



**CLOVER CORPORATION
LIMITED**

ABN 85 003 622 866

**Annual Report
For The Period Ended
31 July 2011**

CORPORATE DIRECTORY

Directors

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

Secretary

Mr. Ian D. Bloodworth

Registered Office

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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 Securities Exchange Code

Ordinary Shares CLV

Website

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

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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 net profit after tax for the 13 months ended 31 July 2011 of \$4.6 million (2010: loss of \$0.97 million). 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 0.97 million due to the impairment of its investment in Future Food Ingredients Pty Limited (FFI).

Financial Period (FP) 2011 has been a period of consolidation for Clover, locking in the increased product sales of previous years (which were 65% up on 2009), combined with the finalisation of a number of products from the innovation program to establish new market opportunities for the future. No major contracts have been lost during the year, however, the company's sales performance is dictated by the demand from our customers. Due to the long lead times that are inherent in supplying food companies, the efforts of 2011 will not be realised until 2012 to 2014 (see comments on innovation below).

Based on the performance of Clover in FP2011 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 period, including:

- Expansion of sales in infant formula and children's food (FP2011: 91% of sales revenue). The activity in the infant formula market was supported by the signing of 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 of improved nutritional formulations for infants and the delivery of sensitive bioactive compounds which improve health for significant developing markets.

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

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT (continued)

New products are being developed using the six technology platforms available to the company. During the period 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 of approximately \$25million p.a. However it should be noted that full product adoption and market launch can take 2 to 4 years and is dependent on the evaluation process used by our customers.

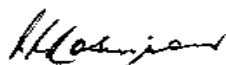
During the period, Corn Products International Inc. announced that due to a change in their focus following a strategic review within their organisation, they will be terminating the Distribution Agreement with Clover for the US and Europe. However, in spite of this, the business has increased the sales 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 period 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.

We would like to thank the staff, management and directors of Clover for their continued commitment which has enabled the business to record a strong profit result for the period ended 31 July 2011.



Mr Peter R Robinson
Chairman



Dr Ian L Brown
Managing Director

Date: 11 October 2011

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, introducing new products with a focus on encapsulation technology and the delivery of bioactive nutritional ingredients.

In 2009 Frost & Sullivan recognised the success of Nu-Mega in the omega-3 infant and nutrition market by awarding it the Asia Pacific Industrial Technologies Award for Functional Ingredient Company of Year.

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 used a specialised process to remove the “beany” flavour from soy bean flour and other soy-based ingredients for addition into food products. FFI is currently in the process of selling the assets associated with this business.

Company Operations: Clover operates from five sites;

- Company headquarters and executive management is located in Sydney, New South Wales.
- A manufacturing plant for tuna oils and related products, customer service, quality assurance and finance departments are located at Altona, Victoria.
- Innovation, Research & Development, Product Development, Technical Support, Sales and Marketing departments are located in Brisbane, Queensland.
- A Sales & Business Development office in Chicago, USA.
- A Logistics and Customer Service office in the UK.

Company Technology and Products. The major focus of the Company is on the delivery of bioactive ingredients using proprietary encapsulation technology to produce ready-to-blend products containing tuna oil and/or other nutritional lipids. The health benefits of omega-3 fatty acids in the diet have been well documented and this has assisted in developing the expanding global market for products containing these nutritionally important dietary components. One material that Clover uses is tuna oil, which is high in DHA, an essential fatty acid, which is recognized for its importance in brain, nerve and eye tissue development in babies and infants. Clover, through its subsidiary Nu-Mega, supplies refined tuna oil and a range of other encapsulated ingredients for use in infant formulas.

Apart from its own internally developed intellectual property 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 enables 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 period ended 31 July 2011.

Directors

The following persons were directors of Clover Corporation Limited during the financial period 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, appointed 2008 (company delisted 2009).
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 & health related dietary components.

Dr Brown maintains strong links to the research community through positions as 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 range.

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.

Director since 9 July 2008.

Dr Merylyn 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 currently serves as a director of Adalta Pty Ltd, the Rural Industries Research and Development Corporation and Relationships Australia (NSW) and advises government and life science companies and their investors on technology commercialisation.

Director since 9 July 2008.

Listed company directorships held during the last three years: 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), Quickstep Holdings Limited together with a number of unlisted 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. Quickstep Holdings Limited, appointed 2010, current.

DIRECTORS' REPORT (continued)

Name and qualifications

Experience and special responsibilities

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.

Principal Activities

The principal activities of the consolidated entity during the course of the financial period were the refining and sale of natural oils, the production of encapsulated 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 period.

Operating Results

The core business of the consolidated entity has recorded a net profit after tax for the 13 months of \$4.6 million (2010: loss \$0.97million), an increase of 576%. This increase in profit is associated with the consolidated entity's sales of omega-3 oil and encapsulated nutritional products. The total revenue during the period increased by 0.5% to \$36.04 million (2010: \$35.85 million).

Review of Operations

A full review of operations is included in the Chairman's and Managing Director's Report appearing on pages 4 and 5 of this report.

DIRECTORS' REPORT (continued)

Employees

The consolidated entity had 33 employees as at 31 July 2011 (2010: 35 employees).

Events Subsequent to Reporting Date

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. The distribution agreement will be terminated prior to December 31 2011.

The Company and the CSIRO announced on 15 August 2011 their entry into an agreement to undertake a targeted three-year research program to develop the next generation of encapsulation technology directed at infant formula and medical food applications. The program will utilise the intellectual property and expertise of the Company and the CSIRO and anticipates \$1.2m in funding to be provided by the CSIRO as a loan to the company to fund the required research.

Other than the above, no events have occurred subsequent to balance date which would materially affect the results for the financial period ended 31 July 2011.

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 period.

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 1.25 cent per share for the year ended 30 June 2010 was paid on 15 December 2010. The total final 2010 dividend paid was \$2,064,771.

Given the performance of the Company's core business, the directors have declared a fully franked final dividend of 1.5 cents per share (\$2,477,725 total dividend) 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.

DIRECTORS' REPORT (continued)

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' 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 period are:

Director	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number Eligible to Attend ¹	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
P R Robinson	21	21	-	-	-	-
Dr. I L Brown	20	19	-	-	-	-
C L Hayman	19	18	4	4	2	2
Dr. M J Sleigh	19	17	4	4	2	2
D E Wills	20	20	4	4	2	1

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

Insurance of Directors and Officers

During the financial period 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 period.

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 may 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 directors and key executives of the Company and consolidated entity in office at any time during the financial period are:

Name	Position
Directors	
P R Robinson	Non-Executive Chairman
Dr. I L Brown	Chief Executive Officer and Managing Director
C L Hayman	Non-Executive Director
Dr. M J Sleigh	Non-Executive Director
D E Wills	Non-Executive Director
Specified Executives	
D Callahan (appointed 2 May 2011)	Chief Financial Officer
A Beeson (resigned 30 April 2011)	Chief Financial Officer
M Mangion	Sales Manager
S Orchard (resigned 20 August 2010)	Business Development Manager - NuSoya products
C Patch	Innovations Manager
D Pierotti	Operations Manager

DIRECTORS' REPORT (continued)

Remuneration Report (Audited) (continued)

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

Please note 2011 figures show remuneration for 13 months compared with 12 months for 2010.

2011 13 months	Salary and Fees	Superannuation Contributions	Bonus Payment	Non- cash Benefits	Total
Directors	\$	\$	\$	\$	\$
P R Robinson	86,667	7,800	-	-	94,467
Dr. I L Brown	307,684	35,487	86,570	30,047	459,788
C L Hayman	43,333	3,900	-	-	47,233
Dr. M J Sleigh	43,333	3,900	-	-	47,233
D E Wills	43,333	3,900	-	-	47,233
	524,350	54,987	86,570	30,047	695,954

	Salary and Fees	Superannuation Contributions	Bonus Payment	Non-cash Benefits	Total
Key Executives					
D Callahan ¹	54,363	5,161	-	2,976	62,500
A Beeson ²	176,826	14,670	-	-	191,496
M Mangion	195,591	17,173	8,320	10,342	231,426
S Orchard ³	67,777	21,086	-	2,833	91,696
C Patch	175,379	18,341	12,776	18,957	225,453
D Pierotti	132,804	11,009	-	10,000	153,813
	802,740	87,440	21,096	45,108	956,384

1 – Appointed 2 May 2011
2 – Resigned 30 April 2011
3 – Resigned 20 August 2010

2010 12 months	Salary and Fees	Superannuation Contributions	Bonus Payment	Non- cash Benefits	Total
Directors	\$	\$	\$	\$	\$
P R Robinson	66,125	5,951	-	-	72,076
Dr. I L Brown	268,334	21,666	112,074	35,000	437,074
C L Hayman	32,500	2,925	-	-	35,425
Dr. 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

1 – Resigned 24 November 2009

DIRECTORS' REPORT (continued)

Remuneration Report (Audited) (continued)

	Salary and Fees	Superannuation Contributions	Bonus Payment	Non-cash Benefits	Total
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

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 \$380,300 for the year commencing 1 July 2011 and reviewed annually thereafter
- A short term incentive equating to up to 25% 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.

DIRECTORS' REPORT (continued)

Remuneration Report (Audited) (continued)

Long term Incentive ("LTI")

Dr Brown's remuneration package contains a Long Term Incentive ("LTI") 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 period were

Year Commencing	Hurdle	As at 30 June 2009	As at 30 June 2010	As at 31 July 2011	As at 31 July 2012	As at 31 July 2013
2008	Target - EPS	1.5c	3.2c	-	-	-
	Max - EPS	3.0c	3.8c	-	-	-
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	-
2010	Target -EPS	-	-	3.32c	3.82	4.39c
	Max - EPS	-	-	3.69c	4.24c	4.88c
2010	Target -ROE (%)	-	-	15	15	15
2010	Max - ROE (%)	-	-	20	20	20

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.

During the financial period, the Company satisfied its obligations to Dr Brown in respect of a grant provided in 2007 by the purchase of 149,322 shares at a price of 37 cents per share, for a total consideration of \$55,750

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' REPORT (continued)

Director's 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	Ordinary Shares
P R Robinson	1,387,108
Dr. I L Brown	403,904
C L Hayman	100,000
Dr. M J Sleigh	130,000
D E Wills	1,066,036
	<u>3,087,048</u>

Auditor's Independence and Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the period 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.

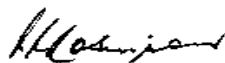
The following fees for non-audit services were paid/payable to the external auditors during the period ended 31 July 2011:

	\$
Taxation services	14,500
Other services	6,366
	<u>20,866</u>

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: 11 October 2011

CORPORATE GOVERNANCE

The Board of Clover Corporation Limited 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 period, 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

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.

CORPORATE GOVERNANCE (continued)

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

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.

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;
- The environment; and
- Investigation and reporting of breaches of the code.

The Company has established a share trading policy which may be viewed on the Company's web site www.clovercorp.com.au in the Corporate Governance section.

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, responsibility and reporting. The audit committee charter may be viewed on the Company's web site www.clovercorp.com.au in the Corporate Governance section.

CORPORATE GOVERNANCE (continued)

Principle 4 – Safeguard integrity in financial reporting (continued)

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 appropriate meetings to report on the results of their half-year review and full period 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 November each period;
- Announcements 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 Annual General Meeting (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.

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.

CORPORATE GOVERNANCE (continued)

Principle 8 – Remunerate fairly and responsibly (continued)

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 director's 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 PERIOD ENDED 31 JULY 2011

		Consolidated	
	Notes	13 Months 2011 \$'000	12 Months 2010 \$'000
Revenue	2	35,635	34,937
Cost of goods sold	3	(21,689)	(21,565)
Gross profit		13,946	13,372
Other income	2	405	914
Marketing and sales expenses		(3,178)	(3,116)
Administration and corporate expenses		(3,331)	(2,701)
Research and development expenses		(1,709)	(1,126)
Management expense		-	(50)
Impairment of inventory		-	-
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)
Profit before income tax		6,133	1,567
Income tax expense	4	(1,530)	(2,534)
Profit/(Loss) after tax for the period		4,603	(967)
Other comprehensive loss			
Foreign currency translation adjustment loss		(95)	(28)
Other comprehensive (loss) for the period		(95)	(28)
Total comprehensive income/(loss) for the period		4,508	(995)
Profit/(loss) attributable to members of the parent entity		4,508	(995)
Earnings per share (EPS)			
Basic earnings per share (cents per share)	23	2.70	(0.59)
Diluted earnings per share (cents per share)	23	2.70	(0.59)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011

	Notes	2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents	6	7,425	12,153
Trade and other receivables	7	10,453	8,162
Inventories	8	8,675	6,463
Other current assets	9	574	36
		<u>27,127</u>	<u>26,814</u>
Non-Current Assets			
Trade and other receivables	7	-	-
Financial assets	10	4	4
Investments accounted for using the equity method	11	-	-
Property, plant and equipment	12	2,084	2,088
Deferred tax assets	13	1,075	832
Intangible assets	14	2,050	2,008
		<u>5,213</u>	<u>4,932</u>
Total Assets		<u>32,340</u>	<u>31,746</u>
Current Liabilities			
Trade and other payables	15	3,393	4,080
Current tax liabilities	16	173	1,309
Short-term provisions	17	408	458
		<u>3,974</u>	<u>5,847</u>
Non-Current Liabilities			
Deferred tax liabilities	18	153	200
Long-term provisions	17	143	72
		<u>296</u>	<u>272</u>
Total Liabilities		<u>4,270</u>	<u>6,119</u>
Net Assets		<u>28,070</u>	<u>25,627</u>
Equity			
Issued Capital	19	32,920	32,920
Foreign currency reserves	22	(145)	(50)
Accumulated losses		(4,705)	(7,243)
Total Equity		<u>28,070</u>	<u>25,627</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 2011

Consolidated	Issued Capital \$'000	Retained Profits/ (Accumulated Losses) \$'000	Foreign Currency Reserves \$'000	Total \$'000
Balance at 30 June 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
Balance at 1 July 2010	32,920	(7,243)	(50)	25,627
Profit attributable to members of the entity	-	4,603	-	4,603
Dividend paid	-	(2,065)	-	(2,065)
Adjustment loss	-	-	(95)	(95)
Balance at 31 July 2011	32,920	(4,705)	(145)	28,070

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2011

		Consolidated	
	Notes	13 Months	12 Months
		2011	2010
		\$ '000	\$ '000
Cash flows from operating activities			
Receipts from customers		34,090	35,571
Payments to suppliers and employees		(33,830)	(30,103)
Interest received		585	284
Income tax paid		(2,956)	(939)
Net cash inflow/(outflow) from operating activities	21	(2,111)	4,813
Cash flows from investing activities			
Purchases of plant and equipment		(493)	(150)
Purchases of patents and trademarks		(59)	(50)
Net cash outflow from investing activities		(552)	(200)
Cash flows from financing activities			
Dividends paid	5 (a)	(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 and cash equivalents at the beginning of the period		12,153	9,192
Cash and cash equivalents at the end of the period	6	7,425	12,153

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Clover Corporation Limited (“the Company”) and controlled entities (“the consolidated entity”). Clover Corporation Limited is a listed public company, incorporated and domiciled in Australia. During the period Clover Corporation Limited changed its financial year end to 31 July. As such, the financial results presented in this report are for the 13 months ended 31 July 2011.

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 and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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 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.

(a) New and revised accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows.

The consolidated entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- *Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The amendments to various Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments relate to terminology and editorial changes. The impacts of the Standards have had no or minimal effect on the consolidated entity’s accounting and disclosures.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid' in accordance with IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. Equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. The implementation of the Standard has had no or minimal effect on the consolidated entity's accounting and disclosures.

(ii) Australian Accounting Standards and Interpretations issued but not yet effective

The following Standards and Interpretations issued or amended are applicable to the consolidated entity but not yet effective and have not been adopted in preparation of the financial statements at reporting date. The consolidated entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139).

AASB 9 introduces a revised basis of financial asset classification, changes the accounting treatment in respect of equity investments not held for trading, and eliminates potential inconsistencies in the treatment of certain financial assets.

Various other Standards are consequentially revised through AASB 2009-11. The Standards will be applied by the Group with effect from 1 July 2013, at which point the impacts will be more readily determinable.

AASB 124 Related Party Disclosures (Revised)

The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The impacts of the Standard, to be applied with effect from 1 July 2011, are not expected to be significant.

AASB 2009-12 Amendments to Australian Accounting Standards

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The impacts of the Standard, to be applied with effect from 1 July 2011, are not expected to be significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The amendments to various Standards provide clarification and guidance relating primarily to disclosures. The impacts of the Standard, to be applied with effect from 1 July 2011, are not expected to be significant.

AASB 2010-5 Amendments to Australian Accounting Standards, and AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

The Standards apply from 1 January 2011 and 1 July 2011, respectively, though neither is expected to have any significant impact.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

The Standard clarifies the measurement of financial liabilities under the fair value option. The impacts of the Standard, to be applied with effect from 1 January 2013, are not expected to be significant.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets

The Standard addresses the determination of deferred tax on investment property measured at fair value. The impacts of the Standard, to be applied with effect from 1 January 2012, are not expected to be significant.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The impacts of the Standard, to be applied with effect from 1 July 2013, are not expected to be significant.

(b) 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 31 July financial period 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 period, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax

The income tax expense (revenue) for the period 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 period 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.

Tax consolidation

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

(e) 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%
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment (continued)

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.

(f) 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 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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

(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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments (continued)

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.

(h) 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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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 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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 period-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.

(n) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in 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.

(o) 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 period end. Bad debts are written off when they are identified.

(p) 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 PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 funds 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.

(r) 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 remains unpaid. The balance is recognised as a current liability with the amounts normally paid within payments fall due and payable.

(s) 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.

(t) Provisions

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

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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.

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".

(x) Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements 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 performed. In assessing recoverable amounts a number of key estimates are made.

Key Judgements

- (i) *Impairment of investment in and loans to associates:* During the previous period, the Company assessed its 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 previous year. The impairment remains in place at the end of the current reporting period.
- (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.

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 PERIOD ENDED 31 JULY 2011

	Consolidated	
	13 Months	12 Months
	2011	2010
	\$'000	\$'000
2. Revenue and other income		
Operating activities:		
Sales of goods	35,635	34,937
	<u>35,635</u>	<u>34,937</u>
Other income:		
Interest revenue	589	429
Foreign exchange gains (net)	(200)	105
Government grant	-	185
Other revenue	16	195
	<u>405</u>	<u>914</u>
Total revenue	<u>36,040</u>	<u>35,851</u>

3. Expenses

Cost of sales:	<u>21,689</u>	<u>21,565</u>
Employee benefits expense:	<u>4,776</u>	<u>3,476</u>
Depreciation and amortisation:		
- leasehold improvements	-	1
- plant and equipment	319	198
- office furniture and equipment	54	36
- amortisation	17	18
	<u>390</u>	<u>253</u>
Minimum Lease payments- operating lease	<u>388</u>	<u>337</u>

4. Income tax expense:

**(a) The components of tax expense
comprise:**

Current tax	1,886	1,203
Deferred tax liability	(47)	17
Deferred tax asset	(202)	1,336
Over provision in prior years	(107)	(22)
	<u>1,530</u>	<u>2,534</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

	Consolidated	
	13 Months	12 Months
	2011	2010
	\$'000	\$'000
4. Income tax expense (continued)		
(b) Reconciliation of income tax expense:		
The aggregated amount of income tax expense attributable to the period differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:		
Prima facie tax payable on profit before income tax at 30% (2010 - 30%)	<u>1,840</u>	470
Tax effect amounts:		
- Tax benefit not recognised in respect of impairment and share of losses of associate	-	1500
- Research and development claim	(314)	(125)
- Sundry other	4	10
- Tax losses impaired	-	679
Income tax expense/(benefit) attributable to profit	<u>1,530</u>	2,534

5. Dividends

(a) Dividends paid during the period

Final dividend for the year ended 30 June 2010 of 1.25 cent per share (2009: 1 cent) fully franked at the tax rate 30%, paid 15 December 2010.

<u>(2,065)</u>	(1,652)
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Franking account balance

Franking credits available for subsequent financial years

<u>3,671</u>	1,287
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The above available amounts are based on the balance of the dividend franking account at the period 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 period 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 financial period.

(b) Dividends declared after balance date

The directors have declared a final dividend for the period ended 31 July 2011 of 1.5 cent 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 FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

	Consolidated	
	2011	2010
	\$'000	\$'000
6. Cash and cash equivalents		
Cash at bank	1,975	5,043
Cash on deposits, at call	5,450	7,110
	<u>7,425</u>	<u>12,153</u>
7. Trade and other receivables		
Current		
Trade debtors	<u>10,244</u>	7,950
Other debtors	122	212
Interest receivable from:		
- associate	724	724
- provision for impairment	(724)	(724)
Amounts receivable from:		
- related parties	149	62
- provision for impairment	(62)	(62)
Total current trade and other receivables	<u>10,453</u>	<u>8,162</u>
Non-current		
Amounts receivable from:		
- associate entities	1,918	1,918
- provision for impairment of amounts receivable from associates	<u>(1,918)</u>	<u>(1,918)</u>
Total non current trade and other receivables	<u>-</u>	<u>-</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

7. Trade and other receivables (continued)

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

	Opening Balance 1-Jul-10 \$000	Charge for the Period \$000	Amounts Written Off \$000	Closing Balance 31-Jul-11 \$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
	<u>2,704</u>	<u>-</u>	<u>-</u>	<u>2,704</u>

	Opening Balance 1-Jul-09 \$000	Charge for the Period \$000	Amounts Written Off \$000	Closing Balance 30-Jun-10 \$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
	<u>62</u>	<u>2,642</u>	<u>-</u>	<u>2,704</u>

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

Consolidated	
2011	2010
\$'000	\$'000

8. Inventories

Raw materials, at cost	3,717	2,427
Goods in transit	447	2,647
Finished goods, at cost	4,591	1,389
	<u>8,755</u>	<u>6,463</u>
Less: provision for inventory obsolescence, finished goods	<u>(80)</u>	-
Total inventories	<u>8,675</u>	<u>6,463</u>

9. Other current assets

Prepayments	<u>574</u>	<u>36</u>
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10. Financial assets

Available-for-sale financial assets:

Listed investment, at fair value		
- shares in listed corporation	<u>4</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

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	
				2011 \$'000	2010 \$'000
Future Food Ingredients Pty Limited (FFI)	Australia	Food Science	50	-	-
JSR Clover Limited	United Kingdom	Food Science	50	-	-
				<u>-</u>	<u>-</u>

(a) Movements during the period in equity accounted investment in associated entities:

Balance at beginning of the financial period	-	3,084
Add/(less):		
- Share of associated company losses	-	(983)
- Impairment of carrying value of investment	-	(2,101)
Balance at end of the financial period	<u>-</u>	<u>-</u>

(b) Retained earnings attributable to associate:

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

(c) Impairment of Associate

The directors recognised full impairment of the loan balances to, and investment in FFI, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

11. Investments accounted for using the equity method (continued)

(d) Contingent liabilities arising from FFI: The Company, along with its joint venture partners have 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 31 July 2011 is \$2,981,000.

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

Consolidated	
2011	2010
\$'000	\$'000

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

Total assets	3,000	6,344
Bank Loans	2,981	3,348
Loans from joint venture partners	3,238	2,612
Other Liabilities	23	384
Total liabilities	6,242	6,344
Net (Liabilities) / Assets *	(3,242)	-

* The net assets of Future Food Ingredients Pty Limited at 31 July 2011 are shown at estimated recoverable value after cessation of operations. The loans payable to Clover Corporation were fully impaired in the books of Clover Corporation at 30 June 2010.

Revenue	712	4,205
Loss after income tax of associate	940	1,966

12. Property, plant and equipment

Leasehold improvements, at cost	6	6
Less: accumulated depreciation	(6)	(6)
Total leasehold improvements	-	-
Plant and equipment, at cost	6,348	6,051
Less: accumulated depreciation	(4,437)	(4,118)
Total plant and equipment	1,911	1,933
Furniture and equipment, at cost	610	538
Less: accumulated depreciation	(437)	(383)
Total furniture and equipment	173	155
Total property, plant and equipment	2,084	2,088

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

Consolidated	
2011	2010
\$'000	\$'000

12. Property, plant and equipment (continued)

Reconciliation of the carrying amounts of each class of asset at the beginning and the end of the current financial period:

Leasehold improvements

Balance at beginning of the period	-	1
Depreciation expense	-	(1)
Carrying amount at the end of the period	<u>-</u>	<u>-</u>

Plant and equipment

Balance at beginning of the period	1,933	1,983
Additions, net of disposals	297	148
Depreciation expense	(319)	(198)
Carrying amount at the end of the period	<u>1,911</u>	<u>1,933</u>

Furniture and equipment

Balance at the beginning of the period	155	189
Additions, net of disposals	72	2
Depreciation expense	(54)	(36)
Carrying amount at the end of the period	<u>173</u>	<u>155</u>

13. Deferred tax assets

Deferred tax asset comprises:

Future income tax benefit	1,075	832
	<u>1,075</u>	<u>832</u>

The deferred tax assets balance comprises the following timing differences:

Impairment of inventory	24	-
Provisions	179	186
Other timing differences	872	646
	<u>1,075</u>	<u>832</u>

Reconciliation:

Opening balance	832	1,522
Charges to income statement	202	(1,336)
Charges to equity	41	646
Closing balance	<u>1,075</u>	<u>832</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

	Consolidated	
	2011	2010
	\$'000	\$'000
14. Intangible assets		
Patents and trademarks, at cost	555	496
Less: accumulated amortisation	<u>(412)</u>	<u>(395)</u>
	143	101
Goodwill on acquisition, at cost	<u>1,907</u>	1,907
Total intangible assets	<u>2,050</u>	<u>2,008</u>

(a) Movement in the carrying amounts for patents and trademarks between the beginning and the end of the current financial period:

Balance at beginning of the period	101	69
Additions	59	50
Amortisation charges	<u>(17)</u>	<u>(18)</u>
Carrying amount at the end of the period	<u>143</u>	<u>101</u>

(b) Movement in the carrying amounts for goodwill between the beginning and the end of the current financial period:

Balance at the beginning of the period	1,907	1,907
Additions	-	-
Carrying amount at the end of the period	<u>1,907</u>	<u>1,907</u>

There were no acquisitions of controlled entities in 2011 (2010: None). Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included in marketing and sales expense in the statement of comprehensive income. Goodwill has an indefinite life.

(c) Impairment assessment

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

During the 31 July 2011 financial period, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

	Consolidated	
	2011	2010
	\$'000	\$'000
15. Trade and other payables		
Current		
Trade creditors	3,047	3,059
Sundry creditors and other accruals	346	1,021
	3,393	4,080
16. Current tax liabilities		
Income tax payable	173	1,309
17. Provisions		
Aggregate employee entitlements:		
Current	408	458
Non-current	143	72
Total employee entitlements	551	530
18. Deferred tax liabilities		
The deferred tax liability balance comprises the following timing differences:		
Exchange gain	(16)	30
Interest receivable	8	7
Depreciating assets	161	163
	153	200
Reconciliation:		
Opening balance	200	183
Charge / (benefit) to income statement	(47)	17
Closing balance	153	200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

	Consolidated	
	2011	2010
	\$'000	\$'000
19. Issued Capital		
a) Issued and paid up capital		
165,181,696 (2010: 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 financial period.

Options

There are no options over the unissued capital of the Company at the end of the financial period.

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 31 July 2011 net debt was \$ nil (2010: \$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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

20. Parent Company Information

	2011	2010
	\$'000	\$'000
Current Assets	15,438	15,633
Non-Current Assets	13,423	8,444
Total Assets	28,861	24,077
Current Liabilities	2,176	1,100
Non-Current Liabilities	152	199
Total Liabilities	2,328	1,299
Net Assets	26,533	22,778
Equity		
Issued Capital	32,920	32,920
Accumulated losses	(6,387)	(10,142)
Total Equity	26,533	22,778
Net (loss) / profit for the period before other comprehensive income	5,819	(1,424)
Total comprehensive (loss) / income for the period	5,819	(1,424)
Earnings per share (EPS)	3.5	(0.86)

Controlled entities:	Country of Incorporation	Percentage Owned	
		2011	2010
		%	%
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 31 July 2011 is \$2,981,000.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

	Consolidated	
	13 months	12months
	2011	2010
	\$ '000	\$ '000
21. Reconciliation of Cash Flow		
Reconciliation of cash flow from operating activities to operating profit		
Profit for the period	4,603	(967)
Non cash items :		
- Amortisation and depreciation	390	253
- Impairment of investment	-	2,101
- Impairment of receivable	-	2,642
Share of associated companies net loss after income tax and dividends	-	983
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
(Increase)/Decrease in receivables and prepayments	(2,729)	(2,722)
Decrease/(Increase) in other assets	(323)	152
(Increase)/Decrease in inventories	(1,865)	(90)
(Decrease)/Increase in payables	(903)	1,754
(Decrease)/Increase in deferred tax liabilities	(47)	16
Decrease/(Increase) in deferred tax assets	(242)	690
(Increase)/Decrease in receivables - associate	-	(1,040)
Increase/(Decrease) in current tax liabilities	(1,136)	891
Decrease/(Increase) in employee entitlements	141	150
Net cash (outflow)/inflow from operating activities	(2,111)	4,813

22. Reserves

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

Foreign currency translation	(49)	(50)
Cash flow hedge	(96)	-
Total	(145)	(50)

Nature and purpose of reserves:

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign subsidiaries.

Cash flow hedge reserve

The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

23. Earnings per Share

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

	2011	2010
	13 months	12 months
	\$ '000	\$ '000
(a) Reconciliation of earnings to net profit or loss		
Profit attributable to members of the parent entity	<u>4,603</u>	(967)
Earnings used to calculate basic and diluted EPS	<u>4,603</u>	(967)
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted earnings per share	<u>165,181,696</u>	165,181,696
(c) Basic and Diluted earnings per share (cents)	<u>2.70</u>	(0.59)

24. Auditor's Remuneration

Remuneration of the auditor of the parent entity in respect of:

	13 months	12 months
	\$	\$
- Auditing and reviewing the financial reports of the Company and the controlled entities	160,000	142,000
- Taxation services	15,000	13,000
- Other	6,000	22,000
	<u>181,000</u>	<u>177,000</u>

25. Related Party Transactions

(a) Ultimate parent entity:

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

(b) Director-related entities:

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.

97,000 173,000

(c) Associate entities

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 July 2011.

- 146,000

(d) Ownership interests:

Information in relation to ownership interest in controlled entities is provided in Note 20.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

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 period were:

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
Specified Executives	
D Callahan (appointed 2 May 2011)	Chief Financial Officer
A Beeson (resigned 30 April 2011)	Chief Financial Officer
M Mangion	Sales Manager
S Orchard (resigned 20 August 2010)	Business Development Manager - NuSoya products
C Patch	Innovations Manager
D Pierotti	Operations Manager

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

	2011	2010
	13 months	12 months
	\$	\$
Short-term benefits	1,487,303	1,605,704
Long-term benefits	71,000	25,074
Post-employment benefits	142,427	121,962
	1,700,730	1,752,740

(b) **Performance Rights:** 149,322 performance rights were issued to Ian Brown during the financial period (2010 – 114,582).

(c) Shareholding:

	Balance		Shares	Balance
	30 June	Received as	Purchased	31 July
	2010	remuneration	& Sold	2011
Directors				
P R Robinson	1,309,108	-	78,000	1,387,108
Dr. I L Brown	254,582	149,322	-	403,904
C L Hayman	100,000	-	-	100,000
Dr. M J Sleigh	90,000	-	40,000	130,000
D E Wills	966,036	-	100,000	1,066,036
Specified Executives				
D Pierotti	1,200	-	-	1,200
	2,720,926	149,322	218,000	3,088,248

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

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 analysis 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.

(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.

Consolidated	Weighted Average Interest Rates	Floating Interest Rate \$'000	Fixed interest rates maturing in:			Total \$'000
			Within 1 Year \$'000	Within 1-5 Years \$'000	Non Interest Bearing \$'000	
2011						
Financial Assets						
Cash	4.74%	7,425	-	-	-	7,425
Trade and other receivables	-	-	-	-	10,453	10,453
		7,425	-	-	10,453	17,878
Financial Liabilities						
Trade and other payables	-	-	-	-	3,393	3,393
		-	-	-	3,393	3,393

The consolidated entity constantly analyses its interest rate exposure. Within this analysis, consideration is given to the mix of fixed and variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

27. Financial Risk Management (continued)

(a) Interest rate risk (continued)

Consolidated	Weighted Average Interest Rates	Floating Interest Rate \$'000	Fixed interest rates maturing in:			Total \$'000
			Within 1 Year \$'000	Within 1- 5 Years \$'000	Non Interest Bearing \$'000	
2010						
Financial Assets						
Cash	5.21%	12,153	-	-	-	12,153
Trade and other receivables	-	-	-	-	8,162	8,162
		12,153	-	-	8,162	20,315
Financial Liabilities						
Trade and other payables	-	-	-	-	4,080	4,080
		-	-	-	4,080	4,080

The following sensitivity analysis is based on the variable interest rate risk exposures in existence at 31 July 2011:

Interest Rate Movement Consolidated	Post Tax Profit Higher (lower)		Equity Higher (lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
+1% (100 basis points)	52	85	52	85
-1% (100 basis points)	(52)	(85)	(52)	(85)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

27. Management of Financial Risk (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 31 July 2011, the consolidated entity had the following financial assets and liabilities denominated in foreign currency.

	2011	2010
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	890	923
Trade and other receivable	22	132
Total financial assets	912	1,055
Financial Liabilities		
Trade and other payables	51	872
Total financial liabilities	51	872

The consolidated entity also had the following foreign exchange hedge contracts in place as at 31 July 2011 to hedge known liabilities (2010: 2,333,333 USD).

Contract Date	Currency	Amount	Rate /
		\$'000	AUD
26/09/2011	USD	2,397	1.0462
26/09/2011	USD	240	1.0386
31/08/2011	USD	182	1.0485
31/08/2011	USD	145	1.0501
28/10/2011	USD	182	1.0405

At 31 July 2011, 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:

Foreign Exchange Movement	Post Tax Profit		Change in Equity	
	Higher/(Lower)		Higher/(Lower)	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Change in Profit				
USD/AUD + 5%	165	204	165	204
USD/AUD - 5%	(165)	(204)	(165)	(204)
GBP/AUD+ 5%	30	4	30	4
GBP/AUD - 5%	(30)	(4)	(30)	(4)
Euro/AUD + 5%	1	5	1	5
Euro/AUD - 5%	(1)	(5)	(1)	(5)
NZD/AUD + 5%	-	-	-	-
NZD/AUD - 5%	-	-	-	-

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 PERIOD ENDED 31 JULY 2011

27. Management of Financial Risk (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 minimize the occurrence of bad debts.

Trade and other receivables as at 31 July 2011

	Consolidated	
	2011	2010
	\$'000	\$'000
Trade receivables :		
Within terms	9,804	7,126
Over terms	440	-
Loan to associate	1,918	1,918
Total	12,162	9,044

The consolidated entity has fully impaired the loan to associate as at 31 July 2011.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

27. Management of Financial Risk (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.

Consolidated	Balance as at 31 July 2011 \$'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	7,425	7,425	-	-	7,425
Trade and other receivables	10,453	10,453	-	-	10,453
Inventory	8,675	8,675	-	-	8,675
Anticipated cash inflows	26,553	26,553	-	-	26,553
Financial liabilities and obligations due for payment					
Trade and other payables	3,393	3,393	-	-	3,393
Tax liabilities	173	173	-	-	173
Leasing commitments	845	351	494	-	845
Anticipated cash outflows	4,411	3,917	494	-	4,411
Net inflow/(outflow)	22,142	22,636	(494)	-	22,142

(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 PERIOD ENDED 31 JULY 2011

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 now 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 bean 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.

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 to 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

28. Operating Segments (continued)

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								
Operating profit	-	-	5,744	6,758	389	534	6,133	7,292
Share of net losses of equity accounted associate	-	(983)	-	-	-	-	-	(983)
Impairment loss on investment	-	(2,100)	-	-	-	-	-	(2,100)
Impairment loss on receivables	-	(2,642)	-	-	-	-	-	(2,642)
Profit / (loss) before income tax	-	(5,725)	5,744	6,758	389	534	6,133	1,567
Income tax expense							(1,530)	(2,534)
(Loss) / Profit for the period							4,603	(967)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

28. Operating Segments (continued)

Primary Reporting – Business Segments (continued)

	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
Assets								
Segment assets	-	-	23,836	18,756	7,429	12,157	31,265	30,913
Unallocated assets								
Deferred tax asset							1,075	833
Total assets							32,340	31,746
Liabilities								
Segment liabilities	-	-	3,944	4,610	-	-	3,944	4,610
Unallocated liabilities								
Current tax liability							173	1,309
Deferred tax liability							153	200
Total liabilities							4,270	6,119
Included in segment assets are:								
Investments accounted for using the equity method	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2011

	Consolidated	
	2011	2010
	\$'000	\$'000

29. Capital and Leasing Commitments

(a) Operating lease commitments

Operating leases primarily related to premises, contracted for but not capitalised in the financial statements:

Payable:

Not later than 1 year	351	398
Later than 1 year but not later than 5 years	494	643
Total operating leases	845	1,041

(b) Capital expenditure commitments:

There are no capital expenditure commitments

30. Events Subsequent to Reporting Date

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. The distribution agreement will be terminated prior to December 31 2011.

The Company and the CSIRO announced on 15 August 2011 their entry into an agreement to undertake a targeted three-year research program to develop the next generation of encapsulation technology directed at infant formula and medical food applications. The program will utilise the intellectual property and expertise of the Company and the CSIRO and anticipates \$1.2m in funding to be provided by the CSIRO as a loan to the company to fund the required research.

Other than the above, no events have occurred subsequent to balance date which would materially affect the results for the financial period ended 31 July 2011.

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 31 July 2011 is \$2,981,000.

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

32. Authorisation

The financial report was authorised for issue on 11 October 2011 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 31 July 2011 and of its performance for the period ended on that date; and

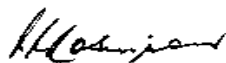
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(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 period ending 31 July 2011.

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



Peter R. Robinson
Chairman
Sydney
Date: 11 October 2011

CLOVER CORPORATION LIMITED
ABN 85 003 622 866

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), which comprises the consolidated statement of financial position as at 31 July 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, 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 controls 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider 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 controls. 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF CLOVER CORPORATION LIMITED (continued)

Auditor's Opinion

In our opinion:

- (a) the financial report of Clover Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2011 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 report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

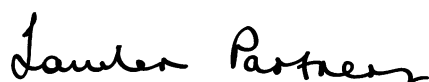
Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the financial period ended 31 July 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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 financial period ended 31 July 2011 complies with section 300A of the *Corporations Act 2001*.



LAWLER PARTNERS
Chartered Accountants



CLAYTON HICKEY
Partner

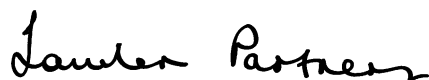
Dated this 11 day of October 2011
Place: Sydney

CLOVER CORPORATION LIMITED
ABN: 85 003 622 866

**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 period ended 31 July 2011 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
Chartered Accountants

Sydney

Dated this 11 day of October 2011



CLAYTON HICKEY
Partner

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under Professional Standards Legislation

Additional ASX Information

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

Shareholdings as at 26 September 2011

Substantial Shareholders

The number of shares held by substantial shareholders and their associates is 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 26 September 2011

Category	Number of holders of ordinary shares
1 – 1,000	121
1,001 – 5,000	575
5,001 – 10,000	487
10,001 – 100,000	799
100,001 and over	145
Total Number of Holders	2,127
Total Number of Holders of less than a marketable parcel	231

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 26 September 2011*

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	3,405,000	2.06
5	Equitas Nominees Pty Limited <2874398 A/C>	2,942,955	1.78
6	Omega Value Corporation Pty Ltd	2,190,079	1.33
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>	1,512,000	0.92
10	Mr Peter Howells	1,258,138	0.76
11	Mrs Nina Eleanor Drummond	1,150,000	0.70
12	Mr Anthony Carl Osterheld	1,100,000	0.67
13	Mr Pei Yin Foo	1,038,000	0.63
14	Farallon Capital Pty Ltd <Nunn Investment A/C>	1,000,000	0.61
15	McNeil Nominees Pty Ltd	1,000,000	0.61
16	JP Morgan Nominees Australia Limited <Cash Income A/C>	994,411	0.60
17	Aust Executor Trustees Ltd <Lanyon Aust Value Fund>	932,257	0.56
18	Mr John Frederick Bligh	878,881	0.53
19	BKI Investment Company Limited	858,000	0.52
20	Questor Financial Services Limited <TPS RF A/C>	787,930	0.48
Total top 20 shareholders		101,116,275	61.22
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