

Appendix 4E
Korvest Ltd
ABN 20 007 698 106
and its Controlled Entities
Preliminary Final Report
Financial Year Ended 30 June 2007

Results for announcement to the market:

\$A'000

Revenues from ordinary activities	Up	11.0%	to	45,817
Profit from ordinary activities after tax attributable to members	Up	11.2%	to	4,583
Net profit for the period attributable to members	Up	11.2%	to	4,583
Earnings per share	Up	11.0%	to	53.7¢
Dividends		Amount per security		Franked amount per security
Final dividend (#) - current reporting period - previous corresponding period		14.0¢ 13.0¢		14.0¢ 13.0¢
Interim dividend - current reporting period - previous corresponding period		13.0¢ 12.0¢		13.0¢ 12.0¢
# Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.				
Record date for determining entitlements to the dividend	17 August 2007			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market: Refer attached press release.				

This financial report is the preliminary final report provided to the Australian Stock Exchange under listing rule 4.3A.

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Income Statement for the Year Ended 30 June 2007

		<u>Consolidated</u>	
	Note	<u>2007</u> <u>\$'000</u>	<u>2006</u> <u>\$'000</u>
Revenue	5	<u>45,576</u> 45,576	<u>40,870</u> 40,870
Expenses, excluding net financing costs	6	<u>(39,183)</u>	<u>(35,280)</u>
Profit before net financing costs and income tax		<u>6,393</u>	<u>5,590</u>
Financial income		<u>241</u>	<u>388</u>
Net financing costs		<u>241</u>	<u>388</u>
Profit before income tax expense		6,634	5,978
Income tax expense		<u>(2,051)</u>	<u>(1,856)</u>
Net profit		<u><u>4,583</u></u>	<u><u>4,122</u></u>
Attributable to:			
Equity holders of the parent		4,583	4,122
Basic and diluted earnings per share	10	53.7¢	48.4¢
Dividends per share in respect of the current reporting period		27.0¢	25.0¢

The income statement is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the financial statements set out on pages 6 to 17.

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Statement of Recognised Income and Expense for the Year Ended 30 June 2007

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Translation of foreign operations - exchange differences taken to equity	<u>(33)</u>	<u>(58)</u>
Net income recognised directly in equity	(33)	(58)
Profit for the period	<u>4,583</u>	<u>4,122</u>
Total recognised income and expense for the period	<u>4,550</u>	<u>4,064</u>
Attributable to:		
- equity holders of the parent	4,550	4,064

The Statement of Recognised Income and Expense is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the financial statements set out on pages 6 to 17.

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Balance Sheet as at 30 June 2007

		<u>Consolidated</u>	
	Note	<u>2007</u>	<u>2006</u>
		<u>\$'000</u>	<u>\$'000</u>
Current Assets			
Cash and cash equivalents		4,489	4,645
Trade and other receivables		8,864	7,837
Inventories		7,880	7,146
Total current assets		<u>21,233</u>	<u>19,628</u>
Non-Current Assets			
Property, plant and equipment		7,417	6,870
Deferred tax assets		269	493
Total non-current assets		<u>7,686</u>	<u>7,363</u>
Total assets		<u>28,919</u>	<u>26,991</u>
Current Liabilities			
Trade and other payables		4,896	4,769
Employee benefits		1,125	996
Income tax payable		327	818
Provisions		289	456
Total current liabilities		<u>6,637</u>	<u>7,039</u>
Non-Current Liabilities			
Interest-bearing loans and borrowings		40	40
Employee benefits		239	260
Provisions		328	360
Total non-current liabilities		<u>607</u>	<u>660</u>
Total liabilities		<u>7,244</u>	<u>7,699</u>
Net assets		<u>21,675</u>	<u>19,292</u>
Equity			
Issued capital		3,547	3,506
Reserves		1,228	1,250
Retained earnings	11	16,900	14,536
Total equity attributable to equity holders of the parent		<u>21,675</u>	<u>19,292</u>

The balance sheet is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the financial statements set out on pages 6 to 17.

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Statement of Cash Flows for the Year Ended 30 June 2007

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
	Note	
Cash Flows from Operating Activities		
Cash receipts in the course of operations	49,254	44,753
Cash payments in the course of operations	(43,931)	(43,381)
Interest received	241	389
Income taxes paid	<u>(2,320)</u>	<u>(1,744)</u>
Net cash provided by operating activities	<u>3,244</u>	<u>17</u>
Cash Flows from Investing Activities		
Proceeds on disposal of property, plant and equipment	37	39
Payments for property, plant and equipment	(1,185)	(1,742)
Loans provided to other entities	<u>-</u>	<u>5</u>
Net cash provided by / (used in) investing activities	<u>(1,148)</u>	<u>(1,698)</u>
Cash Flows from Financing Activities		
Dividends paid by the Company	12(a) <u>(2,219)</u>	<u>(1,957)</u>
Net cash provided by / (used in) financing activities	<u>(2,219)</u>	<u>(1,957)</u>
Net increase / (decrease) in cash held	(123)	(3,638)
Cash at the beginning of the year	4,645	8,341
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	<u>(33)</u>	<u>(58)</u>
Cash at the end of the year	<u><u>4,489</u></u>	<u><u>4,645</u></u>

The statement of cash flows is to be read in conjunction with the discussion and analysis in the attached press release and the notes to and forming part of the financial statements set out on pages 6 to 17.

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

1. Reporting entity

Korvest Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 580 Prospect Road, Kilburn SA 5084. The consolidated financial statements of the Company as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'Consolidated Entity'). The Group primarily is involved in manufacturing businesses as detailed in the segment note.

2. Basis of preparation

(a) Statement of compliance

The preliminary financial report is a financial report which has been prepared in accordance with the recognition and measurement aspects of Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and Appendix 4E of the Australian Stock Exchange listing rules.

The preliminary financial report should be read in conjunction with the 2006 annual report, the December 2006 half year report and any announcement by Korvest Limited or its controlled entities in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The financial report was approved by the Board of Directors on 27th July 2007.

(b) Basis of measurement

The consolidated preliminary financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- land and buildings are measured at fair value

(c) Functional and presentation currency

These consolidated preliminary financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated preliminary financial statements, and have been applied consistently by Group entities.

The entity has elected to early adopt the following accounting standards and amendments:

- AASB 101 Presentation of Financial Statements (October 2006).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated preliminary financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated preliminary financial statements.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

3. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Trade and other receivables

Trade and other receivables are stated at amortised cost less any impairment charges.

(iii) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group on the amortised cost basis, using the effective interest basis.

Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.

(iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(v) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

(i) Land and Buildings

Land and buildings are stated at fair value. Land and buildings are independently valued at least every four years on an existing use basis, and in the intervening years are valued by the Directors based on the most recent independent valuation.

(ii) Plant and Equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is provided so as to write off the cost of each non-current asset excluding freehold land over its effective useful life ranging from 3 to 40 years. The straight line method is used. The depreciation rates used for each class of asset are buildings - 2.5% and plant and equipment - a range of depreciation rates averaging 10%. The rates are consistent with the prior year. The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

3. Significant accounting policies (continued)

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

The Group adopted Interpretation 4 Determining whether an Arrangement Contains a Lease, which is mandatory for annual periods beginning on or after 1 January 2006, in its 2006 consolidated financial statements.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

3. Significant accounting policies (continued)

(h) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Long-term benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

Employee Share Bonus Plan

The Employee Share Bonus Plan allows Group employees to acquire shares of the Company. Shares are allotted to employees who have served a qualifying period. Up to \$1,000 per year in shares is allotted to each qualifying employee. The fair value of shares issued is recognised as an employee expense with a corresponding increase in equity. The fair value of the shares granted is measured using a present value method.

Executive Share Plan

The Executive Share Plan allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The valuation method takes into account the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected of the shares and the risk-free interest rate for the life of the option.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

3. Significant accounting policies (continued)

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(k) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues.

Finance expenses comprise interest expense on borrowings. Interest paid is recognised as it accrues.

(l) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007**3. Significant accounting policies (continued)****(o) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- *AASB 7 Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment of Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 July 2004 and 1 July 2005, respectively). The adoption of Interpretation is not expected to have an impact on the financial results of the Company and the Group.
- Interpretation 11 *AASB 2 Share-based Payment -- Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. Interpretation 11 is not expected to have any impact on the financial results of the Company and the Group.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

3. Significant accounting policies (continued)

(p) New standards and interpretations not yet adopted (continued)

- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends *AASB 2 Share-based Payments* to insert the transitional provisions of AASB 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to international Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the Group or Company.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 *Service Concession Arrangements*.

4. Segment Reporting

Business segments

The entity operates in the Industrial Products sector in the manufacture of electrical and cable support systems, steel fabrication, associated metal treatment and galvanising services.

Geographical segments

The entity operates predominately in Australia.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
5. Revenue and other income		
Revenue		
Sales of goods	45,435	40,668
Other	<u>141</u>	<u>202</u>
	<u>45,576</u>	<u>40,870</u>
6. Expenses		
Costs of goods sold	25,714	23,336
Sales and marketing expenses	8,247	7,373
Distribution expenses	2,740	2,367
Administration expenses	1,655	1,529
Occupancy expenses	569	426
Other expenses	<u>258</u>	<u>249</u>
Expenses excluding financing costs	<u>39,183</u>	<u>35,280</u>
7. Profit before income tax		
Profit before income tax has been arrived at after charging / (crediting) the following items		
Depreciation of buildings	47	45
Depreciation of plant and equipment	<u>558</u>	<u>744</u>
Total depreciation of property, plant and equipment	<u>605</u>	<u>789</u>
Net impairment loss expense including movements in provision for receivable impairment losses	<u>(105)</u>	<u>36</u>
Gain/(loss) on disposal of non-current assets: Net loss on disposal of property, plant and equipment	(4)	8
8. Comparison of Half-Year Profit		
Net profit attributable to members of the Company reported for the first half-year	2,241	1,987
Net profit attributable to members of the Company for the second half-year	<u>2,342</u>	<u>2,135</u>
	<u>4,583</u>	<u>4,122</u>

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
9. Ratios		
(a) Net tangible asset (NTA) backing		
Net tangible assets per ordinary share	\$2.54	\$2.26
(b) Other ratios		
Profit before tax / revenue	14.6%	14.5%
Calculated as profit from ordinary activities before related income tax expense as a percentage of total revenues		
Profit after tax / equity interests	21.1%	21.4%
Calculated as net profit attributable to members of the Company as a percentage of equity attributable to members		
10. Earnings per Share		
Basic and diluted earnings per share are the same in both years.		
Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.		
	<u>Number of Shares</u>	
	<u>2007</u>	<u>2006</u>
Weighted average number of shares on issue	<u>8,541,381</u>	<u>8,518,073</u>
	<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
11. Retained Profits		
Balance at the beginning of the year	14,536	12,372
Net profit attributable to members of the Company	4,583	4,122
Dividends recognised during the year	<u>(2,219)</u>	<u>(1,958)</u>
Balance at the end of the year	<u>16,900</u>	<u>14,536</u>

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

12. Dividends

(a) Dividends recognised in the current year by the Company are:

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
2006				
Interim – ordinary	12.0	1,022	Franked	10 March 2006
Final – ordinary	11.0	<u>936</u>	Franked	2 September 2005
Total amount		<u><u>1,958</u></u>		
2007				
Interim – ordinary	13.0	1,110	Franked	9 March 2007
Final – ordinary	13.0	<u>1,109</u>	Franked	1 September 2006
Total amount		<u><u>2,219</u></u>		

Subsequent events

Since the end of the year, the directors declared the following dividend:

Final – ordinary	14.0	Franked	3 September 2007
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The financial effect of this dividend has not been brought to account in this financial report for the year ended 30 June 2007. The financial effect of the dividend will be recognised in the next year.

All dividends paid or declared are fully franked at the tax rate of 30%. The directors expect that dividends will continue to be fully franked for the foreseeable future.

The Company

2007	2006
\$'000	\$'000

(b) Dividend franking account

30% franking credits available to shareholders of the Company for subsequent financial years

<u>8,344</u>	<u>7,497</u>
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The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2007

13. Events Subsequent to Reporting Date

(a) There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

(b) **Dividends**

For dividends declared after 30 June 2007 see Note 12.

- 1 This report has been prepared in accordance with the recognition and measurement aspects of AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views.
- 2 This report, and the accounts upon which the report is based, use the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 This report is based on financial statements which are in the process of being audited.
- 5 The financial statements on which this report is based are not likely to be subject to dispute or qualification.

Dated at Kilburn this 27th day of July 2007.

Signed in accordance with a resolution of the directors.

Nicole A Peake

Director and Company Secretary

Annual General Meeting

The 37th Annual General Meeting of Korvest Ltd will be held at The KPMG Boardroom, Level 7, 151 Pirie Street, Adelaide, SA, 5000 on Friday 26 October 2007 at 11.30 am.

The Notice of Meeting and Proxy Form will be sent with the Annual Report in mid September 2007.