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Clover Corporation Limited

ASX Appendix 4E
Preliminary Final Report
31st July 2012

Lodged with the ASX under Listing Rule 4.3A

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The reporting period is the financial year ended 31 July 2012 with the corresponding period being the 13 months ended 31 July 2011.

Results for Announcement to the Market

- The results for this report are for the financial year ended 31 July 2012. Clover Corporation changed its financial year end to the 31 July in 2011. As such the financial report for 2011 was the 13 months ended 31 July 2011; this is the comparative period used for this report.
- Total revenue from sale of goods increased 7.7% to \$38.4M;
- Net profit after tax is \$4.4M (2011: profit of \$4.6M);

		% Change	Amount of Change \$'000		\$'000
Revenue from ordinary activities	Up	6.7%	2,440	to	38,680
Profit/(Loss) from ordinary activities after tax attributable to members	Down	5.0%	232	to	4,371
Net profit/(loss) for the period attributable to members	Down	5.0%	232	to	4,371

Dividends/distributions	Amount per security	Franked %
This Period		
Final dividend	1.75 cents	100%
Interim dividend	Nil	Nil
Previous corresponding period		
Final dividend	1.5 cents	100%
Interim dividend	Nil	Nil

Record date for determining entitlements to the final dividend: **1 November 2012**

Payment date for determining entitlements to the final dividend: **22 November 2012**

Dividend/distribution reinvestment plans

There are no dividend or distribution reinvestment plans as at 31 July 2012.

Explanation of Operating Results

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

NTA Backing

	2012	2011
Net tangible asset backing per ordinary share after tax	16.87 cents	15.75 cents

EPS

	2012	2011
Basic Earnings per Share	2.6 cents	2.7 cents
Diluted Earnings per Share	2.6 cents	2.7 cents

Explanation of Profit after tax

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

Explanation of Net Profit

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

Explanation of Dividends

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

Other information

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

Review of Operations

Clover Corporation Limited (Clover) has reported a net profit after tax for the 12 month period ended 31 July 2012 of \$4.4 million, a decrease of 5.0% compared to the **13 month period in 2011**. The 2011 period, as reported, included thirteen months of trading given the change to the company's financial year to 31 July.

The 2012 result includes costs of \$1.2 million associated with the sale of the remaining assets of Future Food Ingredients Pty Ltd (FFI). The sale of the assets of FFI is currently being finalised with contracts exchanged on 14 September 2012. The price obtained for the assets in Moree, namely, land, buildings and plant was substantially lower than previously estimated by external valuers. During the second half of the year, Clover repaid \$1.29 million to finalise its 50% bank guarantee for outstanding FFI loans.

Excluding the FFI costs and adjusting the 2011 trading period to a comparable 12 month period Clover's underlying net profit after tax was \$5.6 million, an increase of 41%.

Based on the performance of Clover in 2012 and the future prospects of the company, the Directors have declared a fully franked dividend of 1.75 cents per share in respect of the year ended 31 July 2012. The record date will be 1 November 2012 with payment due 22 November 2012.

Sales revenue for the year was \$38.4 million, a 7.8% increase compared with the 13 month period in 2011. Acknowledging the change to the financial period last year the comparative result on the previous corresponding period reflects an increase in sales from \$32.0 million to \$38.4 million, an increase of 20%. This result demonstrates the continued organic growth in the infant formula markets targeted by Clover, in particular, in Oceania and Asia.

	2012 Statutory Aug '11 – July '12 \$000's	2012 Underlying ¹ Aug '11 – July '12 \$000's	2011 Adjusted ² (for 12 month period) Aug '10 – July '11 \$000's
Sales Revenue	38,387	38,387	32,045
EBIT	6,151	7,371	4,700
Profit before tax	6,357	7,577	5,223
Profit after tax	4,371	5,591	3,966

1. The 2012 underlying profit excludes the \$1.22 million of FFI related costs.
2. The 2011 adjusted result excludes the July 2010 month of trading.

2012 Highlights

- Expansion of sales in infant formula and children's food to 98.6% of sales revenue.
- Sales into Oceania increased by 79%.
- An increase in the proportion of sales from high value encapsulated powdered products.

- The program to increase the sales of encapsulated ingredients in North America was advanced with the Novel Food approval by Health Canada of a number of Driphorm products for use in milk-based supplements for children 12-36 months of age. This application was supported by a global infant formula manufacturer and due to the extensive review by the regulator took 4 years for the application to be approved. This allows products to be sold within NAFTA countries.
- Expenditure on research and development was in line with the company's business strategy. Although there appeared to be a slight reduction in R & D spend to \$1.5 million (FP 2011: \$1.7 million) this was due to the timing of payments related to on-going projects. The company's innovations program and customer evaluation of new products continues, creating a platform for future growth. The usual customer approval process for new products can take 2-4 years. The first revenue contributions from the products currently under evaluation are expected in calendar year 2013.
- The intellectual property position of the company continues to be expanded with 2 new patent applications being filed during the year. These applications are directed at the infant formula and medical foods area.
- Clover's Balance Sheet is well placed to support future organic growth with no debt and a net cash balance of \$9.7 million at year end, an increase of \$2.3 million on last year. The cash flow result was even more notable given the capital expenditure at Altona (\$1.6 million) and the repayment of the FFI loan facility (\$1.29 million).

Outlook

Clover has started the 2013 year with some momentum and the company's future prospects are promising.

The innovation program continues to focus on addressing the needs of our current customers whilst pursuing opportunities with new customers.

In the near term there are new products in development and customer evaluation which have the potential to add to the organic growth of the company.

The Australian Growth Partnership research program with the CSIRO to develop products for significant developing markets of improved nutritional formulations for infants and the delivery of sensitive bioactive compounds to improve health is due for completion in 2014, subject to the attainment of predetermined milestones.

Of note, Clover is also developing new products directed at the medical food markets. Based on clinical research and protected by patent applications, innovative new medical food products are currently being clinically tested for their effects on respiratory and cognitive development of preterm infants. A major clinical trial is due for completion at the end of 2014 to support any product claims.

Dividend

Based on the performance of Clover in FY12 and the company's promising future prospects, the Directors have declared a fully franked final dividend of 1.75 cents per share in respect of the year ended 31 July 2012. The record date for this dividend will be 1 November 2012, with payment due on 22 November 2012.



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PRELIMINARY FINAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2012**

	Notes	12 months 31-Jul-12 \$'000	13 months 31-Jul-11 \$'000
Sale of goods	1	38,387	35,635
Cost of goods sold		<u>(23,206)</u>	<u>(21,889)</u>
Gross profit		15,181	13,746
Other income	1	293	605
Sales and marketing expenses		(3,192)	(3,178)
Administration and corporate expenses		(3,204)	(3,331)
Research and development expenses		(1,501)	(1,709)
Other Expenses	1	<u>(1,220)</u>	<u>-</u>
Profit before income tax		6,357	6,133
Income tax expense		<u>(1,986)</u>	<u>(1,530)</u>
Profit/ (Loss) after tax for the period		<u>4,371</u>	<u>4,603</u>
Other comprehensive loss			
Foreign currency translation adjustment loss, net of 30% tax		<u>(63)</u>	<u>(95)</u>
Other comprehensive loss for the period		<u>(63)</u>	<u>(95)</u>
Total comprehensive income/ (loss) for the period		<u>4,308</u>	<u>4,508</u>
Earnings per share (EPS)			
Basic earnings per share (cents per share)		2.6	2.7
Diluted earnings per share (cents per share)		2.6	2.7

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2012

	Notes	31-Jul-12 \$'000	31-Jul-11 \$'000
Current Assets			
Cash and cash equivalents		9,741	7,425
Trade and other receivables		9,662	10,453
Inventories		12,343	8,675
Other current assets		85	574
		31,831	27,127
Non-Current Assets			
Financial assets		5	4
Property, plant and equipment		3,491	2,084
Deferred tax assets		1,217	1,075
Intangible assets		2,029	2,050
		6,742	5,213
Total Assets		38,573	32,340
Current Liabilities			
Trade and other payables		8,063	3,393
Current tax liabilities		(127)	173
Short-term provisions		508	408
		8,444	3,974
Non-Current Liabilities			
Deferred tax liabilities		167	153
Long-term provisions		62	143
		229	296
Total Liabilities		8,673	4,270
Net Assets		29,900	28,070
Equity			
Issued Capital		32,920	32,920
Foreign Currency Translation Reserves		(208)	(145)
Accumulated Losses		(2,812)	(4,705)
Total Equity		29,900	28,070

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2012**

Consolidated	Issued Capital \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 30 June 2010	32,920	(7,243)	(50)	25,627
Profit for the period	-	4,603	-	4,603
Dividend Paid	-	(2,065)	-	(2,065)
Foreign Currency Translation Reserve	-	-	(95)	(95)
Balance at 31 July 2011	32,920	(4,705)	(145)	28,070
Balance at 1 August 2011	32,920	(4,705)	(145)	28,070
Profit for the period	-	4,371	-	4,371
Dividend Paid	-	(2,478)	-	(2,478)
Foreign Currency Translation Reserve	-	-	(63)	(63)
Balance at 31 July 2012	32,920	(2,812)	(208)	29,900

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2012**

	12 months	13 months
	31-Jul-12	31-Jul-11
	\$ '000	\$ '000
Cash flows from operating activities		
Receipts from customers	39,956	34,090
Payments to suppliers and employees	(29,857)	(33,830)
Interest received	293	585
Income tax paid	(2,414)	(2,956)
Net cash inflow from operating activities	7,978	(2,111)
Cash flows from investing activities		
Purchases of plant and equipment	(1,894)	(493)
Purchases of patents and trademarks	-	(59)
Net cash outflow from investing activities	(1,894)	(552)
Cash flows from financing activities		
Dividends paid	(2,478)	(2,065)
Third Party Loans	(1,290)	-
Net cash outflow from financing activities	(3,768)	(2,065)
Net increase / (decrease) in cash held	2,316	(4,728)
Cash at the beginning of the year	7,425	12,153
Cash at the end of the year	9,741	7,425

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2012**

	12 Months 31-Jul-12 \$'000	13 Months 31-Jul-11 \$'000
1. Operating Result		
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:		
Revenue		
Sale of goods	38,387	35,635
Interest revenue	293	589
Other	-	16
Total Revenue	38,680	36,240
Depreciation and Amortisation expenses	(509)	(396)
Other Expenses		
The company's contribution under bank guarantees and holding costs in relation to the closure of Future Food Ingredients Pty Limited and associated realisation of its residual assets	(1,220)	-

2. Dividends

		Amount per security CPS
Final dividend		
Final dividend not recognised in accumulated losses expected to be paid on 22 November 2012	(2,890,680)	1.75c
Final dividend for previous corresponding year, paid on 17 November 2011	(2,477,725)	1.50c
Interim dividend		

No interim dividend was declared in respect of the current financial year ended 31 July 2012 (2011: nil).

Dividend declared after balance date

The Directors have declared a final dividend for the financial year ended 31 July 2012 of 1.75 cents per share (2011: final 1.50 cent per share) fully franked at 30%, payable on 22 November 2012, but not recognised as a liability at the end of the financial period. The record date for this dividend will be 1 November 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2012 (continued)

3. Segment information

Identification of reportable segments

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

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

The following represents profit and loss information for reportable segments for the financial year ended 31 July 2012.

Primary Reporting – Business Segments

	Soy products		Tuna oil and microencapsulated powders		Investment/Treasury		Economic Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue								
Sales Revenue	-	304	38,387	35,331	-	-	38,387	35,635
Other Revenue	-	-	-	16	293	589	293	605
Total segment revenue	-	304	38,387	35,347	293	589	38,680	36,240
Total revenue consolidated							38,680	36,240
Results								
Segment result	(1,220)	-	7,284	5,544	293	589	6,357	6,133
Profit before income tax							6,357	6,133
Income tax expense							(1,986)	(1,530)
Profit for the year							4,371	4,603

4. Audit

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