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Clover Corporation Limited

ASX Appendix 4E
Preliminary Final Report
31st July 2011

Lodged with the ASX under Listing Rule 4.3A

Contents	Page
Financial Highlights and Results for Announcement to the Market	2
Review of Operations	4
Preliminary Final Report	6

The reporting period is the 13 months ending 31 July 2011 with the corresponding period being the financial year ended 30 June 2010.

Results for Announcement to the Market

- Recently, Clover Corporation Limited changed its financial year end to 31 July. As such, the financial results for this report are for the 13 months ended 31 July 2011.
- Total revenue from sale of goods increased 2.0% to \$35.6M;
- Net profit after tax is \$4.6M (2010: loss of \$0.97M);

		% Change	Amount of Change \$'000		\$'000
Revenue from ordinary activities	Up	0.5%	189	to	36,040
Profit/(Loss) from ordinary activities after tax attributable to members	Up	576%	5,570	to	4,603
Net profit/(loss) for the period attributable to members	Up	576%	5,570	to	4,603

Dividends/distributions	Amount per security	Franked %
This Period		
Final dividend	1.5 cent	100%
Interim dividend	Nil	Nil
Previous corresponding period		
Final dividend	1.25 cent	100%
Interim dividend	Nil	Nil

Record date for determining entitlements to the final dividend:

3 November 2011

Payment date for determining entitlements to the final dividend:

17 November 2011

Dividend/distribution reinvestment plans

There are no dividend or distribution reinvestment plans as at 31 July 2011

Explanation of Operating Results

For a further explanation of the financial period operating result, please refer to the Review of Operations.

NTA Backing

	2011	2010
Net tangible asset backing per ordinary share after tax	15.75 cents	14.31 cents

EPS

	2011	2010
Basic Earnings per Share	2.7 cents	(0.59) cents
Diluted Earnings per Share	2.7 cents	(0.59) cents

Explanation of Profit after tax

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

Explanation of Net Profit

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

Explanation of Dividends

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

Other information

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

Review of Operations

Clover Corporation Limited (Clover) has reported a net profit after tax for the 13 months ended 31st July 2011 of \$4.6M (2010: loss of \$0.97M). Clover changed its reporting date to July 31 in order to better align the financial year with the trading patterns of major customers. In 2010 Clover recorded a loss of 0.97M due to the impairment of its investment in Future Food Ingredients Pty Limited (FFI).

Financial Period (FP) 2011 has been a year of consolidation for Clover, locking in the increased product sales of previous years, combined with the finalisation of a number of products from the innovation program to establish new market opportunities for the future.

Based on the performance of Clover in FP11 and the future prospects of the company the Directors have declared a fully franked final dividend of 1.5 cents per share in respect of the period ended 31 July 2011. The record date for this dividend will be the 3 November 2011, with payment due on the 17 November 2011.

Sales revenue in FP2011 was \$35.6million (2010: \$34.9million). This result comprised the consolidation of the gains made in FY2010 coupled with the significant efforts directed towards growth in FY2012 and beyond. The continuing strength of the Australian dollar had some negative impact on profit margins, but the Company's sales profile remained strong and increased in key territories including China, South Asia and Australia/New Zealand

A number of items of note occurred during the financial year, including:

- Expansion of sales in infant formula and children's food (FP2011: 91% of sales revenue). The activity in infant formula market was supported by the signing a 3-year global supply agreement with an existing major international infant formula customer.
- An increase in working capital, which included increased levels of inventory to meet our contract obligations, together with indicated forward sales growth and the higher unit value of a number of products in the range.
- Increased proportion of sales from encapsulated powdered products FP2011: 93% (2010: 87%).
- Expenditure on innovation and research, increasing in line with the business strategy to \$1.7million in FP11 (2010: \$1.1million).
- Continued expansion of the range of new products utilising proprietary encapsulation technology to deliver bioactives.
- Continuing high sales revenue from products commercialised during the past four years (FP2011: 60% compared to 2010: 56%).

The expansion of the targeted innovations program includes interaction with external research groups. A 3-year Australian Growth Partnership research agreement totalling \$1.2 million was commenced with the CSIRO to develop products for the significant developing markets of improved nutritional formulations for infants and the delivery of sensitive bioactive compounds to improve health.

During the year, Clover filed 4 patent applications in support of its technology and product innovations. These patent applications cover not only formulation of new products but also the application of these products in infant formula, children's food, medical foods, and pharmaceuticals.

New products are being developed using the six technology platforms available to the company. During the year six new products were launched. They are now being evaluated by selected prospective customers. Identified markets for these products have a combined potential sales value

Review of Operations (continued)

of approximately \$25million p.a. However it should be noted that full product adoption can take 2 to 4 years and is dependent on the evaluation process used by our customers.

During the period, Corn Products International Inc. announced that due to a change in their focus following a strategic review within their organisation, they will be terminating the Distribution Agreement with Clover for the US and Europe. However, in spite of this, the business has increased the sales of its ingredients in infant formula applications in both territories. A number of options for the development of further sales in these important regions are being explored.

In order to support the expanding business activity a number of strategic appointments were made during the year in the areas of sales, innovation and finance. Of particular note was the recruitment of a new CFO in May 2011.

Last year Clover announced the decision to close FFI, its 50% joint venture with Austgrains Pty Limited, set up to manufacture and sell modified soy bean products. The sale of FFI has taken longer than expected despite an aggressive marketing campaign conducted by Elders Real Estate (Elders). During the period, a tender process was run, with interest shown by a number of parties. However, the tender process closed without a firm offer being received for the FFI business. The marketing campaign conducted by Elders was impacted by the inconsistent weather conditions, in particular the extensive flooding in Queensland and northern NSW and the general weakness in the Australian economy (outside the resources sector) leading to a reduction in available finance for such transactions.

FFI has outstanding loans from Suncorp Limited (Suncorp). Clover has a joint and several bank guarantee with its joint venture partner in favour of Suncorp to meet any shortfall that may remain after the proceeds from the disposal of FFI's assets have been applied to repayment of the loan. All FFI's soy bean stock has now been contracted to be sold. In addition, Clover has obtained a 'break-up' valuation of FFI's plant and equipment and has applied a conservative value to the land and buildings as a commercial warehouse and grain storage facility. As it seems unlikely the FFI business will be sold as a going concern, it is now the intention to offer the land and buildings and plant and equipment as an asset sale. The Directors believe that the debt owed by FFI will be materially offset by the proceeds obtained from these sales.

Dividend

Given the performance of the Company's core business, the Directors have declared a fully franked final dividend of 1.5 cents per share in respect of the period ended 31 July 2011. The record date for this dividend will be 3 November 2011 with payment due on 17 November 2011.



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PRELIMINARY FINAL REPORT
FOR THE 13 MONTHS ENDED 31 JULY 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR 13 MONTHS ENDED 31 JULY 2011**

		Consolidated	
	Notes	13 months 31-Jul-11 \$'000	12 months 30-Jun-10 \$'000
Sale of goods	2	35,635	34,937
Cost of goods sold	2	(21,689)	(21,565)
Gross profit		13,946	13,372
Other income	2	405	914
Sales and marketing expenses		(3,178)	(3,116)
Administration and corporate expenses		(3,331)	(2,702)
Research and development expenses		(1,709)	(1,126)
Management fee expense		-	(50)
Impairment of investment		-	(2,100)
Impairment of receivable		-	(2,642)
Share of net loss of associate accounted for using equity accounting	6	-	(983)
Profit before income tax		6,133	1,567
Income tax expense		(1,530)	(2,534)
Profit/ (Loss) after tax for the period		4,603	(967)
Other comprehensive loss			
Foreign currency translation adjustment loss, net of 30% tax		(94)	(28)
Other comprehensive loss for the period		(94)	(28)
Total comprehensive income/ (loss) for the period		4,509	(995)
Earnings per share (EPS)			
Basic earnings per share (cents per share)		2.7	(0.59)
Diluted earnings per share (cents per share)		2.7	(0.59)

Weighted average number of shares used in calculating basic and diluted earnings per share is 165,181,696.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011

	Notes	Consolidated	
		31-Jul-11 \$'000	30-Jun-10 \$'000
Current Assets			
Cash and cash equivalents		7,425	12,153
Trade and other receivables		10,453	8,162
Inventories		8,675	6,463
Other current assets		574	36
		27,127	26,814
Non-Current Assets			
Trade and other receivables		-	-
Financial assets		4	4
Investments accounted for using the equity method	6	-	-
Property, plant and equipment		2,084	2,112
Deferred tax assets		1,075	832
Intangible assets		2,050	1,984
		5,213	4,932
Total Assets		32,340	31,476
Current Liabilities			
Trade and other payables		3,393	4,080
Current tax liabilities		173	1,309
Short-term provisions		408	458
		3,974	5,847
Non-Current Liabilities			
Deferred tax liabilities		153	200
Long-term provisions		143	72
		296	272
Total Liabilities		4,270	6,119
Net Assets		28,070	25,627
Equity			
Issued Capital	4	32,920	32,920
Foreign Currency Translation Reserves		(145)	(50)
Accumulated Losses	5	(4,705)	(7,243)
Total Equity		28,070	25,627

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 13 MONTHS ENDING 31 JULY 2011**

Consolidated	Issued Capital \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 30 June 2009	32,920	(4,624)	(22)	28,274
Profit for the period	-	(967)	-	(967)
Dividend Paid	-	(1,652)	-	(1,652)
Foreign Currency Translation Reserve	-	-	(28)	(28)
Balance at 30 June 2010	32,920	(7,243)	(50)	25,627
Balance at 1 July 2010	32,920	(7,243)	(50)	25,627
Profit for the period	-	4,603	-	4,603
Dividend Paid	-	(2,065)	-	(2,065)
Foreign Currency Translation Reserve	-	-	(95)	(95)
Balance at 31 July 2011	32,920	(4,705)	(145)	28,070

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 13 MONTHS ENDING 31 JULY 2011**

	Consolidated	
	13 months	12 months
	31-Jul-11	30-Jun-10
	\$ '000	\$ '000
Cash flows from operating activities		
Receipts from customers	34,090	35,569
Payments to suppliers and employees	(33,830)	(30,109)
Interest received	585	284
Income tax paid	(2,956)	(938)
Net cash inflow from operating activities	(2,111)	4,806
Cash flows from investing activities		
Purchases of plant and equipment	(488)	(169)
Purchases of patents and trademarks	(64)	(24)
Net cash outflow from investing activities	(552)	(193)
Cash flows from financing activities		
Dividends paid	(2,065)	(1,652)
Net cash outflow from financing activities	(2,065)	(1,652)
Net increase / (decrease) in cash held	(4,728)	2,961
Cash at the beginning of the year	12,153	9,192
Cash at the end of the year	7,425	12,153

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 31 JULY 2011**

1. Significant accounting policies

Basis of preparation

This financial report for the period ended 31 July 2011 is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Clover Corporation Limited ("Clover" or "the Company") and its controlled entities during the period in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 31 JULY 2011 (continued)**

	Consolidated	
	31-Jul-11	30-Jun-10
	\$'000	\$'000
2. Revenue		
<p>Profit before income tax expense includes the following items of income and expense which, together with other disclosures in this report are relevant in explaining the financial performance for the period:</p>		
Revenue		
Sale of goods	35,635	34,937
Government grant	-	110
Foreign exchange gains (net)	(200)	105
Interest revenue	589	429
Other	16	270
Total Revenue	36,040	35,851
Expenses		
Cost of goods sold	21,689	21,565
Depreciation & Amortisation	396	247

3. Dividends

		Amount per security CPS
Final dividend		
Final dividend not recognised in accumulated losses expected to be paid on 17 November 2011	(2,477,725)	1.50c
Final dividend for previous corresponding year, paid on the 15 December 2010	(2,064,771)	1.25c
Interim dividend		

No interim dividend was declared in respect of the current financial period ending 31 July 2011 (2010: nil).

Dividend declared after balance date

The Directors have declared a final dividend for the period ended 31 July 2011 of 1.5 cents per share (2010: final 1.25 cent per share) fully franked at 30%, payable on 17 November 2011, but not recognised as a liability at the end of the financial period. The record date for this dividend will be 3 November 2011.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 31 JULY 2011 (continued)**

		Consolidated	
		31-Jul-11	30-Jun-10
		\$'000	\$'000
4.	Contributed equity		
	Issued and paid up capital		
	165,181,696 (2010: 165,181,696) ordinary shares, fully paid	32,920	32,920
5.	Accumulated losses		
	Accumulated losses at the beginning of the financial period	(7,243)	(4,624)
	Dividend paid	(2,065)	(1,652)
	Net profit attributable to members	4,603	(967)
	Accumulated losses at the end of the financial period	(4,705)	(7,243)
6.	Associates		
		Interest in Associates	
		31-Jul-11	30-Jun-10
		\$'000	\$'000
	Future Food Ingredients Pty Limited	50%	
	- carrying value of investment	-	-
	- share of net loss	-	(983)
	- carrying value of loan from Clover Corporation Limited	-	-
	JSR Clover Limited	50%	
		-	-

7. Related party transactions

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

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

- Corporate & Administrative Services Pty Limited – accounting fees

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 31 JULY 2011 (continued)**

8. Controlled entities

Control has neither been gained nor lost over any entities during the period ended 31 July 2011 (2010: None).

9. Segment information

Identification of reportable segments

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

The Company operates in the industry of manufacturing tuna oil and encapsulated products in Australia. The operating segments have been identified by management as tuna oil and microencapsulated powders and soy products (ceased October 2010). Financial information about each of these segments is reported to the Chief Executive Officer and Board of Directors on a monthly basis.

Accounting policies and inter-segment transactions

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

- Income tax expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 31 JULY 2011 (continued)**

10. Segment information

The following represents profit and loss information for reportable segments for the period ended 31 July 2011.

Primary Reporting – Business Segments

	Soy products		Tuna oil and microencapsulated powders		Investment/Treasury		Economic Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue								
Sales Revenue	304	1,250	35,331	33,687	-	-	35,635	34,937
Other revenue	-	-	16	380	389	534	405	914
Total segment revenue	304	1,250	35,347	34,067	389	534	36,040	35,851
Total revenue consolidated							36,040	35,851
Results								
Segment result	-	-	5,744	6,758	389	534	6,133	7,292
Share of net profits/(losses) of equity accounted associate	-	(983)	-	-	-	-	-	(983)
Impairment loss on investment	-	(2,100)	-	-	-	-	-	(2,100)
Impairment loss on inventory	-	-	-	-	-	-	-	-
Impairment loss on receivable	-	(2,642)	-	-	-	-	-	(2,642)
Profit before income tax							6,133	1,567
Income tax expense							(1,530)	(2,534)
Profit for the year							4,603	(967)