



Clover Corporation Limited

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Clover Corporation Limited
ASX Appendix 4E
Preliminary final report
30 June 2006

Lodged with the ASX under Listing Rule 4.3A

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Reporting Period *(Appendix 4E item 1)*

The reporting period for this report is the financial year ending 30 June 2006.

The previous corresponding period is the financial year ending 30 June 2005.

Results for Announcement to the Market

FINANCIAL HIGHLIGHTS

- **Consolidated profit after tax** of \$453,000 for the year to 30 June 2006 (2005: \$771,000) was affected by:
 - start-up losses of \$357,000 in the soy flour joint venture
 - the expensing of \$675,000 in research and product development costs (net of Government grant funding)
 - the write-down in the value of plant and equipment at the Altona manufacturing site by \$191,000.

- **Appointment of Dr Ian Brown as CEO and Managing Director**

Appendix 4E Information

		% Change	Amount of Change \$'000		\$ \$'000
Revenue <i>(Appendix 4E item 2.1)</i>	Up	20.1%	3,148	to	18,809
Profit after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Down	41.2%	318	to	453
Net profit for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Down	41.2%	318	to	453

Clover Corporation Limited
Year ended 30 June 2006

Dividends/distributions <i>(Appendix 4E item 2.4)</i>	Amount per security	Franked Amount per security
Final dividend *	Nil	Nil
Previous corresponding period *	Nil	Nil
* It is not proposed to pay dividends		

Day/Month/Year

Record date for determining entitlements to dividends
(Appendix 4E item 2.5)

N/A

Dividend Payment Date

N/A

Additional dividend/distribution information *(Appendix 4E item 6)*

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2006 are as follows:

Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
	No dividends or distributions were declared or paid during or subsequent to the year ended 30 June 2006.				

Dividend/distribution reinvestment plans *(Appendix 4E item 7)*

There are no dividends or distribution reinvestment plans as at 30 June 2006.

NTA Backing *(Appendix 4E item 9)*

	2006	2005
NTA per share	13.73 cents	13.30 cents

EPS

	2006	2005
Basic Earnings per Share	0.27 cents	0.47 cents
Diluted Earnings per Share	0.27 cents	0.47 cents

Explanation of Profit after tax *(Appendix 4E item 2.6)*

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

Explanation of Net Profit *(Appendix 4E item 2.6)*

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

Explanation of Dividends *(Appendix 4E item 2.6)*

No dividends or distributions were declared or paid during or subsequent to the year ended 30 June 2006.

Review of Operations *(Appendix 4E item 2.6)*

Clover Corporation Limited ("Clover") has reported a net profit after tax attributable to members for the year ended 30th June 2006 of \$453,000 (L/Y \$771,000 AIFRS adjusted). Despite trading in its core business of Omega³DHA being ahead of last year the 2006 result was affected by:

- start-up losses of \$357,000 in the soy flour joint venture
- the expensing of \$675,000 in research and product development costs (net of Government grant funding)
- the write-down in the value of plant and equipment at the Altona manufacturing site by \$191,000.

The write down of plant and equipment coincides with the installation of a new deodorizer and a review of plant operations. The new deodorizer will deliver a much improved product and will be fully commissioned in September, 2006.

Clover has moved to secure its source of tuna oil through the extension of its supply contract with Star-Kist Seafood for another five years and it has also been evaluating new sources of omega³ oil. Under the auspices of a Food Innovation Grant, Clover's continued participation in a research project with CSIRO and Tridan/Albright Wilson (Aust) Ltd to produce omega³ oil via fermentation of micro algae will be reviewed in September 2006.

Review of Operations (*Appendix 4E item 2.6*) - continued

Whilst the sales of liquid high DHA fish oil continues to increase, Clover is finalising an agreement with an internationally recognised research partner in relation to an improved microencapsulation technology which will enhance the functionality of the powdered Driphorm ingredients range of applications. Research in this area will continue in 2006-2007 to further advance this technology and enhance Clover's position as a leader in the microencapsulation of oils.

Clover's 70% owned joint venture Nu-Mega Ingredients Pty. Ltd. (Nu-Mega) recorded sales of \$16.3m compared with \$14.3m last year. Clover's share of Nu-Mega's profit after tax amounted to \$525,000 (L/Y \$406,000).

As with the parent company Clover, Nu-Mega incurred a number of one-off expenses during the year totalling \$106,000 which affected its profit. Those one-off expenses related to promotional and redundancy costs. It should be noted that Nu-Mega also incurred net costs of \$286,000 during the year associated with marketing support and product application for the soy joint venture, Future Food Ingredients Pty Ltd (FFI).

Nu-Mega continues to be extremely active in the marketplace working on projects in Asia/Pacific, USA and Europe. Currently there are 8 research projects underway and more than 50 application trials for customers are currently being undertaken. The depth of Nu-Mega's knowledge in how to use the product range in a broad range of applications is perceived as a significant strength in maintaining and attracting new customers. As an example of this, Nu-Mega has recently signed a two year Global Supply Contract with a current international infant nutrition customer. The stability of Nu-Mega's ingredients in infant formula applications along with a successful track record in supply chain management were key factors in the decision to formalize this relationship globally. Nu-Mega has become the preferred supplier of Omega³DHA enriched oils to this major infant formula nutrition company.

Nu-Mega's sales growth in 2006 was due to continued advances in infant nutrition and the powdered supplement categories in Australia and New Zealand. Whilst increased media coverage of the benefits of fish oil and Omega 3 has raised public awareness, ongoing education of the consumer is required. This increased media coverage has resulted in a more open response from food companies in Europe and North America. However, the lead times associated with these enquiries remain in the region of 18 months to 2 years due mainly to the extended period of time taken by major food manufacturers to evaluate (particularly since extensive shelf-life studies are involved), approve and use the Nu-Mega ingredients. Nu-Mega is well advanced in discussions with a number of major companies for the incorporation of fish oil in their products and the outlook is positive. Nu-Mega is also seeking opportunities to broaden its distribution system overseas in order to provide increased market exposure for its products.

Clover's joint venture with Austgrains, formed to manufacture and market a unique range of bland flavoured soy ingredients manufactured from whole soy beans, became fully operational in December 2005. Work since that time has been directed towards process optimisation and tailoring the ingredients for use in specific applications such as beverages, frozen confections, baked foods and nut replacement. Product concepts have been presented to potential customers in Australia, New Zealand and South Korea. The company is confident of concluding a supply agreement early in FY 06/07 with a well known Australian brand producer.

Progress is also being made in sales of Nu-Soya grits and flakes to the baking and dry goods market.

New Managing Director & CEO of Clover, Dr. Ian Brown commenced with the company on the 26th June 2006. Dr Brown brings to Clover 25 years of technical and commercial experience in the cereals, ingredient, food & nutrition industries.

Clover Corporation Limited
Year ended 30 June 2006

Consolidated Income Statement *(Appendix 4E item 3)*
for the year ending 30 June 2006

	30 June 2006	30 June 2005
	\$'000	\$'000
Revenue		
Revenue from the sale of goods	17,292	14,326
Interest revenue	772	702
Other revenue	745	633
	<hr/>	<hr/>
Total revenue	18,809	15,661
	<hr/>	<hr/>
Expenses		
Cost of goods sold	(11,415)	(9,601)
Administration and corporate expenses	(2,028)	(1,424)
Finance costs	(1)	(2)
Sales and marketing expenses	(2,635)	(2,672)
Research and product development	(1,075)	(166)
Other expenses	(267)	(667)
Share of net loss of associate accounted for using equity accounting	(357)	(54)
	<hr/>	<hr/>
Total expenses	(17,778)	(14,586)
	<hr/>	<hr/>
Profit before tax	1,031	1,075
	<hr/>	<hr/>
Income tax expense	(353)	(130)
	<hr/>	<hr/>
Profit after tax	678	945
	<hr/>	<hr/>
Profit attributable to minority interest	(225)	(174)
	<hr/>	<hr/>
Net profit attributable to members	453	771
	<hr/>	<hr/>

The income statement is to be read in conjunction with the notes to the financial statements set out in the notes to this report.

Clover Corporation Limited
Year ended 30 June 2006

Consolidated Balance Sheet *(Appendix 4E item 4)*
as at 30 June 2006

	Notes	30 June 2006 \$'000	30 June 2005 \$'000
CURRENT ASSETS			
Cash		11,016	12,230
Receivables		3,259	2,522
Inventories		3,215	3,005
Other		71	78
TOTAL CURRENT ASSETS		17,561	17,835
NON-CURRENT ASSETS			
Receivables		2,112	859
Investments		3,828	4,190
Plant and equipment (net)		1,765	1,430
Intangibles (net)		86	101
Deferred tax asset		63	37
TOTAL NON-CURRENT ASSETS		7,854	6,617
TOTAL ASSETS		25,415	24,452
CURRENT LIABILITIES			
Payables		2,246	2,405
Current tax liabilities		156	(210)
Provisions		173	142
TOTAL CURRENT LIABILITIES		2,575	2,337
NON-CURRENT LIABILITIES			
Provisions		79	32
TOTAL NON-CURRENT LIABILITIES		79	32
TOTAL LIABILITIES		2,654	2,369
NET ASSETS		22,761	22,083
EQUITY			
Share Capital	6	32,920	32,920
Accumulated losses	7	(10,824)	(11,277)
Minority interests		665	440
TOTAL EQUITY		22,761	22,083

The balance sheet is to be read in conjunction with the notes to the financial statements set out in the notes to this report.

Clover Corporation Limited
Year ended 30 June 2006

Statement of Changes in Equity *(Appendix 4E)*
for the year ended 30 June 2006

CONSOLIDATED

	Share Capital \$'000	Retained Profits \$'000	Minority Interest \$'000	Total \$'000
Balance at 1 July 2005	32,920	(11,277)	440	22,083
Total income and expense for the period recognised directly in equity				
Profit for the year	-	453	225	678
Total income and expense for the year	-	453	225	678
Dividends paid	-	-	-	-
Balance at 30 June 2006	<u>32,920</u>	<u>(10,824)</u>	<u>665</u>	<u>22,761</u>

Clover Corporation Limited
Year ended 30 June 2006

Consolidated Cash Flow Statement *(Appendix 4E item 5)*
for the year ended 30 June 2006

	30 June 2006 \$'000	30 June 2005 \$'000
Cash flows related to operating activities		
Receipts from customers	17,101	14,131
Payments to suppliers and employees	(16,920)	(15,131)
Dividend Received	1	-
Interest received	605	702
Interest paid	(1)	(2)
Income tax paid	(14)	(595)
Net cash (used in) / provided by operating activities	772	(895)
Cash flows related to investing activities		
Payment for purchase of plant and equipment	(734)	(34)
Payments for patents and trademarks	-	(15)
Payment for investment in associate	-	(2,900)
Payments for other investments	-	(3)
Net cash (used in) / provided by investing activities	(734)	(2,952)
Cash flows related to financing activities		
Proceeds from issues of shares	-	3,926
Related party loan	(1,252)	-
Dividends paid by parent entity	-	(1,652)
Net cash (used in) / provided by financing activities	(1,252)	2,274
Net increase in cash held	(1,214)	(1,573)
Cash at the beginning of financial period	12,230	13,803
Cash at the end of financial period	11,016	12,230

The cash flow statement is to be read in conjunction with the notes to the financial statements set out in the notes to this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2006

1. Basis of Preparation

This financial report for the year ended 30 June 2006 is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Clover Corporation Limited and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

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

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

Clover Corporation Limited
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2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

(i) Effect of AIFRS on the balance sheet as at 1 July 2005

	AGAAP \$'000	Adjustment \$'000	AIFRS \$'000
CURRENT ASSETS			
Cash	12,230	-	12,230
Receivables	2,522	-	2,522
Inventories	3,005	-	3,005
Other	78	-	78
TOTAL CURRENT ASSETS	17,835	-	17,835
NON-CURRENT ASSETS			
Receivables	859	-	859
Investments	4,190	-	4,190
Plant and equipment (net)	1,430	-	1,430
Intangibles (net)	101	-	101
Deferred tax asset	37	-	37
Other	142	(142)	-
TOTAL NON-CURRENT ASSETS	6,759	(142)	6,617
TOTAL ASSETS	24,594	(142)	24,452
CURRENT LIABILITIES			
Payables	2,405	-	2,405
Current tax liabilities	(210)	-	(210)
Provisions	142	-	142
TOTAL CURRENT LIABILITIES	2,337	-	2,337
NON-CURRENT LIABILITIES			
Provisions	32	-	32
TOTAL NON-CURRENT LIABILITIES	32	-	32
TOTAL LIABILITIES	2,369	-	2,369
NET ASSETS	22,225	(142)	22,083
EQUITY			
Share Capital	32,920	-	32,920
Accumulated losses	(11,135)	(142)	(11,277)
Minority interest	440	-	440
TOTAL EQUITY	22,225	(142)	22,083

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Year ended 30 June 2005 \$'000
Profit after tax as previously reported	764
Adjustments:	
Amortisation of setup costs	7
Profit after tax under AIFRS	771

Clover Corporation Limited
Year ended 30 June 2006

3. Profit before income tax expense

Profit before income tax expense includes the following items of income and expense which, together with other disclosures in this report are relevant in explaining the financial performance for the year:

	30 June 2006 \$'000	30 June 2005 \$'000
Revenue		
Export market development grant	150	250
Food Innovation Grant	400	-
Interest revenue	772	702
Expenses		
Cost of goods sold	11,415	9,601

4. Contingent liabilities

	30 June 2006 \$'000	30 June 2005 \$'000
Bank guarantee – note 4(a)	350	350

(a) Clover Corporation Limited has provided a limited cross guarantee to its controlled entity Nu-Mega Ingredients Pty Limited which is secured by a floating charge on its assets.

(b) There are no other contingent liabilities.

5. Events subsequent to reporting date

No events have occurred subsequent to balance date which would materially affect the financial report.

6. Share Capital

	30 June 2006 \$'000	30 June 2005 \$'000
Issued and paid-up capital		
165,181,696 (2005: 165,181,696) fully paid ordinary shares	32,920	32,920
Movements in ordinary share capital:		
Balance at the beginning of the reporting period	32,920	28,994
Shares issued during the financial period	-	3,926
Balance at the end of the reporting period	<u>32,920</u>	<u>32,920</u>

Clover Corporation Limited
Year ended 30 June 2006

7. Accumulated losses *(Appendix 4E item 8)*

	30 June 2006 \$'000	30 June 2005 \$'000
Accumulated losses at the beginning of the financial period	(11,277)	(10,396)
Net profit attributable to members	453	771
Dividends paid	-	(1,652)
Accumulated losses at end of the financial period	(10,824)	(11,277)

Controlled entities acquired or disposed of *(Appendix 4E item 10)*

On the 1st December 2005, Clover's 70% controlled entity, Nu-Mega, established wholly owned entities in the UK and the USA.

Other than the matter referred to above, there were no entities acquired or disposed during the financial year ended 30 June 2006.

Clover Corporation Limited
Year ended 30 June 2006

Associates and Joint Venture entities *(Appendix 4E item 11)*

Details of shares and results in associates

	30 June 2006 \$000	30 June 2005 \$000
a) JSR Clover Limited		
- share of net assets	-	-
- share of results	-	-

Clover Corporation Limited has a 50% interest in JSR Clover Limited.

	30 June 2006 \$000	30 June 2005 \$000
b) Future Food Ingredients Pty Limited		
- share of net assets (i)	3,824	4,181
- share of results (ii)	(357)	(54)
- loan from Clover Corporation Limited	2,112	859
- accrued interest	305	137
(i) Net assets of FFI	<u>7,824</u>	<u>8,500</u>
At Clover's share 50%	3,912	4,250
Adjustment for accumulated interest charged by Clover and capitalised by FFI for qualifying assets	(88)	(69)
	<u>3,824</u>	<u>4,181</u>
(ii) Net profit (loss) of FFI	<u>(676)</u>	<u>29</u>
At Clover's share 50%	(338)	15
Adjustment for current year interest charged by Clover and capitalised by FFI for qualifying assets	(19)	(69)
	<u>(357)</u>	<u>(54)</u>

Clover Corporation Limited has a 50% interest in Future Food Ingredients Pty Limited ("FFI").

Other significant information *(Appendix 4E item 12)*

Please refer to the review of operations contained in this report.

Foreign Accounting Standards *(Appendix 4E item 13)*

N/A

Commentary on results

Earnings per share *(Appendix 4E item 14.1)*

Please refer to the review of operations contained in this report.

Returns to shareholders *(Appendix 4E item 14.2)*

N/A

Significant features of operating performance *(Appendix 4E item 14.3)*

Please refer to the review of operations contained in this report.

Clover Corporation Limited
Year ended 30 June 2006

Results of segments *(Appendix 4E item 14.4)*

Primary Reporting – Business Segments

	Soy Production (Processed Soy Matrix 'PSM' technology)		Tuna Oil and DHA product refinement, development and supply		Investment/ Treasury		Economic Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue								
External sales	-	-	17,292	14,326	-	-	17,292	14,326
Total sales revenue	-	-	17,292	14,326	-	-	17,292	14,326
Share of net profits of equity accounted associate	(357)	(54)	-	-	-	-	(357)	(54)
Other revenue	-	-	-	-	772	702	772	702
Total segment revenue	(357)	(54)	17,292	14,326	772	702	17,707	14,974
Unallocated revenue							745	633
Total revenue from ordinary activities							18,452	15,607
Results								
Segment result	(357)	(54)	1,103	710	772	702	1,518	1,358
Unallocated expenses net of unallocated revenue							(487)	(283)
Profit from ordinary activities before income tax expense							1,031	1,075
Income tax expense							(353)	(130)
Net Profit							678	945

Clover Corporation Limited
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A discussion of trends in performance (Appendix 4E item 14.5)

Please refer to the review of operations contained in this report.

Other factors that affected results in the period or which are likely to affect results in the future (Appendix 4E item 14.6)

No events have occurred subsequent to balance date which would materially affect the financial report.

Audit (Appendix 4E items 15 - 17)

This report is based on financial statements that are in the process of being audited.