



CLOVER

2002 ANNUAL REPORT

Clover Corporation Limited ABN 85 003 622 866



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Mission statement

We seek to improve human nutrition and thereby quality of life by delivering innovative, added value nutrients of 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 report

As stated during the 2001 Annual General Meeting held in late October 2001 the 2001 – 2002 financial year has involved a restructure and reorganisation of Clover in order to lower the ongoing cash burn of the Company while our sales and marketing initiatives develop maintainable increased revenues. Some of these revenue generating initiatives include the national Tip Top Up™ bread launch by George Weston Foods Limited during July 2002 as well as the recently announced Technology License and Contract Manufacturing Agreements with the US based Martek Biosciences Corporation effective from 1 August 2002.

In these uncertain times the Directors have taken a conservative course of action of writing down the carrying value of the majority of intangibles including Goodwill to nil during the financial year. These write downs of intangibles amount to \$1,329,000. Also, the restructure and reorganisation process has cost the Company some \$1,143,000 during the financial year in

"one off" and "non-recurring" charges. These restructuring measures have ensured that Clover's ongoing operating cost base is more closely aligned with revenue generation and should have a positive effect on ongoing operating cash flows.

The table below provides a comparison of the 2001 – 2002 financial result as compared to last financial year (2000 – 2001). We have also highlighted the "one off" and "non-recurring" costs that have been incurred during this financial year to assist with the analysis of earnings from "normal ongoing operations".

The improvement in results on a "normalised earnings" basis between the first and second half of the financial year are a direct result of the cost base and overhead restructuring undertaken by the Company. This ongoing reduced cost base and level of overheads combined with increased revenues from recent sales and marketing initiatives means that the Company is well positioned in terms of earnings and cash flow for the current 2002 – 2003 financial year onwards.

	Actual FY'01 A\$'000	Actual 1H of FY'02 A\$'000	Actual 2H of FY'02 A\$'000	Actual Full FY'02 A\$'000
Reported Earnings	(4,845)	(2,513)	(3,059)	(5,572)
One off and Non-recurring Charges*	-	600	1,872	2,472
Normalised Earnings from Operations	(4,845)	(1,913)	(1,187)	(3,100)

*includes write down of Goodwill

The table below provides a review of cash flows by half year for the 2001 – 2002 financial year in comparison to last financial year (2000 – 2001).

The improvement in cash flow between the first and second half of the financial year again represents the result of the recent

restructure and reorganisation of Clover's cost base and level of overheads. We feel that the ongoing cost base level combined with recently announced revenue generating initiatives means that the Company is well positioned for cash flow purposes going forward.

	Actual FY'01 A\$'000	Actual 1H of FY'02 A\$'000	Actual 2H of FY'02 A\$'000	Actual Full FY'02 A\$'000
Net Operating Cash Flows	(3,306)	(3,251)	172	(3,079)
Net Investing Cash Flows	(335)	(123)	(36)	(159)
Net Financing Cash Flows	(413)	(16)	(8)	(24)
Net Increase / (Decrease) in Cash	(4,054)	(3,390)	128	(3,262)

As announced on 20 August 2002, the Company has entered a Memorandum of Understanding with the Queensland based Food Spectrum Group of Companies ("Food Spectrum") with regards to forming a Joint Venture ("JV"), Nu-Mega Ingredients Pty Limited (Nu-Mega). The JV is subject to full due diligence, legal documentation as well as shareholder approval at the 2002 Annual General Meeting ("AGM"). The major shareholders of Clover (Washington H Soul Pattinson & Company Limited as well as the Drummond Family) are fully endorsing the transaction as it represents the next stage in commercialising the Company's unique and world leading technologies into ongoing revenue, profit and cash flow generation.

On behalf of our Directors I look forward to meeting you at our 2002 AGM.



Mr. C N H (Hamish) Drummond
EXECUTIVE CHAIRMAN

Dated this 30th Day of September 2002

Company directors

Mr. C N H (Hamish) Drummond – Executive Chairman

Mr. Drummond has held the position of executive Managing Director of Clover Corporation Limited since 1988 and was appointed Executive Chairman in 1999. Mr. Drummond's career in the pharmaceutical industry has spanned over 40 years. He previously held the positions of Managing Director and Vice Chairman of Roche Productions in Australia and General Manager and Vice Chairman of Roche Products in South Africa.

Mr. Robert D Millner – Non-executive Director

Mr. Millner is the current Chairman of Directors of Washington H Soul Pattinson & Company Limited. He commenced as a Director of Soul Pattinson in 1984 and is on the board of Directors of numerous Soul Pattinson Group subsidiary companies. Mr. Millner is Chairman of NBN Group Limited, Keith Harris & Company Limited, Choiseul Investments Limited and SP Telecommunications Limited, and he is also a Non-executive Director of Australian Pharmaceutical Industry Limited.

Mr. Robert T Ashfield – Non-executive Director

Mr. Ashfield is the former Deputy Managing Director of Roche Products in Australia. Mr. Ashfield began his 30 plus year career with Roche as the Financial Controller moving to the role of Director of Finance & Administration and ending as Deputy managing Director. Mr. Ashfield also held the position of Financial Controller of Warner Lambert and management positions at ICI Limited and Coopers & Lybrand. Mr. Ashfield remains as a Non-executive Director of Roche Products in Australia and its subsidiaries.

Mr. Peter R Robinson – Non-executive Director

Mr. Robinson is the current Chief Executive Officer and Group General Manager of Washington H Soul Pattinson & Company Limited. He commenced with Soul Pattinson in 1978 and was appointed a Director in 1984. He is an Executive Director of numerous Soul Pattinson Group subsidiary companies including but not limited to Apex Healthcare Berhad (Malaysia), New Hope Corporation Limited, Keith Harris & Company Limited, SP Telecommunications Limited and NBN Group Limited, and he is also a Non-executive Director of Australian Pharmaceutical Industries Limited.

Mr, Donald J Taig – Non-executive Director

Mr. Taig has been involved in the food industry in senior management positions for over 18 years. He has held the position of Chief Executive Officer of Bunge Cereal Foods and Finance Director of Bunge Industrial Limited as well as Managing Director of Goodman Fielders Baking Australia Division. Mr. Taig is also a Non-executive Director of Tolhurst Noall Group Limited and Patties Bakeries Limited as well as Chairman of Prudential Investments Company of Australia Limited.

Corporate governance statement

Role of the Board of Directors

The Board of Directors is responsible to the shareholders for the overall governance and performance of the Company.

The Board consists of four (4) Non-executive Directors and (1) Executive Director at the date of this report.

All Non-executive Directors are regarded as independent, having no substantial relationships and no prior executive role with the Company.

The Board meets regularly and its primary responsibilities include:

- (a) the approval of the annual and half year financial statements;
- (b) the establishment of the long term goals of the Company and the strategic plan to achieve those goals;
- (c) the review and adoption of annual budgets for financial performance of the Company and monitoring the results and project development on a frequent basis; and
- (d) ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

- (a) the annual and half-year financial reports prior to their approval by the Board;
- (b) the effectiveness of management information systems and systems of internal control; and
- (c) the efficiency and effectiveness of the external audit functions.

Independent Professional Advice

Each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Remuneration Committee

The Board has established a Remuneration Committee consisting of the following:

Mr. Robert T Ashfield (Chairman)

Mr. Donald J Taig

Mr. Peter R Robinson

Mr. Andrew D Fairfull (Secretary)

The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an annual basis and makes recommendations on remuneration packages to the Board. Remuneration packages which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses and the Employee Share Option Scheme), superannuation and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Audit Committee

The Board has established an Audit Committee consisting of the following:

Mr. Robert T Ashfield (Chairman)

Mr. Donald J Taig

Mr. Peter R Robinson

Mr. Andrew D Fairfull (Secretary)

The Audit Committee provides a forum for the effective communication between Board and the external Auditors. The Audit Committee review:

Directors' report

The Directors are pleased to present their report together with the financial report of Clover Corporation Limited ("The Company") and its controlled entities for the financial year ended 30 June 2002 and the audit report thereon.

Directors

The names of directors in office at any time during or since the end of the financial year are:

Mr. C N H (Hamish) Drummond
EXECUTIVE CHAIRMAN

Mr. Robert D Millner
NON-EXECUTIVE DIRECTOR

Mr. Peter R Robinson
NON-EXECUTIVE DIRECTOR

Mr. Donald J Taig
NON-EXECUTIVE DIRECTOR

Mr. Robert T Ashfield
NON-EXECUTIVE DIRECTOR

Dr. Erich W Ott
RESIGNED 26 OCTOBER 2001

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

In accordance with the Company's Constitution, Mr. Robinson retires by rotation from the Board of Directors and, being eligible, offers himself for re-election.

Information on Directors is contained in the "Company Directors" section of this annual report on page 5.

Directors' Meetings

The number of Directors Meetings (including meetings of committees of directors) and number of meetings attended by each Director of the Company during the financial year are:

Directors' Meetings

Director	Meetings Held	Meetings Attended
Hamish Drummond	8	8
Robert Millner	8	7
Peter Robinson	8	8
Donald Taig	8	8
Robert Ashfield	8	8
Erich Ott	3	3

Remuneration Committee Meetings

Member	Meetings Held	Meetings Attended
Robert Ashfield	1	1
Peter Robinson	1	1
Donald Taig	1	1
Andrew Fairfull	1	1

Audit Committee Meetings

Member	Meetings Held	Meetings Attended
Robert Ashfield	3	3
Peter Robinson	3	3
Donald Taig	3	3
Andrew Fairfull	3	3

Principle Activities

The principle activities of the economic entity during the course of the financial year was the production and refinement of natural oils and fine chemicals, the sale of pharmaceutical products and the research and development of microencapsulated oils for the functional food and pharmaceutical industries. There were no significant changes in the nature of the principle activities of the economic entity during the financial year.

Operating Results

The consolidated net loss of the economic entity, after providing for income tax, amounted to \$5,572,000 (2001: \$4,845,000 loss).

Review of Operations

A comprehensive review of operations of the economic entity during the financial year is contained in the "Chairman's Report" section of this annual report contained on pages 3 to 4.

Dividends

No dividends have been paid or declared since the start of the financial year. The Directors do not recommend the payment of a dividend in respect of the year ending 30 June 2002.

Changes in the State of Affairs

Significant changes in the state of affairs of the economic entity during the financial year were as follows:

- During the financial year the Company redeemed 750,000 employee options under the terms and conditions of the Clover Corporation Employee Share Option Plan.

There was no other significant change in the state of affairs of the economic entity other than that referred to in this section.

Environmental Issues

The economic entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Board believes that the economic entity has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of these environmental requirements as they apply to the economic entity.

Events subsequent to Balance Date

Food Spectrum Group Joint Venture

On 20 August 2002, the Company executed a Memorandum of Understanding outlining the intention to form a Joint Venture (JV) with Queensland based Food Spectrum Group of Companies (Food Spectrum). The agreements are subject to final due diligence, legal documentation and approval by Clover shareholders.

The JV with Food Spectrum involves the following:

A new company, Nu-Mega Ingredients Pty Ltd (Nu-Mega) will be established with Clover initially owning 70% and Food Spectrum 30%. Clover will lease and license the use of its plant and equipment as well as intellectual property to Nu-Mega. Food Spectrum will manage Nu-Mega and provide marketing and R&D, as well as food applications technology expertise. Food Spectrum will have the ability to increase its equity in Nu-Mega to 50% over the next three years on the basis of

achieving sales of A\$180 million per annum and profit before tax commensurate with food industry standards by the end of year three of operations.

Martek Licensing Agreement

On 21 August 2002, the Company entered into a Technology Licence Agreement and a Contract Manufacturing Agreement with the US based Martek Biosciences Corporation (Martek).

The Technology Licence Agreement is non-exclusive for a period of 10 years from 1 August 2002. Clover will receive an upfront fee of US\$150,000 and a staged licence fee up to US\$250,000. In addition Clover will receive ongoing per annum royalty payments on sales of microencapsulated powders by Martek per the following scale:

The first US\$10 million sales	5.0%
Above US\$10 million to US\$20 million	3.5%
Above US\$20 million	2.5%

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

Proceedings on behalf of the Company

No person has applied for leave of the Court under Section 237 of the Corporations Act 2001 to bring proceedings on behalf of

the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Likely Future Developments

Disclosure of information regarding likely developments in the operations of the economic entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the economic entity. Accordingly, further information in this regard has not been disclosed in this report.

Directors' and Executives Remuneration

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The following tables disclose the remuneration of the Directors of the Company and the highest remunerated executives of the Company:

Directors' Remuneration

Director	Base Emoluments (\$)	Bonuses (\$)	Non-Cash Benefits (\$)	Superannuation Contributions (\$)	Retirement / Redundancy Payments (\$)	Total (\$)
Hamish Drummond	169,437	-	37,993	14,667	-	222,097
Robert Millner	16,000	-	-	1,280	-	17,280
Peter Robinson	16,000	-	-	1,280	-	17,280
Donald Taig	16,000	-	-	1,280	-	17,280
Robert Ashfield	17,280	-	-	-	-	17,280
Erich Ott*	92,105	-	-	7,368	298,420	397,893

*Erich Ott resigned on 26 October 2001

Executives' Remuneration

Director	Base Emoluments (\$)	Bonuses (\$)	Non-Cash Benefits (\$)	Superannuation Contributions (\$)	Retirement / Redundancy Payments (\$)	Total (\$)
Graham Harrington*	120,094	-	3,000	15,448	70,000	208,542
David Pierotti	75,601	-	11,812	7,559	-	94,972
Andrew Fairfull	85,008	-	-	6,801	-	91,809
Peter Tobias	68,996	-	9,178	10,391	-	88,565
Ortwin Bode**	61,283	-	5,129	20,000	-	86,412

* Graham Harrington was made redundant during June 2002.

** Ortwin Bode retired during November 2001.

Directors' report

Options

During or since the end of the financial year, the Company has granted no employee options under the Clover Corporation Employee Share Option Plan over unissued ordinary shares to any Director.

At the date of this report unissued shares of the Company under employee options are:

Exercise Period	Exercise Price	Number of Employee Options*
On or before 31 July 2004	\$0.30 each	3,950,000
On or before 2 November 2005	\$0.45 each	400,000

*During and since the end of the financial year the Company has issued no shares as a result of exercise of employee options. During the financial year 750,000 employee options were redeemed by the Company.

At the date of this report unissued shares of the Company under ordinary shareholder options are:

Exercise Period	Exercise Price	Number of Employee Options*
On or before 31 July 2004	\$0.30 each	14,902,767

* During or since the end of the financial year the Company has issued no shares as a result of exercise of shareholder options.

Directors' Interests

The relevant interests held by a Director in the Company or a related body corporate, as at the date of the report are as follows:

Director	Fully Paid Ordinary Shares	Ordinary Shareholder Options	Employee Options
Hamish Drummond	40,400,000	4,040,000	1,500,000
Robert Millner	66,667	6,667	250,000
Peter Robinson	39,000	8,000	250,000
Donald Taig	20,000	-	250,000
Robert Ashfield	82,000	8,200	250,000

Indemnification and Insurance of Directors and Officers

During the year the Company paid a premium in respect of a contract insuring its Directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a 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 of Amounts

The Company is of a kind referred to ASIC Class Order 98/100 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.
On behalf of the Directors:



Mr. C N H ("Hamish") Drummond
EXECUTIVE CHAIRMAN



Mr. Robert D Millner
NON-EXECUTIVE DIRECTOR

Dated at Sydney this 30th day of September 2002

Independent audit report to the members of clover corporation limited

Scope

We have audited the financial report of Clover Corporation Limited (the Company) for the financial year ended 30 June 2002 as set out on pages 11 to 33.

The financial report includes the consolidated financial statements of the economic entity comprising the Company and the entities it controlled at the end of, or during, the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Clover Corporation Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and economic entity's financial position as at 30 June 2002 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



Lawler Partners
CHARTERED ACCOUNTANTS



T H Lawler
PARTNER

Sydney
30th day of September 2002.

Directors' declaration

The Directors declare that:

1. the financial statements and notes, as set out on pages 12 to 33 are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 30 June 2002 and of the performance for the year ended on that date of the Company and economic entity;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mr. C N H (Hamish) Drummond
EXECUTIVE CHAIRMAN



Mr. Robert D Millner
NON-EXECUTIVE DIRECTOR

Sydney
30th day of September 2002

Statement of financial performance

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Sales revenue		9,654	8,840	9,654	8,840
Cost of goods sold		(8,278)	(7,720)	(8,278)	(7,720)
Gross profit		1,376	1,120	1,376	1,120
Other revenues from ordinary activities	2, 3	893	1,279	893	1,279
Administration expenses		(1,988)	(1,714)	(1,988)	(1,714)
Borrowing costs expense	3	(5)	(9)	(5)	(9)
Corporate governance expenses		(593)	(483)	(593)	(483)
Marketing and sales expenses		(1,314)	(2,382)	(1,314)	(2,382)
Research and development expenses		(709)	(1,041)	(709)	(1,041)
Manufacturing and quality assurance overheads not absorbed		(1,173)	(1,264)	(1,173)	(1,264)
Other expenses from ordinary activities	3, 4	(2,047)	(299)	(2,521)	(250)
Share of net profit (loss) of joint venture accounted for using the equity method	39	(12)	(52)	-	-
Profit (loss) from ordinary activities before income tax	3	(5,572)	(4,845)	(6,034)	(4,744)
Income tax expense relating to ordinary activities	5	-	-	-	-
Net profit (loss) attributable to members of the parent entity		(5,572)	(4,845)	(6,034)	(4,744)
Basic earnings per share (cents per share)	11	(3.70)	(3.23)		

The accompanying notes form part of these financial statements

Statement of financial position

AS AT 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Current Assets					
Cash assets	12(a)	11,921	15,183	11,921	15,183
Receivables	13	2,212	2,094	2,212	3,628
Inventories	14	2,353	2,788	2,353	2,541
Other financial assets	15	1,101	1,064	1,101	1,064
Other	16	19	526	19	526
Total Current Assets		17,606	21,655	17,606	22,942
Non-Current Assets					
Investments accounted for using the equity method	17	-	12	-	-
Other financial assets	18	9	9	9	86
Property, plant and equipment	19	2,825	3,224	2,825	3,224
Intangible assets	20	208	1,137	208	247
Other	21	-	203	-	203
Total Non-Current Assets		3,042	4,585	3,042	3,760
Total Assets		20,648	26,240	20,648	26,702
Current Liabilities					
Payables	22	3,914	3,846	3,914	3,846
Interest bearing liabilities	23	26	24	26	24
Provisions	24	117	170	117	170
Total Current Liabilities		4,057	4,040	4,057	4,040
Non-Current Liabilities					
Interest bearing liabilities	25	19	45	19	45
Provisions	26	18	29	18	29
Total Non-Current Liabilities		37	74	37	74
Total Liabilities		4,094	4,114	4,094	4,114
Net Assets		16,554	22,126	16,554	22,588
Equity					
Contributed equity	27	28,499	28,499	28,499	28,499
Reserves	28	2,375	2,375	2,375	2,375
Accumulated losses	10	(14,320)	(8,748)	(14,320)	(8,286)
Total Equity		16,554	22,126	16,554	22,588

The accompanying notes form part of these financial statements

Statement of cash flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Cash Flows from Operating Activities					
Receipts from customers		9,830	8,304	9,830	8,304
Payments to suppliers and employees		(13,464)	(12,646)	(13,464)	(12,646)
Interest and other items of similar nature received		560	1,045	560	1,045
Borrowing costs paid		(5)	(9)	(5)	(9)
Net cash provided by (used in) operating activities	12(d)	(3,079)	(3,306)	(3,079)	(3,306)
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(163)	(157)	(163)	(157)
Proceeds from sale of property, plant and equipment		13	-	13	-
Payments for investments		-	(68)	-	(68)
Proceeds from sale of investments		-	25	-	25
Payments for patents and trademarks		(9)	(118)	(9)	(118)
Loans to related entities – payments made		-	(53)	-	(53)
Loans to related entities – proceeds from repayments		-	36	-	36
Net cash provided by (used in) investing activities		(159)	(335)	(159)	(335)
Cash Flows from Financing Activities					
Proceeds from issue of shares		-	109	-	109
Payments for dual listing costs		-	(487)	-	(487)
Proceeds from borrowings		-	44	-	44
Repayment of borrowings		(24)	(79)	(24)	(79)
Net cash provided by (used in) financing activities		(24)	(413)	(24)	(413)
Net increase (decrease) in cash held		(3,262)	(4,054)	(3,262)	(4,054)
Cash at beginning of the financial year		15,183	19,237	15,183	19,237
Cash at end of the financial year	12(a)	11,921	15,183	11,921	15,183

The accompanying notes form part of these financial statements

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Clover Corporation Limited and controlled entities, and Clover Corporation Limited as an individual parent entity. Clover Corporation Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Clover Corporation Limited. 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 32 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

(b) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

(c) Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount for those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent

disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

In accordance with Accounting Standard AASB 1041 "Revaluation of Non-Current Assets", the economic entity in the prior year elected to revert to the cost basis for measuring the plant and equipment that was carried at a revalued amount in previous financial years. Accordingly, the gross amount (deemed cost of acquisition) and the related accumulated depreciation in respect to the revalued plant and equipment as at the date of first applying the standard, were used as the basis for disclosing the gross amount and any related accumulated depreciation separately in accordance with Accounting Standard AASB 1021 "Depreciation".

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight line basis over their useful lives to the economic 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	13%
Plant and equipment, at cost	10 – 33.33%
Office furniture and equipment, at cost	10 – 33.33%
Plant and equipment, under finance lease	15 – 18%

(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 to inventory on a first in first out basis.

(e) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities before income tax adjusted for any permanent differences.

Timing differences which arise due to different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(f) Intangibles**(i) Goodwill**

Goodwill on consolidation is initially recorded at the amount by which the purchase price for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on consolidation is amortised on a straight line basis over a period of 20 years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

(ii) Patents and Trademarks

Patents and trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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.

(h) Research and Development Costs

Research and development costs are charged to operating profit before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

(i) Employee Entitlements

Provision is made for the economic entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements 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 their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

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

The economic entity operates an ownership-based remuneration scheme details of which are provided in Note 33 to the financial statements. Profits or losses incurred by employees, being the difference between the market value and the par value of the

shares acquired, are not recorded by the Company as remuneration paid to employees.

(j) 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.

(k) Receivables

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

(l) Accounts Payable

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from the rendering of a service is recognised upon delivery of the service to customers.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Debt Defeasance

Where assets are given up to extinguish the principal and all future interest of a debt any differences in the carrying values of assets foregone and the liability extinguished are brought to account in the profit from ordinary activities. Costs incurred in establishing the defeasance are expensed in the year that the defeasance occurs.

Where defeasance occurs, it is highly unlikely that the economic entity will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

(o) Comparative Figures

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

(p) Rounding of Amounts

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

(q) Cash

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



Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

(r) Dual Listing Costs

The transaction costs relating to the dual listing of the parent entity on the United Kingdom exchange in May 2001 was capitalised and deferred in the prior financial year on the basis that such costs would be recovered and offset against future proceeds from the potential issue of equity in the United Kingdom. The amount capitalised and deferred was written-off in the current financial year.

(s) Interests in Joint Ventures

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in the joint venture entities are brought to account using the cost method. Details of the economic entity's interests in joint venture entities are shown in Note 39 to the financial statements.

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
2. REVENUE					
Operating activities:					
Sale of goods		9,654	8,840	9,654	8,840
Interest received		596	1,084	596	1,084
Commissions received		136	36	136	36
Net foreign currency translation gains		124	108	124	108
Other revenue		24	26	24	26
Total revenue from operating activities		10,534	10,094	10,534	10,094
Non-operating activities:					
Proceeds on disposal of property, plant and equipment		13	-	13	-
Proceeds on disposal of non-current investments		-	25	-	25
Total revenue from non-operating activities		13	25	13	25
Total revenue		10,547	10,119	10,547	10,119
3. PROFIT (LOSS) FROM ORDINARY ACTIVITIES					
Profit (loss) from ordinary activities before income tax has been determined after:					
(a) Expenses:					
Borrowing costs:					
Other persons		5	9	5	9
Total borrowing costs		5	9	5	9
Depreciation of non current assets:					
Leasehold improvements		1	1	1	1
Plant and equipment		460	634	460	634
Office furniture and equipment		32	48	32	48
Leased plant and equipment		5	24	5	24
Total depreciation		498	707	498	707
Amortisation of non-current assets:					
Research and development expenditure		203	158	203	158
Goodwill on consolidation		49	49	-	-
Patents and trademarks		48	28	48	28
Total amortisation		300	235	251	186
Bad and doubtful debts	6	75	51	1,362	51
Rental expense on operating leases		156	134	156	134
Research and development costs		709	1,041	709	1,041
Write-down in value of inventories	7	531	147	531	147
Write-down in value of non-current investments		-	-	77	-
Goodwill written-off on reassessment of future benefits remaining		842	-	-	-
(b) Revenue and net gains:					
Net foreign exchange gain		124	108	124	108
Interest received from:					
Other persons		596	1,084	596	1,084
Total interest revenue		596	1,084	596	1,084
Net gain (loss) on disposal of non-current assets:					
Property, plant and equipment		(51)	(7)	(51)	(7)
Investments		-	25	-	25
Total gain (loss) on disposal		(51)	18	(51)	18

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
4. SIGNIFICANT REVENUES AND EXPENSES					
The following significant revenue and expense items are relevant in explaining the financial performance:					
Bad debts written-off:					
amount due from wholly owned subsidiary	6	-	-	(1,287)	-
Write-down in value of goodwill		(842)	-	-	-
Write-off of dual listing costs		(487)	-	(487)	-
Write-down in value of inventories	7	(433)	(147)	(433)	(147)
Restructure and reorganisation expenses		(532)	-	(532)	-
5. INCOME TAX EXPENSE					
(a) The prima facie tax on profit (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:					
Prima facie tax payable on profit (loss) from ordinary activities before income tax at 30% (2001 – 34%)					
		(1,671)	(1,647)	(1,810)	(1,613)
Add (less):					
Tax effect of permanent differences:					
Non-deductible depreciation and amortisation		84	143	70	127
Non-deductible entertainment		2	6	2	6
Non-deductible legal fees		28	36	28	36
Dual listing costs written off		146	-	146	-
Goodwill on consolidation written off		252	-	-	-
Share of joint venture entity operating loss		4	18	-	-
Other items		(23)	1	-	1
Future income tax benefits not brought to account		1,178	1,443	1,564	1,443
Income tax expense relating to profit (loss) from ordinary activities		-	-	-	-
(b) Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions set out in Note 1(e) occur:					
Timing differences		317	163	317	163
Tax losses - capital		730	322	730	322
- revenue		2,910	2,356	2,409	1,757
Less: deferred income tax liability		(5)	(67)	(5)	(67)
		3,952	2,774	3,451	2,175
6. BAD AND DOUBTFUL DEBTS					
Bad debts written off to statement of financial performance:					
Trade debtors		56	-	56	-
Wholly-owned subsidiary		-	-	1,287	-
Transfers to provision for doubtful debts:					
Trade debtors		19	51	19	51
Total bad and doubtful debts		75	51	1,362	51

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
7. WRITE DOWN IN VALUE OF INVENTORIES					
Inventories written off to statement of financial performance		328	-	328	-
Transfers to provision for stock obsolescence		203	147	203	147
Total write-down in value of inventories		531	147	531	147
8. REMUNERATION OF DIRECTORS AND EXECUTIVES					
a) Directors remuneration:					
Income paid or payable, or otherwise made available, to all directors of each entity in the economic entity by the entities of which they are directors and any related parties		689	640		
Income paid or payable, or otherwise made available, to all directors of the parent entity by the parent entity and any related parties				689	640
Number of parent entity directors whose income from the parent entity and any related parties was within the following bands:				No.	No.
\$10,000 - \$19,999				4	-
\$20,000 - \$29,999				-	3
\$30,000 - \$39,999				-	1
\$220,000 - \$229,999				1	-
\$230,000 - \$239,999				-	1
\$300,000 - \$309,999				-	1
\$390,000 - \$399,999				1	-
b) Executive remuneration:					
Remuneration received or due and receivable by executive officers of the economic entity, from entities in the economic entity and any related entities for management of the affairs of the economic entity, whose remuneration is \$100,000 or more (including executive directors)		941	1,111		
Remuneration received or due and receivable by executive officers of the parent entity, from the parent entity and any related parties for management of the affairs of the parent entity and its subsidiaries, whose remuneration is \$100,000 or more (including executive directors)				941	1,111
The number of executives whose income was within the following bands:		No.	No.	No.	No.
\$110,000 - \$119,999		1	-	1	-
\$120,000 - \$129,999		-	1	-	1
\$130,000 - \$139,999		-	1	-	1
\$200,000 - \$209,999		1	-	1	-
\$220,000 - \$229,999		1	-	1	-
\$230,000 - \$239,999		-	1	-	1
\$300,000 - \$309,999		-	1	-	1
\$320,000 - \$329,999		-	1	-	1
\$390,000 - \$399,999		1	-	1	-

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

Note	Economic Entity		Parent Entity	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
9. AUDITOR'S REMUNERATION				
Remuneration of the auditor of the parent entity in respect of:				
Auditing or reviewing the financial report	36	36	36	36
Other services	6	26	6	26
Total auditor's remuneration	42	62	42	62
10. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(8,748)	(3,903)	(8,286)	(3,542)
Net profit (loss) attributable to members of the parent entity	(5,572)	(4,845)	(6,034)	(4,744)
Accumulated losses at the end of the financial year	(14,320)	(8,748)	(14,320)	(8,286)
11. EARNINGS PER SHARE				
(a) Reconciliation of earnings to net profit (loss):				
Net profit (loss)	(5,572)	(4,845)		
Earnings used in the calculation of basic earnings per share	(5,572)	(4,845)		
(b) The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	150,447,233	150,208,465		
(c) Classification of securities:				
The options on issue at the end of the financial year (refer to Note 27) have been classified as potential ordinary shares. However, as the economic entity incurred a net loss for the financial year and any conversion of these options to ordinary shares would decrease the net loss per share, these options were not considered dilutive.				

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
12. CASH FLOW INFORMATION					
(a) Reconciliation of cash:					
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:					
Cash on hand and at banks		684	877	684	877
Cash on deposits, at call		11,237	14,306	11,237	14,306
		11,921	15,183	11,921	15,183
(b) Non-cash financing and investing activities:					
The economic entity did not enter into any non-cash financing or investing activities during the current or prior financial year.					
(c) Credit standby arrangements and loan facilities:					
At balance date the economic entity had no credit standby arrangements or loan facilities available to utilise.					
(d) Reconciliation of cash flow from operations with profit (loss) from ordinary activities after income tax:					
Profit (loss) from ordinary activities after income tax		(5,572)	(4,845)	(6,034)	(4,744)
Non-cash flows in profit (loss) from ordinary activities:					
Amortisation and depreciation		798	942	749	893
Bad debts written off – loan to subsidiary		-	-	1,287	-
Dual listing costs written off		487	-	487	-
Goodwill on consolidation written off		841	-	-	-
Net (profit) loss on disposal of non-current assets		51	(18)	51	(18)
Write-down in value of non-current investments		-	-	77	-
Share of joint venture entity net loss after income tax		12	52	-	-
Charges to provisions		157	310	157	310
Interest capitalised in investments		(36)	(39)	(36)	(39)
Changes in assets and liabilities:					
Decrease (increase) in trade and other debtors		(137)	(795)	(137)	(795)
Decrease (increase) in other assets		20	15	20	15
Decrease (increase) in inventories		232	(1,150)	(15)	(2,135)
Increase (decrease) in trade and other creditors		68	2,222	68	2,222
Transfer of inventories through intercompany loan		-	-	247	985
Cash flow from operations		(3,079)	(3,306)	(3,079)	(3,306)

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
13. CURRENT RECEIVABLES					
Trade debtors		2,236	2,028	2,236	2,028
Less: provision for doubtful debts		(120)	(101)	(120)	(101)
Net trade debtors		2,116	1,927	2,116	1,927
Other debtors		34	105	34	105
Amounts receivable from:					
Wholly owned subsidiary		-	-	-	1,534
Joint venture entity		62	62	62	62
Total current receivables		2,212	2,094	2,212	3,628
14. INVENTORIES					
Raw materials and stores, at net realisable value		-	247	-	-
Raw materials and stores, at cost		1,182	632	1,182	632
Finished goods, at cost		1,521	2,056	1,521	2,056
		2,703	2,935	2,703	2,688
Less: provision for stock obsolescence		(350)	(147)	(350)	(147)
Total inventories		2,353	2,788	2,353	2,541
15. CURRENT OTHER FINANCIAL ASSETS					
Liquid investments in managed trusts, at cost		1,101	1,064	1,101	1,064
Total current investments		1,101	1,064	1,101	1,064
16. CURRENT OTHER ASSETS					
Prepayments		2	8	2	8
Supplier and other advances		17	31	17	31
Dual listing costs	1(r)	-	487	-	487
Total other current assets		19	526	19	526
17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Interest in joint ventures	39	-	12	-	-
Total investments accounted for using the equity method		-	12	-	-
18. NON-CURRENT OTHER FINANCIAL ASSETS					
Shares in listed corporations, at cost		9	9	9	9
Shares in wholly owned subsidiary, at cost		-	-	-	13
Interest in joint venture entity		-	-	-	64
Total non-current investments		9	9	9	86

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
19. PROPERTY, PLANT AND EQUIPMENT					
Plant and Equipment					
Leasehold improvements, at cost		6	13	6	13
Less: accumulated depreciation		(3)	(3)	(3)	(3)
Total leasehold improvements		3	10	3	10
Plant and equipment, at cost	1(c)	4,308	4,130	4,308	4,130
Less: accumulated depreciation		(1,597)	(1,115)	(1,597)	(1,115)
Total plant and equipment		2,711	3,015	2,711	3,015
Office furniture and equipment, at cost		157	214	157	214
Less: accumulated depreciation		(63)	(52)	(63)	(52)
Total office furniture and equipment		94	162	94	162
Plant and equipment, under finance lease		33	74	33	74
Less: accumulated depreciation		(16)	(37)	(16)	(37)
Total plant and equipment under lease		17	37	17	37
Total plant and equipment		2,825	3,224	2,825	3,224

(a) Movements in carrying amounts:

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold improvements	Plant and equipment	Office furniture and equipment	Plant and equipment under finance lease	Total
	\$000	\$000	\$000	\$000	\$000
Balance at beginning of the year	10	3,015	162	37	3,224
Additions	-	145	18	-	163
Disposals	(6)	(4)	(54)	-	(64)
Leases paid out	-	15	-	(15)	-
Depreciation expense	(1)	(460)	(32)	(5)	(498)
Balance at end of the year	3	2,711	94	17	2,825

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
20. INTANGIBLE ASSETS					
Goodwill on consolidation		-	973	-	-
Less: accumulated amortisation		-	(83)	-	-
Total goodwill		-	890	-	-
Patents and trademarks, at cost		317	308	317	308
Less: accumulated amortisation		(109)	(61)	(109)	(61)
Total patents and trademarks		208	247	208	247
Total intangible assets		208	1,137	208	247
21. NON-CURRENT OTHER ASSETS					
Research and development, at cost		671	671	671	671
Less: accumulated amortisation		(671)	(468)	(671)	(468)
Total other non-current assets		-	203	-	203
22. PAYABLES					
Unsecured liabilities:					
Trade creditors		3,192	3,517	3,192	3,517
Other creditors and accruals		722	329	722	329
Total payables		3,914	3,846	3,914	3,846
23. CURRENT INTEREST BEARING LIABILITIES					
Secured liabilities:					
Lease liability	23(a)	15	14	15	14
Hire purchase liability	23(a)	11	10	11	10
Total current interest bearing liabilities		26	24	26	24
(a) Effectively secured over the assets financed.					
24. CURRENT PROVISIONS					
Employee entitlements	26(a)	117	170	117	170
Total current provisions		117	170	117	170
25. NON-CURRENT INTEREST BEARING LIABILITIES					
Secured liabilities:					
Lease liability	25(a)	-	15	-	15
Hire purchase liability	25(a)	19	30	19	30
Total non-current interest bearing liabilities		19	45	19	45
(a) Effectively secured over the assets financed.					

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
26. NON-CURRENT PROVISIONS					
Employee entitlements	26(a)	18	29	18	29
Total non-current provisions		18	29	18	29
(a) Aggregate employee entitlement liability recognised in the financial statements is as follows:					
Current employee entitlements		117	170	117	170
Non-current employee entitlements		18	29	18	29
Total employee entitlements		135	199	135	199
(b) Number of employees at year end		13	22	13	22
27. CONTRIBUTED EQUITY					
150,447,233 (2001 – 150,447,233) fully paid ordinary shares		28,499	28,499	28,499	28,499
Total contributed equity		28,499	28,499	28,499	28,499

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.

Movements in the issued capital and options over unissued shares of the parent entity during the current and prior financial year are as follows:

2002

(a) During the financial year 750,000 options previously issued pursuant to the parent entity's Employee Share Option Plan were redeemed.

(b) At 30 June 2002 there were 19,252,767 unissued ordinary shares for which ordinary options were outstanding. This consists of:

- 14,902,767 unissued shares for which ordinary options are exercisable on or before 31 July 2004 at an exercise price of \$0.30;
- 3,950,000 unissued shares for which employee options are exercisable on or before 31 July 2004 at an exercise price of \$0.30; and
- 400,000 unissued shares for which employee options are exercisable on or before 2 November 2005 at an exercise price of \$0.45.

2001

(a) On 2 November 2001 1,000,000 employee options were issued pursuant to the parent entity's Employee Share Option Plan. Each option converts to one ordinary share ranking equally and merging with existing fully paid shares when exercised at a price of \$0.45. The options are exercisable on or before 2 November 2005.

(b) During the financial year 13,900 ordinary shares fully paid to \$0.30 were issued upon exercise of shareholder options. In addition 350,000 ordinary shares fully paid to \$0.30 were issued upon exercise of employee options.

(c) During the financial year 500,000 options previously issued pursuant to the parent entity's Employee Share Option Plan were redeemed.

(d) At 30 June 2001 there were 20,002,767 unissued ordinary shares for which ordinary options were outstanding. This consists of:

- 14,902,767 unissued shares for which ordinary options are exercisable on or before 31 July 2004 at an exercise price of \$0.30;
- 4,200,000 unissued shares for which employee options are exercisable on or before 31 July 2004 at an exercise price of \$0.30; and
- 900,000 unissued shares for which employee options are exercisable on or before 2 November 2005 at an exercise price of \$0.45.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
28. RESERVES					
Asset revaluation reserve		2,375	2,375	2,375	2,375
Total reserves		2,375	2,375	2,375	2,375
The asset revaluation reserve records revaluations of non-current assets.					

29. FINANCIAL INSTRUMENTS

(a) Interest rate risk:

The economic entity is not exposed to any foreign interest rates and does not enter into any interest rate swaps, forward rate agreements or interest rate options.

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted Average Interest Rates %	Floating Interest Rate \$000	Fixed interest rates maturing in:			Non Interest Bearing \$000	Total \$000
			One Year or Less \$000	Over One Year to Five Years \$000	More than Five Years \$000		
2002 FINANCIAL ASSETS							
Cash	4.64%	11,920	-	-	-	1	11,921
Trade and other debtors	-	-	-	-	-	2,150	2,150
Investments	3.35%	1,101	-	-	-	9	1,110
Amounts receivable – related parties	-	-	-	-	-	62	62
Total financial assets		13,021	-	-	-	2,222	15,243
2002 FINANCIAL LIABILITIES							
Payables	-	-	-	-	-	3,914	3,914
Lease and hire purchase liabilities	9.29%	-	26	19	-	-	45
Total financial liabilities		-	26	19	-	3,914	3,959
2001 FINANCIAL ASSETS							
Cash	4.92%	15,182	-	-	-	1	15,183
Trade and other debtors	-	-	-	-	-	2,032	2,032
Investments	7.13%	1,064	-	-	-	9	1,073
Amounts receivable – related parties	-	-	-	-	-	62	62
Total financial assets		16,246	-	-	-	2,104	18,350
2001 FINANCIAL LIABILITIES							
Payables	-	-	-	-	-	3,846	3,846
Lease and hire purchase liabilities	9.88%	-	24	45	-	-	69
Total financial liabilities		-	24	45	-	3,846	3,915

(b) Foreign exchange risk:

The economic entity has not entered into during the course of the financial year any forward foreign exchange contracts or hedged contracts in respect of anticipated sale and purchase commitments which may be dominated in foreign currencies.

In respect of foreign sales and purchases these contracts are entered into at the exchange rate at the date on which the transaction takes place. As at balance date, other than the amounts disclosed in Note 36 the economic entity did not have any outstanding contracts in any currencies other than Australian dollars.

(c) Credit risk:

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount, net of any provisions, as disclosed in the statement of financial position and the notes to the financial statements.

The economic entity is not exposed to any off balance sheet financial instruments which would result in a credit risk.

(d) Net fair values:

Net fair values of financial assets and liabilities are not materially different to the carrying amounts shown in the economic entity's statement of financial position.

The financial assets and liabilities recorded in the financial statements represent their respective net fair values determined in accordance with accounting policies described in Note 1 to the financial statements.

Food Spectrum will have the ability to increase its equity in Nu-Mega to 50% over the next three years on the basis of achieving sales of A\$180 million per annum and profit before tax commensurate with food industry standards by the end of year three of operations.

Martek Licensing Agreement

On 21 August 2002, the Company entered into a Technology Licence Agreement and a Contract Manufacturing Agreement with the US based Martek Biosciences Corporation (Martek).

The Technology Licence Agreement is non-exclusive for a period of 10 years from 1 August 2002. Clover will receive an upfront fee of US\$150,000 and a staged licence fee up to US\$250,000. In addition Clover will receive ongoing per annum royalty payments on sales of microencapsulated powders by Martek per the following scale:

The first US\$10 million sales	5.0%
Above US\$10 million to US\$20 million	3.5%
Above US\$20 million	2.5%

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

30. CONTINGENT LIABILITIES

As at balance date there were no material contingent liabilities known to exist.

31. EVENTS SUBSEQUENT TO REPORTING DATE**Food Spectrum Group Joint Venture**

On 20 August 2002, the Company executed a Memorandum of Understanding outlining the intention to form a Joint Venture (JV) with Queensland based Food Spectrum Group of Companies (Food Spectrum). The agreements are subject to final due diligence, legal documentation and approval by Clover shareholders.

The JV with Food Spectrum involves the following:

A new company, Nu-Mega Ingredients Pty Ltd (Nu-Mega) will be established with Clover initially owning 70% and Food Spectrum 30%. Clover will lease and license the use of its plant and equipment as well as intellectual property to Nu-Mega. Food Spectrum will manage Nu-Mega and provide marketing and R&D, as well as food applications technology expertise.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

32. CONTROLLED ENTITIES

(a) Controlled entities:

	Country of Incorporation	Percentage Owned (%)	
		2002	2001
Parent entity:			
Clover Corporation Limited	Australia	-	-
Controlled entities:			
Nu-Mega Lipids Pty Limited	Australia	100	100
Clover Healthcare Limited	United Kingdom	100	100
Clover Corporation PLC	United Kingdom	100	100

(b) Controlled entities acquired:

Clover Healthcare Limited and Clover Corporation PLC were incorporated during the previous financial year. Neither company has commenced operations.

33. OWNERSHIP BASED REMUNERATION SCHEME

The parent entity has one employee share scheme:

Clover Corporation Employee Share Option Plan

Directors and senior employees of the Company, its subsidiaries and associated bodies ("Group") whom the directors believe have a significant role to play in the continued development of the general business activities of the group are eligible to participate in the plan.

Options granted in accordance with the plan are to be allotted at the sole discretion of the directors. Members of the plan are entitled to be granted options issued at no cost to the option holder. Each option converts to one ordinary share, ranking equally and merging with existing fully paid shares when exercised. The exercise price for options is determined in accordance with the rules of the plan.

The total number of shares over which options can be granted under the plan plus the number of all shares in the same class issued under all employee share schemes established by the Company during the previous five years is not to exceed 5% of the total number of issued shares in that class of the Company's shares at any given offer date.

During the financial year no options were issued under the plan (2001: 1,000,000) and no options were exercised (2001: 350,000). The parent entity redeemed 750,000 options during the financial year (2001: 500,000).

At balance date the number of persons eligible to participate in the plan was 12 (2001: 13).

34. SEGMENT INFORMATION

Primary Reporting – Business Segments

	Pharmaceutical raw material agency and distribution		DHA product refinement development and supply		Investment /treasury		Economic Entity	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Revenue								
External sales	5,089	6,057	4,565	2,783	-	-	9,654	8,840
Total sales revenue	5,089	6,057	4,565	2,783	-	-	9,654	8,840
Other revenue	136	36	-	-	596	1,084	732	1,120
Total segment revenue	5,225	6,093	4,565	2,783	596	1,084	10,386	9,960
Unallocated revenue							161	159
Total revenue from ordinary activities							10,547	10,119
Results								
Segment result	407	527	(5,358)	(6,566)	596	1,084	(4,355)	(4,955)
Unallocated expenses net of unallocated revenue							(1,217)	110
Profit (loss) from ordinary activities before income tax expense							(5,572)	(4,845)
Income tax expense							-	-
Net profit (loss)							(5,572)	(4,845)
Assets								
Segment assets	1,657	1,283	5,827	7,797	12,347	15,379	19,831	24,459
Unallocated assets							817	1,781
Total assets							20,648	26,240
Liabilities								
Segment liabilities	2,056	2,235	1,351	1,481	-	-	3,407	3,716
Unallocated liabilities							687	398
Total liabilities							4,094	4,114
Investments in joint ventures	-	-	-	64	-	-	-	64
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	-	172	275	-	-	172	275
Depreciation and amortisation expense	-	-	798	942	-	-	798	942
Other non-cash expenses	-	-	1,350	51	-	-	1,350	51

Secondary Reporting – Geographic Segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of plant and equipment, intangibles and other non-current assets	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Australia	6,367	7,340	20,234	25,713	172	268
United Kingdom	2,073	1,122	414	527	-	7
Other countries	1,214	378	-	-	-	-
	9,654	8,840	20,648	26,240	172	275

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
35. ECONOMIC DEPENDENCY					
The economic entity's production is dependent upon the supply of HI-DHA tuna oil from Starkist Samoa Inc in American Samoa.					
36. UNHEDGED FOREIGN CURRENCY MONETARY ITEMS					
(a) Foreign currency assets:					
Current receivables not effectively hedged:					
United States dollars		1,645	957	1,645	957
Pounds Sterling		377	479	377	479
Euro dollars		4	-	4	-
Total		2,026	1,436	2,026	1,436
(b) Foreign current liabilities:					
Current payables not effectively hedged:					
United States dollars		2,515	2,563	2,515	2,563
Pounds Sterling		410	41	410	41
Euro dollars		1	69	1	69
Danish kroner		7	-	7	-
Total		2,933	2,673	2,933	2,673

	Note	Economic Entity		Parent Entity	
		2002 No.	2001 No.	2002 No.	2001 No.
37. RELATED PARTY TRANSACTIONS					
(a) Directors' and director related entity shareholdings:					
Shares and share options acquired (or granted) from the parent entity during the financial year:					
Ordinary shares		-	12,250	-	12,250
Ordinary share options		-	30,000	-	30,000
Employee share options		-	900,000	-	900,000
Shares and share options disposed during the financial year:					
Ordinary shares		-	-	-	-
Ordinary share options		-	-	-	-
Employee share options		750,000	-	-	-
Shares and share options held at end of the financial year:					
Ordinary shares		40,607,667	40,607,667	40,607,667	40,607,667
Ordinary share options		4,062,867	4,062,867	4,062,867	4,062,867
Employee share options		2,500,000	3,250,000	2,500,000	3,250,000

With the exception of the acquisition of options under the employee share option scheme, directors acquire shares on the same terms and conditions available to other shareholders.

(b) Transactions within the wholly-owned group:

During the financial year, Nu-Mega Lipids Pty Limited provided crude tuna oil to Clover Corporation Limited at cost.

(c) Ownership interests:

Information in relation to ownership in controlled entities is provided in Note 32.

(d) Ultimate parent entity:

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

(e) Transactions with Director and Director related entities.

During the financial year, Washington H Soul Pattinson & Company Limited provided office space at no charge to Clover Corporation Limited.

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
38. CAPITAL AND LEASING COMMITMENTS					
(a) Finance lease and hire purchase commitments:					
Payable:					
Not later than 1 year		30	29	30	29
Later than 1 year but not later than 5 years		21	51	21	51
Minimum lease and hire purchase payments		51	80	51	80
Less: future finance charges		(6)	(11)	(6)	(11)
Total lease and hire purchase liability		45	69	45	69
Reconciled to related items in the statement of financial position as follows:					
Current lease liability		15	14	15	14
Current hire purchase liability		11	10	11	10
Non-current lease liability		-	15	-	15
Non-current hire purchase liability		19	30	19	30
Total lease and hire liability		45	69	45	69
Motor vehicles are financed under various finance lease and hire purchase agreements with four to five year terms. Fixed payments are made monthly in advance, with ownership in the assets to be transferred to the economic entity upon completion of the term of the agreement.					
(b) Operating lease commitments:					
Non-cancellable operating leases contracted for but not capitalised in the financial statements:					
Payable:					
Not later than 1 year		99	134	99	134
Later than 1 year but not later than 5 years		297	34	297	34
Total operating leases		396	168	396	168

The North Altona property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by 4% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years.

(c) Capital expenditure commitments:

The economic entity is required under contract to purchase 400,000 kgs of crude tuna oil from Starkist Samoa Inc before 31 December 2004. The economic entity has acquired 14,500 kgs at the date of this report.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	Economic Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
39. JOINT VENTURES					
Interests in joint venture entities:					
Clover Corporation Limited has a 50% interest in the joint venture entity JSR Clover Limited which is involved in the research, manufacture, application, marketing and commercial sale of the world's first natural fertility enhancement product PROSPERM™.					
(a) Retained earnings attributable to interest in joint venture entity:					
Balance at the beginning of the financial year		(52)	-	-	-
Share of joint ventures profit (loss) from ordinary activities after income tax	39(c)	(12)	(20)	-	-
Adjustment for inter entity transactions	39(d)	-	(32)	-	-
Balance at the end of the financial year		(64)	(52)	-	-
(b) Carrying amount of investments in joint venture entity:					
Balance at the beginning of the financial year		12	-	-	-
Investments made during the year		-	64	-	-
Share of joint ventures profit (loss) from ordinary activities after income tax	39(c)	(12)	(20)	-	-
Adjustment for inter entity transactions	39(d)	-	(32)	-	-
Balance at the end of the financial year		-	12	-	-
(c) Share of joint venture entity's results and financial position:					
Current assets		30	116	-	-
Non-current assets		95	85	-	-
Total assets		125	201	-	-
Current liabilities		12	89	-	-
Non-current liabilities		62	63	-	-
Total liabilities		74	152	-	-
Revenues		127	50	-	-
Expenses		(139)	(70)	-	-
Profit (loss) from ordinary activities before income tax		(12)	(20)	-	-
Income tax expense		-	-	-	-
Profit from ordinary activities after income tax		(12)	(20)	-	-

(d) The adjustment for inter entity transactions relates to the unrealised profit on the sale of stock to the joint venture entity by Clover Corporation Limited during the financial year. This stock was included in the accounts of the joint venture entity as at balance date.

40. COMPANY DETAILS

The registered office of the company is:

Clover Corporation Limited
Suite 8, Level 2
160 Pitt Street
Sydney NSW 2000

The principal places of business are:

Clover Corporation Limited
Suite 8, Level 2
160 Pitt Street
Sydney NSW 2000
Clover Corporation Limited
31 Pinnacle Road
Altona North VIC 3025

Clover Corporation Limited

Unit 3 Station Court
Haltwhistle NE49 9HN
United Kingdom

CLOVER CORPORATION LIMITED
ABN: 85 003 622 866

Additional stock exchange information

ADDITIONAL STOCK EXCHANGE INFORMATION as at 6 September 2002

Number of Holders of Equity Securities

150,447,233 fully paid ordinary shares are held by 2,640 shareholders

14,902,767 ordinary shareholder options exercisable at \$0.30 each on or before 31 July 2004 are held by 1,273 optionholders.

3,950,000 employee options exercisable at \$0.30 each on or before 31 July 2004 are held by 11 employee optionholders.

400,000 employee options exercisable at \$0.45 each on or before 2 November 2005 are held by 2 employee optionholders.

Substantial Shareholders

The Company's register of Substantial Shareholders, in accordance with Part 6.7 of the Corporations Law, recorded the following information as at 6 September 2002.

Washington H Soul Pattinson & Company Limited	43,620,486
C N H (Hamish) Drummond	20,400,000
Nina E Drummond	20,400,000

Distribution of Holders of Shares & Options

(i) Distribution schedule of holdings

Range of Fully Paid Ordinary Shares / Ordinary Options	Number of Shareholders	Number of Optionholders
1 – 1,000	86	444
1,001 – 5,000	637	666
5,001 – 10,000	789	69
10,001 – 100,000	1,038	79
100,001 – and over	90	15
Total Number of Holders	2,640	1,273
(ii) Number of holders of less than a marketable parcel	356	1,146
(iii) Percentage held by the 20 largest holders	65.39%	71.62%

Voting Rights of Members

- (i) On a show of hands every Shareholder present in person or by proxy shall have one vote.
- (ii) Where a poll is demanded every Shareholder present in person or by proxy shall have one vote for every fully paid ordinary share owned.
- (iii) There are no voting rights attaching to options.

Equity Securities Quoted by the Australian Stock Exchange

150,447,233 of the Company's 150,447,233 issued fully paid ordinary shares are quoted by the Australian Stock Exchange under ASX code CLV.

14,902,767 of the Company's 14,902,767 issued ordinary shareholder options exercisable at \$0.30 each on or before 31 July 2004 are quoted by the Australian Stock Exchange under ASX code CLVO.

Equity Securities Unquoted by the Australian Stock Exchange

3,950,000 of the Company's 3,950,000 issued employee options exercisable at \$0.30 each on or before 31 July 2004 are unquoted by the Australian Stock Exchange.

400,000 of the Company's 400,000 issued employee options exercisable at \$0.45 each on or before 2 November 2005 are unquoted by the Australian Stock Exchange.

All employee options issued or to be issued in the future under the Clover Employee Share Option Plan are not quoted on the

Australian Stock Exchange. Upon exercise of employee options, the Company will make application to the Australian Stock Exchange for the quotation of the relevant ordinary fully paid shares issued due to the exercise by the Employee.

Dual Listing on the AIM

The entire issued share and option securities are dual listed (quoted) on the Alternative Investment Market of the London Stock Exchange.

ASX Cash Statement

During the financial year the Company utilised its cash (and assets readily convertible to cash) consistent with its business objectives.

Top 20 Shareholders

Name	Number of Fully Paid Ordinary Shares	Percentage of Issued Ordinary Shares (%)
Washington H Soul Pattinson & Company Limited	42,329,486	28.14
C N H (Hamish) Drummond	20,000,000	13.29
Nina E Drummond	20,000,000	13.29
Questor Financial Services Limited (TPS RF A/C)	3,490,517	2.32
AMP Life Limited	2,153,107	1.43
Commonwealth Custodial Services Limited	1,667,000	1.11
Equity Trustees Limited (Australian New Horizons A/C)	1,220,446	0.81
HSBC Custody Nominees (Australia) Limited	1,038,199	0.69
United Underwriters Pty Ltd	883,334	0.59
Warren Brick Company Ltd (000006682 A/C)	833,000	0.55
National Australia Trustees Limited (The Hillrow Main A/C)	600,000	0.40
Mark Camilleri	599,713	0.40
Hugh Francis McDade	510,148	0.34
Dola Holdings Limited	500,000	0.33
Racejoy Pty Ltd	500,000	0.33
Angus John Gluskie	450,000	0.30
Allan Charles Buckler	400,000	0.27
Budcoax Pty Limited	400,000	0.27
John Edgar Fisher	400,000	0.27
Jim Rannard & Associates Pty Limited	400,000	0.27
Total Top 20 Shareholders	98,374,950	65.39

Top 20 Optionholders

Name	Number of Ordinary Options	Percentage of Issued Ordinary Options (%)
Washington H Soul Pattinson & Company Limited	4,113,149	27.60
C N H (Hamish) Drummond	2,000,000	13.42
Nina E Drummond	2,000,000	13.42
Questor Financial Services Limited (TPS RF A/C)	390,533	2.62
Robert & Kyrenia Thomas (Rob Thomas Super Fund A/C)	245,438	1.65
HSBC Custody Nominees (Australia) Limited	200,000	1.34
Leslie Alfred Spratt	198,400	1.33
Commonwealth Custodial Services Limited	166,700	1.12
Robert Bain Thomas (Family A/C)	157,506	1.06
International Business Network (Services) Pty Ltd	150,000	1.01
Westpac Custodian Nominees Limited	146,000	0.98
John Stuart & Clare Gordon-Thomas	135,900	0.91
Peel Hunt Nominees Ltd (MM)	130,000	0.87
William & Yvonne Wavish	110,100	0.74
Aguadas Pty Limited	100,000	0.67
Didglen Pty Ltd (JD Investment A/C)	94,000	0.63
Grant & Lindner Pty Limited	92,300	0.62
United Underwriters Pty Ltd	83,333	0.56
Elizabeth Angela Warner	80,001	0.54
Scalia Holdings Pty Ltd (Scalia Superannuation A/C)	80,000	0.54
Total Top 20 Optionholders	10,673,360	71.62

Shareholder calendar

October 2002	1st Quarter Cash Flow Statement
20 November 2002	2002 Annual General Meeting
January 2003	2nd Quarter Cash Flow Statement
February 2003	Preliminary Half Year Results to 31 December 2002
April 2003	3rd Quarter Cash Flow Statement
July 2003	4th Quarter Cash Flow Statement
September 2003	Preliminary Full Year Results to 30 June 2003
November 2003	2003 Annual General Meeting



Company directory

Mr. C N H (Hamish) Drummond – Executive Chairman

Mr. Robert D Millner – Non-executive Director

Mr. Peter R Robinson – Non-executive Director

Mr. Donald J Taig – Non-executive Director

Mr. Robert T Ashfield – Non-executive Director

COMPANY SECRETARY

Mr. Andrew D Fairfull

REGISTERED OFFICE

Level 2, 160 Pitt Street Mall,

SYDNEY, NSW 2000

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NOMINATED ADVISER AND BROKER

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CLOVER

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