

27. FINANCIAL RISK MANAGEMENT (continued)

(a) Interest rate risk

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's cash balances. At balance date, the Consolidated entity had the following financial assets exposed to variable risk and fixed rate risk. The Consolidated entity did not have any exposure to fixed interest rate risk.

2010	Weighted Average Interest Rates	Floating Interest Rate $'000	Fixed interest rates maturing in: Within 1 Year $'000	Within 1-5 Years $'000	Non Interest Bearing $'000	Total $'000
FINANCIAL ASSETS						
Cash	5.21%	12,153	-	-	-	12,153
Trade and other receivables	-	-	-	-	8,162	8,162
		12,153	-	-	8,162	20,314
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	-	4,080	4,080
		-	-	-	4,080	4,080

The consolidated entity has fully impaired the loan to the related party as at 30 June 2010. The consolidated entity constantly analyses its interest rate exposure. Within this analysis, consideration is given to the mix of fixed and variable interest rates.

2009						
FINANCIAL ASSETS						
Cash	3.65%	9,192	-	-	-	9,192
Trade and other receivables	-	-	-	-	5,452	5,452
Receivable from associate investment	9.00%	-	-	1,618	-	1,618
		9,192	-	1,618	5,452	16,262
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	-	2,326	2,326
		-	-	-	2,326	2,326

The following sensitivity analysis is based on the variable interest rate risk exposures in existence at the balance sheet date:

Interest Rate Movement	Post Tax Profit Higher (lower) 2010 $'000	Post Tax Profit Higher (lower) 2009 $'000	Equity Higher (lower) 2010 $'000	Equity Higher (lower) 2009 $'000
+1% (100 basis points)	85	64	85	64
-1% (100 basis points)	(85)	(64)	(85)	(64)

The movements in the sensitivity analysis are due to a decrease in variable rate debt balances in the current financial year compared to the previous financial year.

27. FINANCIAL RISK MANAGEMENT (continued)

(b) Foreign currency risk

As a result of the consolidated entity having cash balances, trade receivables and trade payables denoted in foreign currency, the consolidated entity's balance sheet can be affected by movements in the relevant exchange rates relative to the Australian dollar. The consolidated entity utilises foreign exchange hedges to manage its exposure to currency fluctuations arising from the purchase of goods and services in foreign currency.

At 30 June 2010, the consolidated entity had the following financial assets and liabilities denominated in foreign currency.

	2010 $'000	2009 $'000
Financial Assets		
Cash and cash equivalents	923	816
Trade and other receivable	132	797
Total financial assets	1,055	1,613
Financial Liabilities		
Trade and other payables	872	541
Total financial liabilities	872	541

The consolidated entity also had the following foreign exchange hedge contracts in place as at 30 June 2010 to hedge known liabilities (2009: $nil).

Contract Date	Amount Currency	$'000	Rate / AUD
9/08/2010	USD	475	0.88
8/10/2010	USD	432	0.89
8/10/2010	USD	568	0.87
9/12/2010	USD	725	0.89
9/02/2011	USD	133	0.88

At 30 June 2010, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, profit after tax and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Change in Equity Higher/(Lower)	
Foreign Exchange Movement	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Change in Profit				
USD/AUD + 5%	204	(30)	204	(30)
USD/AUD - 5%	(111)	30	(204)	30
GBP/AUD+ 5%	4	28	4	28
GBP/AUD - 5%	(4)	(28)	(4)	(28)
Euro/AUD + 5%	5	(2)	5	(2)
Euro/AUD - 5%	(5)	2	(5)	2
NZD/AUD + 5%	-	(2)	-	(2)
NZD/AUD - 5%	-	2	-	2

The movements in the sensitivity analysis in equity year on year are due to a change in the relative weighting of each overseas subsidiary's assets and liabilities within the consolidated entity.

Notes to the Financial Statements

For the year ended 30 June 2010

27. FINANCIAL RISK MANAGEMENT (continued)

(b) Foreign currency risk (continued)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonable estimates of movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.
- The reasonable movement of 5% was calculated by taking the spot rates for each currency as at balance date, moving this spot rate by 5% and then re-converting the foreign currency into Australian dollars at the revised spot rate.
- The net exposure at balance date is representative of what the consolidated entity was, and is expecting, to be exposed to in the next twelve months from balance date.

(c) Price Risk

The consolidated entity's exposure to commodity and price risk is considered minimal. There are fixed price purchase contracts in place for forecast raw material requirements. From time to time it may be necessary to purchase raw materials from outside of the agreements.

(d) Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets.

The consolidated entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the consolidated entity's policy to securities its trade and other receivables.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board.

These risk limits are regularly monitored. A breakdown of receivables showing those within/out of terms is shown below. Receivable balances are monitored on an ongoing basis to minimise the occurrence of bad debts.

	Consolidated	
	2010	2009
Trade and other receivables as at 30 June 2010	$'000	$'000
Trade receivables :		
Within terms	7,126	5,452
Over terms	-	-
Loan to associate	1,618	1,618
Total	8,744	7,070

The consolidated entity has fully impaired the loan to associate as at 30 June 2010.

For the remaining financial assets there are no significant concentrations of credit risk within the consolidated entity and financial instruments are spread amongst a number of AAA rated financial institutions.

27. FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet these obligations to repay their financial liabilities and other obligations as and when they fall due.

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of cash balances, working capital and leasing.

Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the consolidated entity's ongoing operations such as property, plant, equipment and investments in working capital.

	Balance as at 30 June 2010 $'000	Less than 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Realisable cash flows from financial assets					
Cash and cash equivalents	12,153	12,153	-	-	12,153
Trade and other receivables	8,162	8,162	-	-	8,162
Inventory	6,463	6,463	-	-	6,463
Anticipated cash inflows	26,778	26,778	-	-	26,778
Financial liabilities and obligations due for payment					
Trade and other payables	4,080	4,080	-	-	4,080
Tax liabilities	1,309	1,309	-	-	1,309
Leasing commitments	765	166	599	-	765
Anticipated cash outflows	6,154	5,555	599	-	6,154
Net inflow/(outflow)	20,624	21,223	(599)	-	20,624

(f) Fair value

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value, unless otherwise stated in the applicable notes.

The carrying amounts of cash and bank balances, other receivables and other payables approximate their fair values due to their short term nature.

Notes to the Financial Statements

For the year ended 30 June 2010

28. OPERATING SEGMENTS

Identification of reportable segments

The consolidated entity 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 consolidated entity 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 operating 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.

In addition to the operating segments, an investment / treasury segment is reported. The assets within this segment are cash and cash equivalents and other financial assets. Interest income is allocated to this segment.

No segments are identified or reported on the basis of major customers. Disclosure of this information would be prejudicial against the consolidated entity.

Accounting policies and inter-segment transactions

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the consolidated entity's financial statements.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

The accounting policies used by the consolidated entity 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
- Current tax liability
- Deferred tax asset
- Deferred tax liability

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

28. OPERATING SEGMENTS (continued)

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								
Operating profit	-	-	6,758	3,580	534	1,318	7,292	4,898
Share of net losses of equity accounted associate	(983)	(430)	-	-	-	-	(983)	(430)
Impairment loss on investment	(2,100)	-	-	-	-	-	(2,100)	-
Impairment loss on receivables	(2,642)	-	-	-	-	-	(2,642)	-
Profit / (loss) before income tax	(5,725)	(430)	6,758	3,580	534	1,318	1,567	4,468
Income tax expense							(2,534)	(1,386)
(Loss) / Profit for the year							(967)	3,082
Assets								
Segment assets	-	3,084	18,756	17,779	12,157	9,196	30,913	30,059
Unallocated assets								
Deferred tax asset							833	1,522
Total assets							31,746	31,581
Liabilities								
Segment liabilities	-	-	4,610	2,705	-	-	4,610	2,705
Unallocated liabilities								
Current tax liability							1,309	418
Deferred tax liability							200	183
Total liabilities							6,119	3,307
Included in segment assets are:								
Investments accounted for using the equity method	-	3,084	-	-	-	-	-	3,084

Notes to the Financial Statements
For the year ended 30 June 2010

	Consolidated 2010 $'000	2009 $'000

29. CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

	2010 $'000	2009 $'000
Operating leases contracted for but not capitalised in the financial statements:		
Payable:		
Not later than 1 year	1,246	1,248
Later than 1 year but not later than 5 years	4,919	4,864
Total operating leases	6,165	6,112

(b) Capital expenditure commitments:

There are no capital expenditure commitments

30. EVENTS SUBSEQUENT TO REPORTING DATE

On 8 July 2010 the directors announced their decision to fully impair the Company's investment in, and loans owing from, its Associate Company – Future Food Ingredients Pty Ltd. The effect of the impairment has been reflected in the accompanying financial statements.

The directors also announced their intention to divest this investment. Since this announcement, and up to the date of this report, Clover and its 50% joint venture partner have been actively engaged in the sale of this business.

Clover has provided guarantees to the Associate's debt provider to underwrite 50% of any potential shortfall between the proceeds from sale of the business and the current debt obligations. The directors estimate that the proceeds from the sale process will be sufficient to cover these obligations.

Other than the above, no events have occurred subsequent to balance date which would materially affect the results for the financial year ending 30 June 2010.

31. CONTINGENT LIABILITIES

The Company, along with its joint venture partners have provided guarantees to jointly and severally underwrite the loans extended to Future Food Ingredients Pty Limited (FFI) by its finance provider. The balance of loans drawn down by FFI at 30 June 2010 is $3,349,000.

The directors estimate that the proceeds from the sale process of FFI will be sufficient to cover these obligations.

32. AUTHORISATION

The financial report was authorised for issue on 22 September 2010 by the Board of Directors.

Directors' Declaration

The directors of Clover Corporation Limited declare that in their opinion:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and

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

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

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

Peter R. Robinson

Chairman

Sydney

Date: 22 September 2010

Independent Audit Report

To the members of Clover Corporation Limited

lawler partners chartered accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLOVER CORPORATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Clover Corporation Limited (the company) and Clover Corporation Limited and Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Clover Corporation Limited on 22 September 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Lawler Partners
Audit & Assurance
(a Limited Partnership)
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Independent Audit Report

To the members of Clover Corporation Limited

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Auditor's Opinion

In our opinion:

a. the financial report of Clover Corporation Limited and Clover Corporation Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   I. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

   II. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Clover Corporation Limited for the year ended 30 June 2010, complies with s 300A of the *Corporations Act 2001*.

Lawler Partners

LAWLER PARTNERS

Chartered Accountants

Dated this 22nd day of September 2010

Place: Sydney

CLAYTON HICKEY

Partner

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Auditors' Independence Declaration

To the directors of Clover Corporation Limited

lawler partners chartered accountants

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CLOVER CORPORATION LIMITED

I declare that, to the best of my knowledge and beliefs, during the year ended 30 June 2010 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Lawler Partners

LAWLER PARTNERS

Chartered Accountants

Sydney

Dated this 22nd day of September 2010

CLAYTON HICKEY

Partner

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ASX Additional Information

Additional Stock Exchange Information

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report.

Shareholdings as at 9 September 2010

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Washington H. Soul Pattinson and Company Limited	47,161,939 ordinary shares
Farjoy Pty Ltd	25,200,000 ordinary shares

Distribution of Shareholders as at 9 September 2010

Category			Number of holders of ordinary shares
1	–	1,000	125
1,001	–	5,000	608
5,001	–	10,000	519
10,001	–	100,000	817
100,001 and over			152
Total Number of Holders			2,221

Total Number of Holders of less than a marketable parcel	214

Voting Rights

On a show of hands every Shareholder present in person or by proxy at a general meeting shall have one vote.

Where a poll is demanded, every Shareholder present in person or by proxy at a general meeting shall have one vote for every ordinary share held.

ASX Additional Information (continued)

Twenty Largest Shareholders as at 9 September 2010*

Rank	Name	Number of Fully Paid Ordinary Shares	Percentage of Issued Ordinary Shares (%)
1	Washington H Soul Pattinson & Company Limited	47,161,939	28.55
2	Farjoy Pty Ltd	25,200,000	15.26
3	Mr Mark Camilleri & Mrs Victoria Camilleri		
	<Camilleri Super Fund A/C>	3,455,000	2.09
4	J P Morgan Nominees Australia Limited	2,760,000	1.67
5	Equitas Nominees Pty Limited <2874398 A/C>	2,663,855	1.61
6	Omega Value Corporation Pty Ltd	2,320,019	1.40
7	Incani & Papadopoulos Super Pty Ltd	2,150,000	1.30
8	Mr Charles Neil Hamish Drummond	2,101,685	1.27
9	Connaught Consultants (Finance) Pty Ltd <Super Fund A/C>	1,357,000	0.82
10	Mr Peter Howells	1,258,138	0.76
11	Mrs Nina Eleanor Drummond	1,150,000	0.70
12	Mr Anthony Carl Oesterheld	1,100,000	0.67
13	McNeil Nominees Pty Limited	1,000,000	0.61
14	QLD Law Foundation Pty Ltd <The Law Foundation-QLD A/C>	1,000,000	0.61
15	Mr Pei Yin Foo	900,000	0.54
16	Mr John Frederick Bligh	878,881	0.53
17	ANZ Nominees Limited <Cash Income A/C>	863,147	0.52
18	BKI Investment Company Limited	858,000	0.52
19	Questor Financial Services Limited <TPS RF A/C>	819,270	0.50
20	Gailforce Marketing & PR Pty Ltd		
	<Hale Agency S/F A/C>	798,757	0.48
	Total top 20 shareholders	99,795,691	60.41
	Total number of shares on issue	165,181,696	

** As shown on the register, beneficial holdings may differ.*

Securities Quoted by the ASX

The Company's entire issued ordinary shares are quoted by the ASX under the code CLV.

Register of Securities

New South Wales	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Telephone: 1300 850 505

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CLOVER
CORPORATION