ANNUAL REPORT 2012

KORVEST LTD

we deliver on our promise

KORVEST LTD

Korvest Ltd
ABN 20 007 698 106

Annual Report
30 June 2012

EzyStrut INDAX korvest galvanisers

KORVEST LTD IS ONE OF AUSTRALIA'S LEADING INFRASTRUCTURE PROVIDERS, DELIVERING UNIQUE SOLUTIONS TO AUSTRALIAN CONSTRUCTION AND MINING SITES.

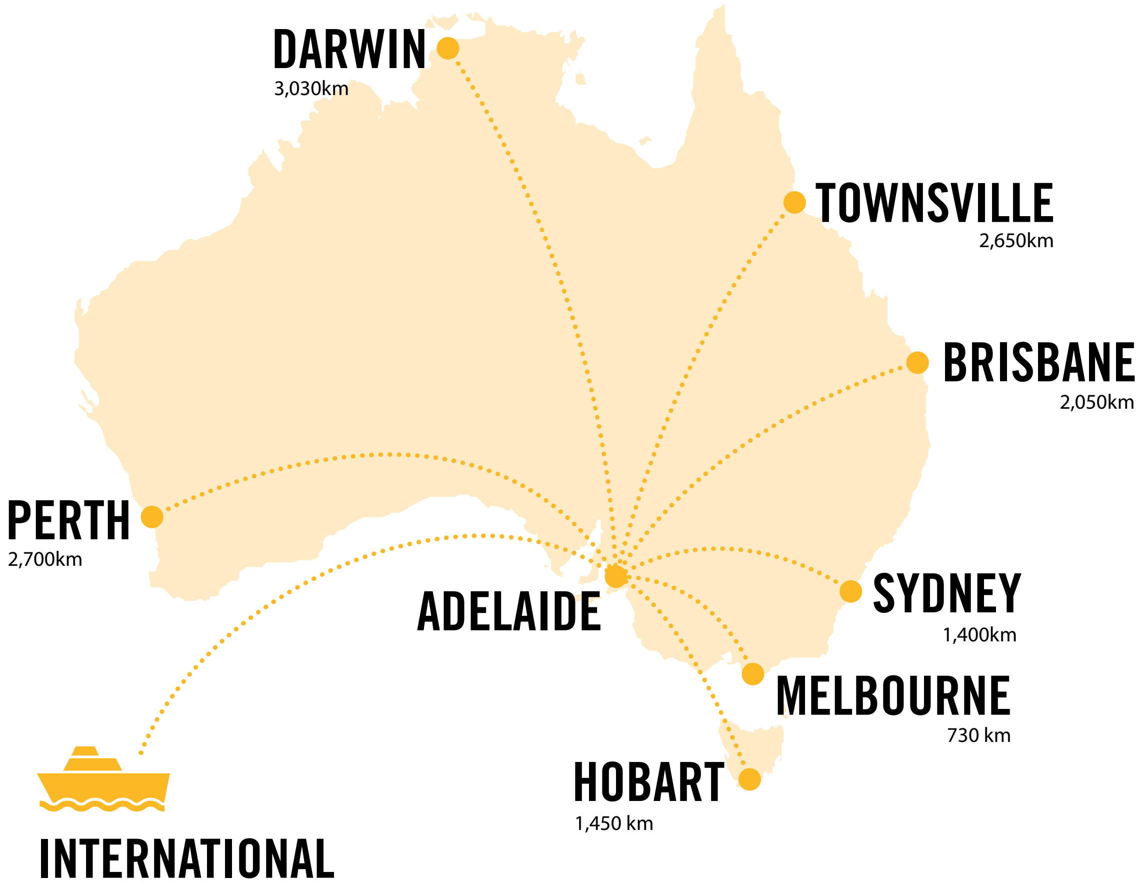
THE COMPANY HAS A VAST NETWORK OF DISTRIBUTION WAREHOUSES AND RESELLERS ACROSS AUSTRALIA AND A HISTORY OF SUPPLYING MULTIPLE PROJECTS ACROSS THE PACIFIC IN FULL AND ON TIME.

KORVEST LTD

www.korvest.com.au

"IN MY CAREER, I HAVE SEEN COMPANIES WITH THE SAME FACTORIES AND PRODUCTS AS KORVEST, AND WHAT SETS US APART IS HOW WELL THE MANAGEMENT AND WORKFORCE GET ON AND WORK TOGETHER."

Alexander Kachellek, Managing Director

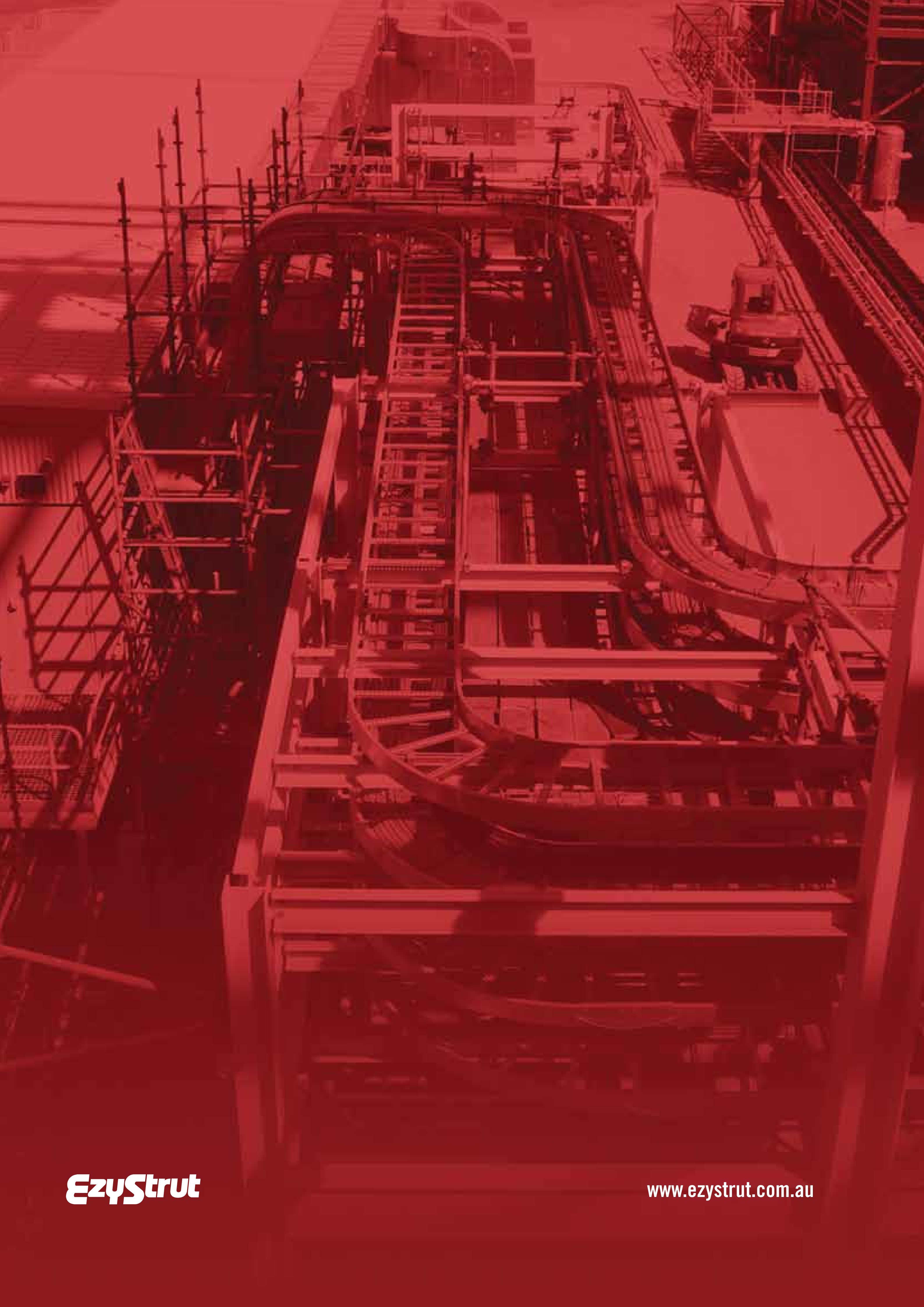


(L-R)

John Dickie
Engineering Manager

Greg Thompson
OHSE Manager

Steve Jeffs
Quality Manager



EzyStrut

www.ezystrut.com.au

EZYSTRUT MANUFACTURES ONE OF THE MOST DIVERSE RANGES OF CABLE AND PIPE SUPPORT SOLUTIONS IN THE INDUSTRY, SUITABLE FOR ALMOST ANY APPLICATION.

Chris Hartwig
General Manager

INDAX

www.indax.com.au

INDAX FABRICATES AND SUPPLIES HANDRAIL AND WALKWAY SYSTEMS FOR MAJOR ENGINEERING, CONSTRUCTION AND STRUCTURAL FABRICATION COMPANIES, SERVICING SMALL JOBS THROUGH TO VERY LARGE PROJECTS IN THE MINING AND INDUSTRIAL SECTORS.

Andrew Ifkovich
General Manager

korvest galvanisers

www.korvestgalvanisers.com.au

KORVEST GALVANISERS IS A LEADING AND AWARD WINNING GALVANISER WITH THE CAPABILITY TO HOT DIP GALVANISE A RANGE OF ITEMS FROM LARGE AND DIFFICULT FABRICATIONS AND CENTRIFUGE (OR 'SPIN') GALVANISE SMALL FASTENERS, PIPE FITTINGS, CASTINGS, GENERAL BRACKETS AND OTHER COMPONENTS.

Steven Evans
General Manager

KORVEST LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2012

The directors present their report together with the financial report of Korvest Ltd ('the Company') for the financial year ended 30 June 2012 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

PETER W STANCLIFFE
BE (CIVIL) FAICD

Chairman
Non-Independent Non-Executive Director

Age 64

Appointed as a Director and Chairman on 1 January 2009.

Director Hills Holdings Limited.

Director Automotive Holdings Group Limited.

ALEXANDER H W KACHELLEK
BSC.CENG MIET

Managing Director

Age 59

A Director since June 2007.

Mr Kachellek has experience in a number of industries including Data Communications and Automotive, Lean Operations Consultancy and Manufacturing.

Director Austmine Ltd.

Director Galvanising Association of Australia.

GRAHAM L TWARTZ
B.A.(ADEL), DIP ACC (FLINDERS)

Non-Independent Non-Executive Director

Age 55

A Director since 1999.

Chairman of Audit Committee.

Managing Director, Hills Holdings Limited.

PETER BRODRIBB
F.I.E (AUST)

Non-Independent Non-Executive Director

Age 67

A Director since 1984.

Appointed Non-Executive Director in January 2005 after retiring from the position of Managing Director that he had held since 1984.

STEVEN J W MCGREGOR
BA (ACC), CA, ACSA, ACIS

Finance Director

Age 40

Company Secretary since April 2008.

Appointed as Finance Director 1 January 2009.

COMPANY SECRETARY

Mr Steven J W McGregor CA, ACSA, ACIS, BA(Acc) was appointed to the position of company secretary in April 2008. Mr McGregor previously held the role of chief operating officer and company secretary with an unlisted public company for seven years.

RE-ELECTIONS

In accordance with the Articles of Association, Graham L Twartz retires from the Board at the forthcoming Annual General Meeting on 26 October 2012. Mr Twartz is eligible for re-election at that meeting and offers himself accordingly.

DIRECTORS' MEETINGS

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

DIRECTOR	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
Mr P.W. Stancliffe	14	14	2	2	1	1
Mr A.H.W. Kachellek	14	14	-	-	-	-
Mr G.L. Twartz	13	14	2	2	1	1
Mr P. Brodribb	13	14	2	2	1	1
Mr S.J.W. McGregor	14	14	-	-	-	-

A = Number of Board meetings attended
B = Total Number of Board meetings available for attendance

FINANCIAL RESULTS

The revenue from trading activities for the year under review was a record $72.322m up 7.3% on the previous year. Profit after tax was a record $6.201m up by 46.9%. The year started well with a record first half due to the completion of a number of projects. With the major projects largely completed in the first half the second half returned to levels more consistent with prior reporting periods with a profit before tax 5.6% ahead of the same period in the prior year. This was a particularly pleasing result as in May 2012 administrators were appointed to the Hastie Group of companies. At the time Hastie Group companies owed Korvest a total of $564,000 with all but $6,000 of the debt being within trading terms. The full amount of this debt (excluding GST) has been provided for in the second half.

All Korvest businesses performed better in the current year compared to the prior year. For those businesses with multi-state operations it was evident that buoyant trading conditions were not universally experienced and the state by state performances varied significantly.

DIVIDENDS

The directors announced a fully franked final dividend of 30.0 cents per share compared to 15.0 cents per share last year and 18.0 cents at the half year. The directors also declared and paid a 5.0 cent special dividend at the half year. The full year dividend in relation to the 2012 year will be 48.0 cents per share plus the 5.0 cent special dividend compared to 26.0 cents per share for the previous year. Having regard for the strength of the Korvest balance sheet, the cash reserves and the available franking credits, the Directors have revised the dividend payout policy to 100% of after tax profits. The final dividend of 30.0 cents per share reflects this new payout policy.

The final dividend will be paid on 6th September 2012.

A summary of dividends paid or declared by the Company to members since the end of the previous financial year were:

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
DECLARED AND PAID DURING THE YEAR 2012				
Interim 2012 ordinary	18.0	1,564	Fully franked	9 March 2012
Interim 2012 special	5.0	435	Fully franked	9 March 2012
Final 2011 ordinary	15.0	1,300	Fully franked	8 September 2011
Total amount		3,299		

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

DECLARED AFTER END OF YEAR

After the reporting date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences to the Company.

Final ordinary	30.0	2,638	Fully franked	6 September 2012
Total Amount		2,638		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2012 and will be recognised in subsequent financial reports.

	NOTE	TOTAL AMOUNT $'000
Dividends have been dealt with in the financial report as:		
- Dividends	23	3,299
- Dividends – subsequent to 30 June 2012	23	2,638

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

STRATEGY AND FUTURE PERFORMANCE

Korvest's businesses service a number of major markets including mining, infrastructure, commercial and industrial. Activity in a number of these markets is expected to remain at least at current levels over the course of the upcoming financial year. Korvest's national footprint and strong market position means that it is well placed to take advantage of opportunities as they arise in these markets. As a result Korvest is expected to produce a satisfactory result in the 2013 year.

PRINCIPAL ACTIVITIES

The principal continuing activities of the Company consist of hot dip galvanising, sheet metal fabrication, walkway fabrication, and manufacture of cable and pipe support systems and fittings.

REVIEW OF OPERATIONS

The Company is comprised of the Industrial Products Group which includes the EzyStrut and Indax businesses, and the Production Group which includes the Korvest Galvanisers and Korvest Manufacturing businesses.

INDUSTRIAL PRODUCTS

In the Industrial Products group the EzyStrut cable and pipe support business supplies products to contractors for small industrial developments and also supplies products for major infrastructure developments. During the current year a number of major projects in the Eastern States and in Western Australia have contributed positively to the improved performance for this business. Whilst the major impact of those projects was reflected in the first half result, some smaller, yet still significant projects were supplied in the second half. Unfortunately EzyStrut was the business that suffered due to the demise of the Hastie Group and this detracted from what was otherwise an excellent result. During the year Korvest continued to invest in machinery upgrades at the EzyStrut Kilburn factory to produce higher quality products at improved lead times.

Included in the Industrial Products group is the Indax grating and stanchion business. Indax's performance improved during the current year but further improvement is required to achieve a satisfactory performance. Margin pressure remained in this business during the year however as surplus capacity has shrunk during the latter part of the year there has been evidence that the market prices are beginning to respond accordingly. Sales from the Western Australian market improved over the course of the year and contributed positively to the Indax performance.

PRODUCTION

In the Production group the Galvanising business had an improved year. The level of project work in the South Australian market increased during the current year. Overall plant volumes were up for the year with the improved performance in the Industrial Products segment contributing significantly increased internal volumes. This enabled the plant to operate more efficiently. The spin plant volumes were increased during the current year due to project wins by Korvest's major customers and this contributed positively to the overall improved result for the business.

SIGNIFICANT CHANGES

The directors are not aware of any significant changes in the state of affairs of the Company that have occurred during the financial year which have not been covered elsewhere in this report.

EVENTS SUBSEQUENT TO REPORTING DATE

At the date of this report there is no matter or circumstance that has arisen since 30 June 2012, that has significantly affected, or may significantly affect:

i. the operations of the Company;

ii. the results of those operations; or

iii. the state of affairs of the Company;

in the financial years subsequent to 30 June 2012.

LIKELY DEVELOPMENTS

In the opinion of the directors it would prejudice the interests of the Company if the Directors' report was to refer to any additional information as to likely developments in the operations of the Company, including the expected results of those operations in subsequent financial years. Such information has therefore not been included in this report.

DIRECTORS' AND OFFICERS' INSURANCE

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers of the Company. The insurance premiums relate to:

a. costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

b. other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of all of the directors and officers of the Company. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

REMUNERATION REPORT

PRINCIPLES OF COMPENSATION - AUDITED

Remuneration is referred to as compensation throughout this report.

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors and senior executives of the Company.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

a. the capability and experience of the key management personnel

b. the key management personnel's ability to control performance; and

c. the company's performance including the company's earnings.

FIXED COMPENSATION

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee.

Non-executive directors receive a fixed fee. The total remuneration for all non-executive directors was last voted upon by shareholders at the AGM held on 16 October 2009 and is not to exceed $200,000.

PERFORMANCE LINKED COMPENSATION

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' cash bonus, while the long-term incentive (LTI) is provided as performance rights under the rules of the Korvest Performance Rights Plan.

SHORT-TERM INCENTIVE BONUS

The key performance indicators (KPIs) for the key management personnel are set annually. The KPIs generally include measures relating to financial performance, safety, strategy and risk measures.

The financial performance objective is earnings before interest and tax (EBIT) compared to budgeted amounts. The KPI's are chosen as they directly align the individual's reward to the KPI's of the Company and to its strategy and performance. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance and delivery in full and on time (DIFOT).

LONG-TERM INCENTIVE BONUS

Performance rights are issued under the Korvest Performance Rights Plan to employees (including key management personnel) as determined by the remuneration committee. Performance rights become vested performance rights if the Company achieves its performance hurdle. If rights become vested performance rights and do not lapse, the holder is able to acquire ordinary shares in the Company for no cash payment.

The performance hurdle relates to growth in basic earnings per share (EPS). EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year vesting period. The % growth is based on a base year which is the year prior to the commencement of the vesting period. The table below sets out the % of rights that vest depending on the level of EPS growth achieved.

COMPOUND ANNUAL EPS GROWTH OVER 3 YR VESTING PERIOD	% OF RIGHTS THAT VEST
Less than 10%	Nil
10%	33.3%
Between 10% - 15%	Pro rata between 33.3 – 100%
15% or greater	100%

The EPS objectives were chosen because it is a good indicator of the Company's earning's growth and is aligned to shareholder wealth objectives.

The Company's securities trading policy prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

Two non-executive directors are also directors of Hills Holdings Limited. Transactions with Hills Holdings Limited are disclosed in Note 30.

SERVICE CONTRACTS

It is the Company's policy that service contracts for all key management personnel are unlimited in term but capable of termination on 1 to 3 months' notice, and that the Company retains the right to terminate the contract immediately by making payment in lieu of notice. The Company has entered into a service contract with each executive key management person.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements and accrued annual leave and long service leave, as well as any entitlement to incentive payments and superannuation benefits.

SERVICES FROM REMUNERATION CONSULTANTS

The remuneration committee has not engaged the services of any remuneration consultants. The remuneration committee determines the level of remuneration for senior executives of the Company. The members of the remuneration committee use their experience and knowledge to determine appropriate compensation packages for the senior executives.

The remuneration committee consists entirely of non-executive directors.

The Board is satisfied that the remuneration committee is able to make a decision on remuneration levels without undue influence by the members of the KMP about whom the recommendations may relate.

NON-EXECUTIVE DIRECTORS

Non-executive directors receive a fixed fee. The total remuneration for all non-executive directors was last voted upon by shareholders at the AGM held on 16 October 2009 and is not to exceed $200,000.

The current base fees became effective on 1 March 2012 and are:

Chairman $60,500

Director $36,300

Superannuation is added to these fees where appropriate.

Non-executive directors do not receive performance-related compensation.

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Company's performance and benefits for shareholder wealth, the remuneration committee have regard to the indices set out in the 5 Year Summary on page 27.

REMUNERATION REPORT (CONTINUED)

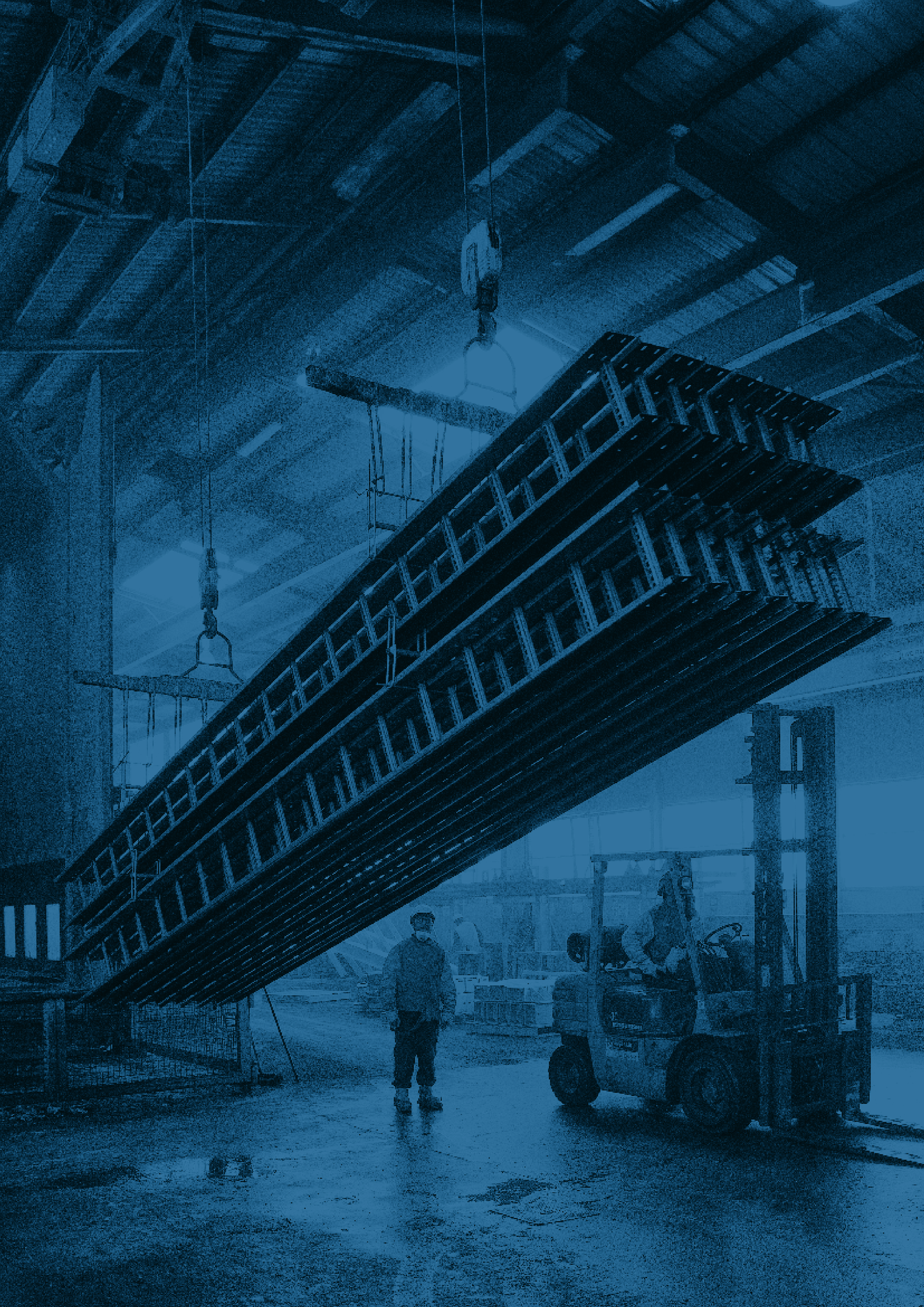
DIRECTORS AND EXECUTIVE REMUNERATION - AUDITED

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the Company are:

NAME		SHORT TERM		POST EMPLOYMENT	OTHER LONG TERM – LONG SERVICE LEAVE $*
		SALARY & FEES $	BONUS $	SUPERANNUATION BENEFITS $	
DIRECTORS					
P.W. Stancliffe	2012	56,833	-	5,115	-
Non-executive (Chairman)	2011	51,666	-	4,650	-
G.L. Twartz	2012	34,100	-	-	-
Non-executive (Director)	2011	31,000	-	-	-
P. Brodribb	2012	34,100	-	3,069	-
Non-executive (Director)	2011	31,000	-	2,790	-
A.H.W. Kachellek	2012	250,005	138,622	33,472	26,033
Executive (Managing Director)	2011	240,005	87,039	29,944	12,329
S.J.W. McGregor	2012	215,004	5,000	19,350	11,590
Executive (Finance Director)	2011	202,208	-	18,252	2,364
EXECUTIVES / OTHER KMP					
C.A. Hartwig	2012	205,004	106,218	29,199	22,685
General Manager EzyStrut	2011	195,004	113,888	26,104	11,866
S.W. Evans	2012	161,003	44,188	18,079	2,350
General Manager Galvanising	2011	153,923	23,789	16,340	617
A. P. Ifkovich	2012	166,403	-	14,976	313
General Manager Indax (Commenced 9 August 2010)	2011	131,110	8,200	12,538	-

* This represents the accounting expense relating to the provision for long service leave. It does not represent cash payments or statutory obligations.

SHARE BASED PAYMENTS		TOTAL $	S300A (1)(e)(i) PROPORTION OF REMUNERATION PERFORMANCE RELATED %	S300A (1)(e)(vi) VALUE OF OPTIONS AS PROPORTION OF REMUNERATION %
SHARES $	OPTIONS & RIGHTS $			
-	-	61,948	-	-
-	-	56,316	-	-
-	-	34,100	-	-
-	-	31,000	-	-
-	-	37,169	-	-
-	-	33,790	-	-
-	41,168	489,300	28.3	8.4
-	5,635	374,952	23.2	1.50
-	26,357	277,301	1.8	9.5
-	262	223,086	-	0.11
996	27,911	392,013	27.1	7.1
998	2,052	349,912	33.5	0.59
497	10,438	236,555	18.7	4.4
-	-	194,669	12.2	-
-	10,438	192,130	-	5.4
-	-	151,848	5.4	-



REMUNERATION REPORT (CONTINUED)

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION - AUDITED

Details on performance rights that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	NUMBER OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE ($)	EXPIRY DATE	NUMBER OF PERFORMANCE RIGHTS/OPTIONS VESTED DURING 2012
DIRECTORS					
A Kachellek	35,000	18 Nov 2011	3.13	30 June 2014	-
S McGregor	25,000	18 Nov 2011	3.13	30 June 2014	-
EXECUTIVES					
C Hartwig	25,000	18 Nov 2011	3.13	30 June 2014	-
S Evans	10,000	18 Nov 2011	3.13	30 June 2014	-
A Ifkovich	10,000	18 Nov 2011	3.13	30 June 2014	-

All performance rights have a nil exercise price.

All performance rights expire on the earlier of their expiry date or termination of the individual's employment. The performance rights are exercisable for one year after the conclusion of the vesting period. In addition to the continuing employment service condition, the ability to exercise performance rights is conditional on the Company achieving performance hurdles. Details of the performance criterion are included in the long-term incentives discussion on page 16.

No terms of equity-settled share-based payment transactions (including performance rights granted as compensation to key management personnel) have been altered or modified by the Company during the reporting period or the prior period.

REMUNERATION REPORT (CONTINUED)

EXERCISE OF OPTIONS GRANTED AS COMPENSATION

During the reporting period no shares were issued on the exercise of options previously granted as compensation.

ANALYSIS OF OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION - AUDITED

Details of vesting profiles of the options granted as remuneration to each director and key executive of the Company are detailed below:

	OPTIONS GRANTED				
	NUMBER	DATE	% VESTED IN YEAR	% FORFEITED OR LAPSED IN YEAR	YEAR IN WHICH GRANT VESTS
DIRECTORS					
A Kachellek	30,000*	Mar 2009	-%	-%	30 June 2011
	35,000	Nov 2011	-%	-%	30 June 2014
S McGregor	15,000*	Apr 2010	-%	-%	30 June 2011
	25,000	Nov 2011	-%	-%	30 June 2014
EXECUTIVES					
C Hartwig	10,000*	Mar 2009	-%	-%	30 June 2011
	25,000	Nov 2011	-%	-%	30 June 2014
S Evans	10,000	Nov 2011	-%	-%	30 June 2014
A Ifkovich	10,000	Nov 2011	-%	-%	30 June 2014

* - These options were issued under the previous Korvest Ltd Executive Share Plan. They vested during the year ended 30 June 2011 and were exercised in January 2011. Restricted ordinary shares were issued at an exercise price of $3.79 per share. Under the terms of the previous Korvest Ltd Executive Share Plan upon exercise of the options the individual must pay the exercise price over a maximum term of 20 years. Dividends, after deduction of an amount intended for the participant's tax, are applied in payment of the exercise price. The arrangement to pay the exercise price over 20 years is interest free and without personal recourse to the participants (recourse is limited to the shares themselves). As a result of these arrangements, under AASBs, the instruments are treated as options until such time as the associated non-recourse loan is fully repaid. The shares remain restricted from transfer until the completion of a 5 year service period from grant date and until such time as the loan is fully paid.

ANALYSIS OF MOVEMENTS IN OPTIONS AND RIGHTS – AUDITED

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each company director and KMP are detailed below.

	VALUE OF RIGHTS/OPTIONS		
	GRANTED IN YEAR $ (A)	EXERCISED IN YEAR $	LAPSED OR FORFEITED IN YEAR $
DIRECTORS			
A Kachellek	109,599	-	-
S McGregor	78,285	-	-
EXECUTIVES			
C Hartwig	78,285	-	-
S Evans	31,314	-	-
A Ifkovich	31,314	-	-

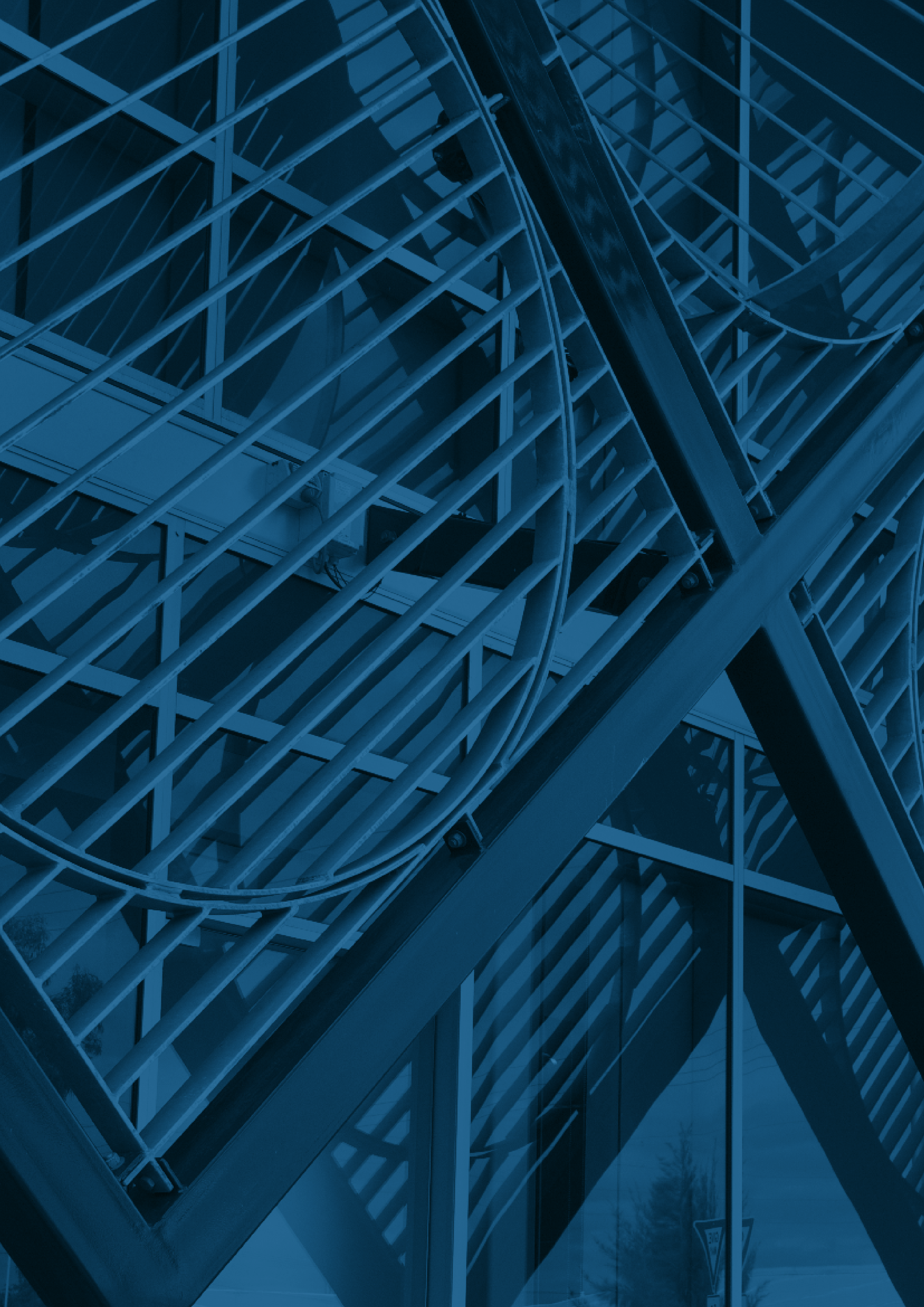
(A) The value of performance rights granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2011 to 1 July 2014).

Further details regarding options granted to executives under the Executive Share Plan are in Notes 21 and 29 to the financial statements.

ANALYSIS OF BONUSES INCLUDED IN REMUNERATION – AUDITED

With the exception of the Finance Director, executive bonuses are paid based on either Company earnings before interest and taxation (EBIT) or divisional EBIT depending on the responsibilities of the individual executive. A percentage of EBIT is determined at the beginning of the year based on budgets. This percentage is then applied to actual EBIT achieved. Potential bonuses paid to executives under this methodology are not capped and therefore Korvest is unable to disclose the % of short term incentives that vested or were forfeited.

The Finance Director's bonus is based on achievement of specified outcomes during the year. Two of those outcomes were in relation to system implementations and one in relation to acquisitions. One of the system implementation outcomes was achieved resulting in 1/3rd of the total entitlement being paid/payable with the remaining 2/3^{rds} being forfeited.



DIRECTORS' INTERESTS

The relevant interest of each director over the shares and rights or options over such instruments issued by the Company and other related bodies corporate. As notified by the directors to the Australian Securities Exchange in accordance with S250G(1) of the Corporations Act 2001, at the date of this report is as follows:

	KORVEST LTD ORDINARY SHARES	KORVEST LTD ORDINARY SHARES SUBJECT TO NON-RECOURSE LOAN	KORVEST LTD PERFORMANCE RIGHTS	HILLS HOLDINGS LIMITED ORDINARY SHARES	HILLS HOLDINGS LIMITED SHARE OPTIONS	HILLS HOLDINGS LIMITED PERFORMANCE RIGHTS
Peter Stancliffe	1,000		-	19,104	-	-
Alexander Kachellek	1,495	30,000	35,000	-	-	-
Peter Brodribb	15,781		-	16,469	-	-
Graham Twartz	29,115		-	207,342	-	348,859
Steven McGregor	500	15,000	25,000	-	-	-

DIRECTORS' REPORT (CONTINUED)

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of these services did not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risk and rewards.

For details of non-audit services fees charged refer to Note 9 to the financial statements.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 78 and forms part of the Directors' report for the financial year ended 30 June 2012.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed at Adelaide this Thursday 26th of July 2012 in accordance with a resolution of the directors.

P. W. STANCLIFFE
DIRECTOR

A. H. W. KACHELLEK
DIRECTOR

5 YEAR SUMMARY

FOR THE YEAR ENDED 30 JUNE 2012

5 YEAR SUMMARY

		2012	2011	2010	2009	2008
SALES REVENUE	($'000)	72,322	67,384	55,774	62,892	54,877
PROFIT AFTER TAX	($'000)	6,201	4,221	3,983	5,655	4,716
DEPRECIATION/AMORTISATION	($'000)	1,542	1,279	1,060	985	695
Cash flow from operations	($'000)	8,681	3,185	3,864	7,590	2,178
PROFIT FROM ORDINARY ACTIVITIES						
- As % of Shareholders' Equity		17.1%	12.7%	13.2%	19.5%	18.1%
- As % of Sales Revenue		8.6%	6.3%	7.1%	9.0%	8.6%
- Per issued share		71.4c	48.9c	46.3c	65.8c	54.9c
Dividend						
- Total amount paid	($'000)	3,299	2,244	2,921	2,660	2,395
- Per issued share		38.0c	26.0c	32.0c	34.0c	28.0c
- Times covered by profit from ordinary activities		1.9	1.9	1.4	2.1	2.0
Number of employees		256	242	221	204	194
SHAREHOLDERS						
- Equity to total assets ratio		79%	75%	79%	77%	75%
- Number at year end		1,271	1,247	1,165	1,094	1,056
Net assets per issued ordinary share		$4.13	$3.79	$3.49	$3.36	$3.06
Share price as at 30 June		$4.65	$3.57	$4.65	$3.70	$5.15

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company complies with the ASX recommendation of recognising and publishing the respective roles and responsibilities of the Board and senior executives (Recommendation 1.1).

The Board's primary role is the protection and enhancement of long-term shareholder value. The Board believes that good corporate governance is essential to fulfilling its role and that it positively contributes to long-term shareholder value.

The Board delegates responsibility for the day-to-day management of the Company to the Managing Director and senior executives, but remains responsible for overseeing the performance of the management team. To ensure that this responsibility is clearly defined, the Board has delegated a range of authorities to management through formal delegations. These include limited expenditure authority along with the limited authority to enter into contracts and engage staff.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board has the final responsibility for the successful operations of the Company. Without intending to limit this general role of the Board, the specific or principal functions and responsibilities include:

- Acting as an interface between the Company and shareholders;
- Setting the goals of the Company;
- Reviewing the annual progress and performance of the Company in meeting its objectives;
- Providing the overall strategic direction of the Company;
- Determining policies governing the operations of the Company;
- Appointing and approving the terms and conditions of the appointment of the Managing Director (MD);
- Reviewing and providing feedback on the performance of the MD;
- Endorsing the terms and conditions for senior executives reporting to the MD through the Remuneration Committee;
- Establishing and determining the powers and functions of the committees of the Board, including the Audit and the Remuneration Committee;
- Approving major operating plans;
- Approving the annual budget and long-term budgets;
- Board approval of all banking facilities;
- Approving all significant items of capital expenditure;
- Approving all significant operational expenditures outside budget;

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

- Approving all mergers and acquisitions, and property acquisitions and disposals;
- Approving the issue or cancellation of shares;
- Approving all significant loans to outside parties or employees;
- Approving half-yearly and yearly accounts;
- Keeping the market informed about Korvest in accordance with ASX rules;
- Reviewing its own performance;
- Resolution of major issues of material nature affecting the organisation;
- Approving management reporting processes and documentation;
- Approving all significant contracts, leases and other company commitments; and
- Ensuring that all requirements of the ASX, ASIC, ACCC, ATO and other relevant legislation are met.

A copy of the Board Charter and responsibilities is available on the Company website at www.korvest.com.au

EXECUTIVE PERFORMANCE

The Managing Director reviews the performance of senior executives regularly via a formal performance management process. The executives are assessed on their performance against specified performance objectives. During the reporting period each senior executive has undertaken this process with the Managing Director. The Managing Director's performance is reviewed annually by the Chairman and a review was undertaken during the reporting period.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

ASX recommends the Company have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The Company has not complied with all aspects of this Principle and the areas of divergence are detailed below.

BOARD COMPOSITION

The Company constitution allows for a maximum of ten directors. The Company Board currently comprises five directors, three being non-executive directors plus the Managing Director and Finance Director. The directors come from a variety of business and professional backgrounds and bring to the Board a range of skills and experience relevant to the Company. Details of the directors' experience, expertise and terms in office are set out on page 10 of this annual report.

BOARD INDEPENDENCE

Three non-executive directors are non-independent. Two of the directors that are non-independent, Mr P W Stancliffe and Mr G L Twartz are considered non-independent primarily due to their positions as directors at Hills Holdings Limited which holds a major interest in Korvest. The other, Mr P. Brodribb, is considered non-independent due to his former position of Managing Director of Korvest.

The Board believes that the first priority in the selection of directors is their ability to add value to the Board and enhance the performance whilst safeguarding shareholders' interests. Accordingly, relevant expertise and competence is considered as important as technical independence.

The skills and experience of each director is set out in the Directors' report.

THE ROLE OF THE CHAIRMAN

The Chairman, Mr P W Stancliffe, whilst non-executive, is a non-independent director. This is not in accordance with ASX recommendation 2.2 but is considered appropriate given that Hills Holdings Limited holds 47.9% of the shares in the Company. Mr Stancliffe's considerable experience in the various industries within which the Company operates and the various positions and activities engaged in outside the entity are considered invaluable in his role as Chairman.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

THE ROLE OF THE CHAIRMAN (CONTINUED)

The Board believes that the role of Chairman should be filled by the person most suited to the role, with the most relevant skills and experience and who adds the greatest value to the Board and to the Company.

In accordance with Recommendation 2.3 the roles of Chairman and CEO are not held by the same person with Mr A Kachellek being the Managing Director for the Company.

NOMINATION COMMITTEE

The Board has not established a Nomination Committee due to the size of the Company. The Chairman, in conjunction with other directors fulfils the tasks normally delegated to a Nomination Committee.

A director appointed to fill a casual vacancy must stand for election at the next Annual General Meeting. One third of the non-executive directors must retire at each Annual General Meeting, being those longest in office since their last election. Those directors are eligible for re-election at that meeting.

BOARD PERFORMANCE

The Company's Board informally reviews the operations of the Board and its committees and the performance of its individual directors. The Board has also formalised a process for the induction of new directors to ensure they are provided with the information required to properly perform their role.

BOARD OPERATIONS

During 2012 the Board met 14 times and the directors' attendance at those meetings is set out on page 12 of this annual report. The directors receive a comprehensive Board pack, which includes financial statements and executive reports. The Chairman and the Managing Director communicate regularly between Board meetings. Senior executives attend and present to Board and committee meetings on particular issues when required.

All directors have unrestricted access to company records, information and personnel and the Board has a policy of allowing individual directors to seek independent professional advice at the Company's expense, subject to the approval of cost by the Chairman. Such approval shall not be unreasonably withheld.

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Company complies with the ASX recommendation that the Company actively promote ethical and responsible decision making.

While the Board has adopted those ASX principles of good corporate governance that it has deemed pertinent, it believes that these types of rules and regulations are of limited value unless supported by a foundation of honesty and integrity.

The Board has adopted a formal (written) Code of Conduct for Korvest, effectively a corporate creed that is best applied by asking "What is the right thing to do?" The code applies to all employees within the Company from the Board, through management to all other staff. The code encourages all staff and other stakeholders to report any breaches of the code to the Chairman of the Board, who is required to investigate and report on all such matters.

The Code of Conduct is supported by more detailed policies setting out the philosophy of the Company in relation to its various stakeholders. A copy of the code is available on the website at www.korvest.com.au.

DIVERSITY POLICY

Korvest is committed to creating a diverse workplace that is fair and flexible, promotes personal and professional growth and enables employees to enhance their contribution to Korvest by drawing from their different backgrounds, beliefs and experiences. Korvest has developed a diversity policy, a copy of which can be found on the Korvest website.

The policy provides guidance for the development and implementation of relevant plans, programs and initiatives to recognise and promote gender workforce diversity across all areas of the Korvest business.

The Korvest Board is responsible for setting specific gender diversity objectives and a range of metrics designed to measure the achievement of those objectives.

The Board are responsible for assessing, on an annual basis, the objectives and the progress of the achievement against Korvest's gender diversity objectives. In accordance with this policy and the ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 3 years as positions become vacant and appropriately skilled candidates are available.

	OBJECTIVE	ACTUAL	
	%	NUMBER	%
Number of women in senior management positions	25%	0	0%
Number of women in administration/sales positions	35%	21	28%
Number of women employees in the whole organisation	10%	21	8%

SHARE DEALINGS BY DIRECTORS AND OFFICERS

In accordance with the Company's constitution, all directors are required to be shareholders and hold a minimum of 500 shares within two months of their appointment. The Company has for many years encouraged the holding of its shares by directors and employees.

The Board has adopted a securities trading policy that specifically precludes directors and officers from buying or selling shares during specified black out periods relative to the announcement of the annual or half-year results or if in possession of price sensitive information not generally available to the public. Employees are not to deal in shares on a short term basis. A copy of the policy is available on the Korvest website and details of directors' individual shareholdings are set out in Note 29 to the financial statements.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Company complies with the ASX recommendation that a structure be in place to independently verify and safeguard the integrity of the Company's financial reporting.

COMMITMENT TO FINANCIAL INTEGRITY

The Board has policies designed to ensure that the Company's financial reports meet high standards of disclosure and provide the information necessary to understand the Company's financial performance and position. The policies require that the Managing Director and Finance Director provide to the Board prior to the Board approving the annual and half-year accounts, a written statement that the accounts present a true and fair view, in all material respects, of the Company's financial performance and position and are in accordance with relevant accounting standards, laws and regulations.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

AUDIT COMMITTEE

The Board has an Audit Committee. The committee has a Board approved charter setting out its role, responsibilities, structure and membership requirements. A copy of its charter can be found on the Korvest website.

The committee consists of three directors, all of whom are non-executive and non-independent. The Chairman of the committee is a non-independent director who is not the Chairman of the Board. The composition of the committee is not in accordance with ASX recommendation 4.3 but is considered appropriate by the directors for a small, established public company. The Managing Director, Finance Director and external auditors are invited to attend the committee meetings. Details of membership and attendance at committee meetings are set out on page 12 of this annual report.

AUDIT PROCESS

The Company's financial accounts are subject to an annual audit by an independent, professional auditor, who also reviews the half-year accounts. The Board requests the external auditor to attend the Annual General Meeting each year and to be available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the auditor's report.

AUDITOR INDEPENDENCE

The Board has in place policies for ensuring the quality and independence of the Company's external auditor. The majority of fees paid to the external audit firm for work other than the audit of the accounts were for taxation services. Details of the amounts paid for both audit and non-audit services are set out in Note 9 of this annual report. The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

RISK MANAGEMENT AND OVERSIGHT

The Managing Director is charged with implementing appropriate risk systems within the Company. He includes in his report to the Board any issues or concerns.

The Board reviews all major strategies for their impact on the risks facing the Company and takes appropriate action. Similarly, the Company reviews all aspects of its operations for changes to the risk profile on an annual basis.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

The Company complies with the ASX recommendations that the Company should promote timely and balanced disclosures of all material matters concerning the Company.

The Board has established continuous disclosure controls to ensure compliance with ASX Listing Rules. The Company Secretary is responsible for ensuring that all matters requiring disclosure are duly disclosed.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

The Company complies with the ASX recommendations that the Company should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board is committed to ensuring that shareholders are informed of all non-confidential material matters. It accomplishes this through:

- the annual report distributed during September each year and posted on the Korvest website; and
- making appropriate disclosure to the market where necessary.

Shareholders are encouraged to attend the Annual General Meeting where the Board is available to answer questions raised by shareholders.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

The Company complies with the ASX recommendation that the Company should establish a sound system of risk oversight and management and internal control.

The Audit Committee oversees the operation of the risk management controls established by the Company. The Company's approach to internal audit is to compile and regularly review and update a risk register. The controls in place to mitigate those identified risks are then the subject of internal audit reviews to analyse their effectiveness.

In accordance with recommendation 7.3 the Managing Director and Finance Director have declared, in writing to the Board, that the financial risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls, have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

The ASX recommendation is that the Company should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Company has complied with this Principle during the reporting period. For further information see the Remuneration report in the Directors' report.

COMMITMENT TO RESPONSIBLE EXECUTIVE REMUNERATION

The Board believes that it has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives and designed to produce value for shareholders.

REMUNERATION COMMITTEE

The Remuneration Committee sets policies for directors' and senior executives' remuneration, makes specific recommendations to the Board on the remuneration of directors and senior officers and undertakes a detailed review of the performance of the Managing Director at least annually. The committee consists of three non-executive, non-independent directors. Details of membership and attendance at committee meetings are set out on page 12 of this annual report.

DIRECTORS' REMUNERATION

The remuneration of non-executive directors is different to that of executives. Executive directors receive a salary, short term incentives and long term incentives in the form of shares or options in accordance with plans approved by shareholders. Further details in respect of executive remuneration are set out on pages 16 to 25 of this report.

Non-executive directors receive a set fee per annum and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. They do not receive any performance related remuneration, nor shares or options as part of their remuneration.

When reviewing directors' fees, the Board takes into account any changes in the size and scope of the Company's activities, the potential liability of directors and the demands placed on them in discharging their responsibilities.

RETIREMENT BENEFITS

Directors receive their statutory superannuation entitlements only.

OTHER ITEMS

INDEMNITY AND INSURANCE OF DIRECTORS

In accordance with the Company's constitution and to the extent permitted by law, the Company indemnifies every person who is, or has been, a director or secretary and may agree to indemnify a person who is or has been an officer of the Company against a liability incurred by that person in his or her capacity as such a director, secretary or officer, to another person (other than the Company or a related body corporate of the Company) provided that the liability does not arise out of conduct involving a lack of good faith. In addition, the Company has directors and officers insurance against claims and expenses that the Company may be liable to pay under these indemnities.

COMMITMENT TO ITS STAFF

The Company aspires to be a well regarded and progressive employer that provides safe and rewarding workplaces for all of its staff so that they can fully contribute their talents to the achievement of corporate goals.

The Company encourages its staff to become shareholders and share in the success of the Company. The current employee share plan offers all permanent staff with more than two years continuous service ordinary shares in the Company.

The Company is committed to protecting the health, safety and wellbeing of its staff, contractors and visitors to its premises.

COMMITMENT TO THE ENVIRONMENT

The Company cares about the environment and recognises that protection of it is an integral and fundamental part of its business. The Company has an environmental management system in place and management assists staff to understand and implement the relevant aspects of this system in their day-to-day work. Environmental compliance is monitored with relevant issues being reported through management to the Board.

COMMITMENT TO THE COMMUNITY

The Board believes that the Company has a responsibility to the Australian, South Australian and local community. The Company aspires to be a good corporate citizen through the effective provision of quality products and services, through the taxes it pays, the employment and training it provides its staff, the involvement of its staff in professional, educational and community organisations and through the donations it makes to various charities. The Company is justifiably proud of its reputation as a dependable Australian entity.

KORVEST LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

IN THOUSANDS OF AUD	NOTE	2012	2011
Revenue	6	72,322	67,384
		72,322	67,384
Expenses, excluding net finance costs	7	(63,733)	(61,363)
PROFIT BEFORE FINANCING COSTS		8,589	6,021
Finance income	10	148	30
Finance expenses	10	-	(27)
NET FINANCE INCOME		148	3
PROFIT BEFORE INCOME TAX		8,737	6,024
Income tax expense	11	(2,536)	(1,803)
PROFIT FOR THE YEAR		6,201	4,221
OTHER COMPREHENSIVE INCOME			
Revaluation of property, plant & equipment, net of tax		-	908
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,201	5,129
ATTRIBUTABLE TO:			
Equity holders of the Company		6,201	5,129
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,201	5,129
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:		**CENTS**	**CENTS**
Basic earnings per share from continuing operations	12	71.6	48.9
Diluted earnings per share from continuing operations	12	71.3	48.6

The Statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 41 to 74.

KORVEST LTD

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2012

IN THOUSANDS OF AUD	NOTE	2012	2011
ASSETS			
Cash and cash equivalents	13	5,170	1,577
Trade and other receivables	14	14,779	16,025
Inventories	15	8,683	9,176
TOTAL CURRENT ASSETS		28,632	26,778
Property, plant and equipment	18	17,381	17,243
TOTAL NON-CURRENT ASSETS		17,381	17,243
TOTAL ASSETS		46,013	44,021
LIABILITIES			
Trade and other payables	19	5,078	7,459
Employee benefits	21	1,314	1,187
Income tax payable	16	1,428	237
TOTAL CURRENT LIABILITIES		7,820	8,883
Employee benefits	21	647	467
Deferred tax liability	17	886	1,120
Provisions	22	333	333
TOTAL NON-CURRENT LIABILITIES		1,866	1,920
TOTAL LIABILITIES		9,686	10,803
NET ASSETS		36,327	33,218
EQUITY			
Issued capital	23	3,783	3,713
Reserves	23	4,387	4,250
Retained earnings		28,157	25,255
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		36,327	33,218
TOTAL EQUITY		36,327	33,218

The Statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 41 to 74.

KORVEST LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

IN THOUSANDS OF AUD	NOTE	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		80,154	68,769
Cash paid to suppliers and employees		(70,042)	(63,885)
Cash generated from operations		10,112	4,884
Interest received		148	30
Interest paid		-	(27)
Income taxes paid		(1,579)	(1,702)
NET CASH FROM OPERATING ACTIVITIES	28	**8,681**	**3,185**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		16	72
Acquisition of property, plant and equipment	18	(1,823)	(2,041)
NET CASH FROM INVESTING ACTIVITIES		**(1,807)**	**(1,969)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		18	-
Dividends paid	23	(3,299)	(2,244)
NET CASH FROM FINANCING ACTIVITIES		**(3,281)**	**(2,244)**
Net increase / (decrease) in cash and cash equivalents		3,593	(1,028)
Cash and cash equivalents at 1 July		1,577	2,605
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	**5,170**	**1,577**

The Statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 41 to 74.

KORVEST LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

IN THOUSANDS OF AUD	SHARE CAPITAL	EQUITY COMPENS-ATION RESERVE	ASSET REVALUATION RESERVE	RETAINED EARNINGS	TOTAL
Balance at 1 July 2011	3,713	67	4,183	25,255	33,218
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit	-	-	-	6,201	6,201
Total other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	6,201	6,201
TRANSACTIONS WITH OWNERS OF THE COMPANY RECOGNISED DIRECTLY IN EQUITY					
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY					
Shares issued under the Share Plans	70	137	-	-	207
Dividends to shareholders	-	-	-	(3,299)	(3,299)
Total contributions by and distributions to owners of the Company	70	137	-	(3,299)	(3,092)
Balance at 30 June 2012	3,783	204	4,183	28,157	36,327
Balance at 1 July 2010	3,662	56	3,275	23,278	30,271
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit	-	-	-	4,221	4,221
OTHER COMPREHENSIVE INCOME					
Revaluation of Property, Plant & Equipment net of tax	-	-	908	-	908
Total other comprehensive income	-	-	908	-	908
Total comprehensive income for the year	-	-	908	4,221	5,129
TRANSACTIONS WITH OWNERS OF THE COMPANY RECOGNISED DIRECTLY IN EQUITY					
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY					
Shares issued under the Share Plans	51	11	-	-	62
Dividends to shareholders	-	-	-	(2,244)	(2,244)
Total contributions by and distributions to owners of the Company	51	11	-	(2,244)	(2,182)
Balance at 30 June 2011	3,713	67	4,183	25,255	33,218

The Statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 41 to 74.

KORVEST LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

KORVEST LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. REPORTING ENTITY

Korvest Ltd (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 580 Prospect Road, Kilburn SA 5084. The Company is a for-profit entity and is primarily is involved in manufacturing businesses as detailed in the segment note.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 26th July 2012.

(B) BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for land and buildings, which are measured at fair value.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Australian dollars, which is the Company's functional currency. 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3(G) and 14 – Trade and other receivables
- Note 3(F) and 15 – Inventories
- Note 3(I) and 22 – Provisions

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company. The standards relevant to the Company that have been adopted in the year are:

- AASB 1054 Australian Additional Disclosures;
- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project;
- AASB 124 Related Party Disclosures;
- AASB 2009-12 Amendments to Australian Accounting Standards;
- AASB 2010-5 Amendments to Australian Accounting Standards;
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

Except where separately disclosed these standards have had no significant impact on the financial statements or impact disclosure only.

(A) FOREIGN CURRENCY

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 reporting 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 statement of comprehensive income. 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.

(B) FINANCIAL INSTRUMENTS

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments include: trade and other receivables, cash and cash equivalents, 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. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company 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 Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of cash flows.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less any impairment charges.

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 Company. They are initially recognised at fair value less any directly attributable transaction costs, and subsequently measured 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.

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 Statement of comprehensive income over the period of the borrowings on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) 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

LAND AND BUILDINGS

Land and buildings are stated at their revalued amount being its fair value at the date of the revaluation less any subsequent accumulated depreciation or subsequent accumulated impairment losses. Land and buildings are independently valued at least every four years on a highest and best use basis, and in the intervening years are valued by the directors based on the most recent independent valuation.

PLANT AND EQUIPMENT

Items of plant and equipment are stated at 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.

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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of comprehensive income as incurred.

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 for the current and comparative period are buildings - 2.5% and plant and equipment - a range of depreciation rates averaging 10%. The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

DISPOSAL

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the statement of comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(E) LEASED ASSETS

Leases in terms of which the Company 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 Company's Statement of financial position.

(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

FINANCIAL ASSETS

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an 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.

NON-FINANCIAL ASSETS

The carrying amounts of the Company'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. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into a cash-generating unit being 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 or cash generating unit.

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.

(H) EMPLOYEE BENEFITS

DEFINED CONTRIBUTION SUPERANNUATION FUNDS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

LONG-TERM BENEFITS

The Company'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 reporting date which have maturity dates approximating to the terms of the Company's obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) EMPLOYEE BENEFITS (CONTINUED)

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 Company 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 Company 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 Company 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.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of options at the date 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 Company 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 and the Performance Rights Plan allow Company employees to acquire shares of the Company. The fair value of options or rights 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/ right. The valuation method takes into account the exercise price of the option/right, the life of the option/right, 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/right.

(I) PROVISIONS

A provision is recognised if, as a result of a past event, the Company 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

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. Transfer of risks and rewards vary according to the terms of individual sale contracts. Transfer usually occurs when the product is received by the customer.

(K) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings. Interest expense is recognised as it accrues, using the effective interest rate method.

(L) OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of comprehensive income 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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 Statement of financial position.

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.

(O) EARNINGS PER SHARE

The Company 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) SEGMENT REPORTING

Determination and presentation of operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Q) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these financial statements. The Standards and Interpretations relevant to the Company that have not been early adopted are:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements – applicable for annual reporting periods on or after 1 July 2013;
- AASB 9 Financial Instruments - applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 2009-11 - Amendments to Australian Accounting Standards arising from AASB 9 - applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 119 Employee Benefits – applicable for annual reporting periods on or after 1 January 2013;
- AASB 13 Fair Value Measurement – applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 – applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) - applicable for annual reporting periods beginning on or after 1 January 2013; and
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income - applicable for annual reporting periods beginning on or after 1 July 2012.

The Company expects to adopt these standards and interpretations in the 2013 and subsequent financial years, however, the financial impact of adopting the new or amended standards has not yet been determined.

4. FINANCIAL RISK MANAGEMENT

OVERVIEW

The Company has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

TRADE AND OTHER RECEIVABLES

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings and trade references. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval. These limits are reviewed monthly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 24.

In most cases goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a priority claim. The Company does not require collateral in respect of trade and other receivables.

The Company has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

CURRENCY RISK

The Company is exposed to currency risk with respect to some purchases that are denominated in currencies other than Australian Dollars (AUD). The currency in which these transactions are primarily denominated is US dollars (USD).

INTEREST RATE RISK

The Company is not currently exposed in any material way to interest rate risk. The risk is limited to the re-pricing of short term deposits utilised for surplus funds. Such deposits generally re-price approximately every 30 days.

OTHER MARKET PRICE RISK

The Company has no material financial instrument exposure to other market price risk as it is not exposed to either commodity price risk or equity securities price risk. The Company does not enter into commodity contracts other than to meet the Company's expected usage requirements.

CAPITAL MANAGEMENT

The Company's objectives when managing capital (net debt and equity) are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During the year the Company was not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

5. SEGMENT REPORTING

The Company has two reportable segments. The business is organised based on products and services. The following summary describes the operations in each of the Company's reportable segments.

INDUSTRIAL PRODUCTS

Includes the manufacture of electrical and cable support systems and steel fabrication. It includes the businesses trading under the EzyStrut and Indax names.

PRODUCTION

Represents the Korvest Galvanisers business, which provides hot dip galvanising services. The reportable segment also includes light to medium fabrication of components and machine guarding.

Both reportable segments consist of the aggregation of a number of operating segments in accordance with AASB 8 Operating Segments.

Information regarding the operations of each reportable segment is included below in the manner reported to the chief operating decision maker as defined in AASB 8. Performance is measured based on segment earnings before interest and tax (EBIT). Inter-segment transactions are not recorded as revenue. Instead a cost allocation relating to the transactions is made based on negotiated rates.

	INDUSTRIAL PRODUCTS		PRODUCTION		TOTAL	
IN THOUSANDS OF AUD	2012	2011	2012	2011	2012	2011
External revenue	66,543	61,799	5,779	5,585	72,322	67,384
Depreciation and amortisation	968	735	417	417	1,385	1,152
Reportable segment profit before tax	7,675	5,430	1,324	664	8,999	6,094
Reportable segment assets	27,886	29,281	4,066	4,221	31,952	33,502

IN THOUSANDS OF AUD	INDUSTRIAL PRODUCTS 2012	INDUSTRIAL PRODUCTS 2011	PRODUCTION 2012	PRODUCTION 2011	TOTAL 2012	TOTAL 2011
Capital expenditure	1,435	1,691	218	237	1,653	1,928

IN THOUSANDS OF AUD	2012	2011
Reconciliation of reportable segment profit, assets and other material items		
PROFIT		
Total profit for reportable segments	8,999	6,094
Unallocated amounts – other corporate expenses	(262)	(70)
Profit before income tax	8,737	6,024
ASSETS		
Total assets for reportable segments	31,952	33,502
Other unallocated amounts	14,061	10,519
Total assets	46,013	44,021
CAPITAL EXPENDITURE		
Capital expenditure – reportable segments	1,653	1,928
Other unallocated amounts	170	113
Total	1,823	2,041
OTHER MATERIAL ITEMS		
Depreciation – reportable segments	1,385	1,152
Unallocated amounts – other corporate depreciation	156	127
Total	1,541	1,279

GEOGRAPHICAL SEGMENTS

The Company operates predominately in Australia.

CUSTOMERS

The Company does not derive 10% or more of its revenue from any single customer.

KORVEST LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

IN THOUSANDS OF AUD	NOTE	2012	2011
6. REVENUE AND OTHER INCOME			
REVENUE			
Sales of goods		72,322	67,384
		72,322	67,384
7. EXPENSES			
Cost of goods sold		39,805	39,776
Distribution expenses		6,014	6,207
Sales and marketing expenses		15,543	13,532
Administration expenses		2,267	1,807
Other expenses		104	41
		63,733	61,363
PROFIT BEFORE INCOME TAX HAS BEEN ARRIVED AT AFTER CHARGING / (CREDITING) THE FOLLOWING ITEMS			
Depreciation of buildings		77	58
Depreciation of plant and equipment		1,464	1,221
	18	1,541	1,279
Increase/(decrease) in provisions	22	-	(308)
Executive share plan expense	21, 23	137	11
Employee share bonus plan expense	21, 23	52	51
Impairment loss/(reversal) on trade receivables	14	860	318
Impairment loss/(reversal) on inventories	15	80	146
Loss on disposal of property, plant and equipment		104	40
Research and development expense		20	48
8. PERSONNEL EXPENSES			
Wages and salaries		17,530	15,727
Other associated personnel expenses		2,379	2,374
Contributions to defined contribution superannuation funds	21a	1,376	1,220
Increase in liability for annual leave	21	104	150
Increase in liability for long service leave	21	203	59
Equity-settled transactions	21b	188	62
		21,780	19,592

IN AUD	NOTE	2012	2011

9. AUDITOR'S REMUNERATION

AUDIT SERVICES			
Auditors of the Company			
KPMG Australia:			
Audit and review of financial statements		67,000	63,500
		67,000	63,500

OTHER SERVICES			
Auditors of the Company			
KPMG Australia			
Taxation services		13,908	27,594
		13,908	27,594

IN THOUSANDS OF AUD			

10. NET FINANCING COSTS

Interest income on bank deposits held		148	30
Interest expense from bank overdrafts		-	(27)
Net financing income		148	3

11. INCOME TAX EXPENSE

RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME			
CURRENT TAX EXPENSE			
Current year		2,943	2,039
Adjustments for prior years		(173)	(87)
		2,770	1,952
DEFERRED TAX EXPENSE			
Origination and reversal of temporary differences	17	(234)	(149)
Total income tax expense in Statement of comprehensive income		2,536	1,803

11. INCOME TAX EXPENSE (CONTINUED)

TAX RECOGNISED DIRECTLY IN EQUITY

IN THOUSANDS OF AUD	2012			2011		
	BEFORE TAX	TAX (EXPENSE) BENEFIT	NET OF TAX	BEFORE TAX	TAX (EXPENSE) BENEFIT	NET OF TAX
Revaluation of land and buildings	-	-	-	1,297	(389)	908
	-	-	-	1,297	(389)	908

	2012	2011
NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT		
Profit before tax	8,737	6,024
Income tax using the domestic corporation tax rate of 30% (2011: 30%)	2,621	1,807
Increase in income tax expense due to:		
Non-deductible expenses	88	83
Under / (over) provided in prior years	(173)	(87)
Income tax expense on pre-tax net profit	2,536	1,803

12. EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $6,200,676 (2011: $4,221,110) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 8,662,730 (2011: 8,624,404). The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $6,200,676 (2011: $4,231,842) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 8,696,195 (2011: 8,710,358).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

IN THOUSANDS OF SHARES	2012	2011
Issued ordinary shares at 1 July	8,640	8,611
Effect of shares issued during year	23	13
Weighted average number of ordinary shares at 30 June	8,663	8,624

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

IN THOUSANDS OF SHARES		
Weighted average number of ordinary shares (basic)	8,663	8,624
Effect of Executive Share Plan	33	86
Weighted average number of ordinary shares at 30 June	8,696	8,710

EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE IN AUD	CENTS	
Basic earnings per share from continuing operations	71.6	48.9
Diluted earnings per share from continuing operations	71.3	48.6

IN THOUSANDS OF AUD	NOTE	2012	2011

13. CASH AND CASH EQUIVALENTS

Bank balances		589	985
Call deposits		4,581	592
Cash and cash equivalents in the statement of cash flows		5,170	1,577

The Company had an undrawn overdraft facility of $0.5 million as at 30 June 2012.

14. TRADE AND OTHER RECEIVABLES

CURRENT			
Other receivables and prepayments		109	141
Trade receivables		14,670	15,884
	24	14,779	16,025

Trade receivables are shown net of provided impairment losses amounting to $918,000 (2011: $499,000). In May 2012 Administrators were appointed to the Hastie Group. At the time of the appointment of the Administrators Hastie Group companies owed Korvest $564,000. This amount has been fully provided for as at June 2012.

15. INVENTORIES

Raw materials and consumables		536	863
Work in progress		80	67
Finished goods		8,067	8,246
		8,683	9,176

Finished goods are shown net of impairment losses amounting to $1,158,000 (2011: $1,078,000) arising from the likely inability to sell a product range.

16. CURRENT TAX ASSETS AND LIABILITIES

The current tax liability for the Company of $1,427,516 (2011: $236,545) represents the amount of income taxes payable in respect of current and prior periods.

17. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

IN THOUSANDS OF AUD	ASSETS		LIABILITIES		NET	
	2012	2011	2012	2011	2012	2011
Property, plant and equipment	-	-	1,871	1,845	1,871	1,845
Inventories	(347)	(323)	322	346	(25)	23
Provisions / accruals	(688)	(602)	-	-	(688)	(602)
Other items	(276)	(150)	4	4	(272)	(146)
Tax (assets) / liabilities	(1,311)	(1,075)	2,197	2,195	886	1,120
Set off of tax	1,311	1,075	(1,311)	(1,075)	-	-
Net tax (assets) / liabilities	-	-	886	1,120	886	1,120

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

IN THOUSANDS OF AUD	BALANCE 30 JUNE 11	RECOGNISED IN PROFIT	BALANCE 30 JUNE 12
Property, plant and equipment	(1,845)	(26)	(1,871)
Inventories	(23)	48	25
Provisions / accruals	602	86	688
Other items	146	126	272
	(1,120)	234	(886)

	BALANCE 30 JUNE 10	RECOGNISED IN PROFIT	RECOGNISED IN OTHER COMPREHENSIVE INCOME	BALANCE 30 JUNE 11
Property, plant and equipment	(1,388)	(68)	(389)	(1,845)
Inventories	(92)	69	-	(23)
Provisions / accruals	532	70	-	602
Other items	68	78	-	146
	(880)	149	(389)	(1,120)

18. PROPERTY, PLANT AND EQUIPMENT

IN THOUSANDS OF AUD	LAND AND BUILDINGS (FAIR VALUE)	PLANT AND EQUIPMENT (COST)	TOTAL
Balance at 1 July 2010	6,989	16,210	23,199
Revaluation	1,111	-	1,111
Other acquisitions	-	2,041	2,041
Disposals	-	(232)	(232)
Balance at 30 June 2011	8,100	18,019	26,119
Balance at 1 July 2011	8,100	18,019	26,119
Other acquisitions	-	1,823	1,823
Disposals	-	(538)	(538)
Balance at 30 June 2012	8,100	19,304	27,404
DEPRECIATION AND IMPAIRMENT LOSSES			
Balance at 1 July 2010	128	7,775	7,903
Depreciation charge for the year	58	1,221	1,279
Disposals	-	(120)	(120)
Revaluation	(186)	-	(186)
Balance at 30 June 2011	-	8,876	8,876
Balance at 1 July 2011	-	8,876	8,876
Depreciation charge for the year	77	1,464	1,541
Disposals	-	(394)	(394)
Balance at 30 June 2012	77	9,946	10,023
CARRYING AMOUNTS			
At 1 July 2010	6,861	8,435	15,296
At 30 June 2011	8,100	9,143	17,243
At 30 June 2012	8,023	9,358	17,381

An independent valuation of Land and Buildings was carried out in May 2011 by Mr Jeffrey Millar, AAPI of AON Valuation Services, on the basis of the open market value of the properties concerned in their highest and best use. Land was valued at $5,000,000 and buildings were valued at $3,100,000. The carrying amount of the Land and Buildings at cost at 30 June 2012 if not revalued would be $1,092,618.

19. TRADE AND OTHER PAYABLES

IN THOUSANDS OF AUD	NOTE	2012	2011
Other trade payables and accrued expenses		3,541	5,738
Non-trade payables and accrued expenses		1,537	1,721
	24	5,078	7,459

20. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk, see Note 24.

NON-CURRENT LIABILITIES		
Unsecured government loan at nominal value	40	40
Fair value adjustment	(40)	(40)
Unsecured government loan at fair value	-	-

21. EMPLOYEE BENEFITS

IN THOUSANDS OF AUD	2012	2011
CURRENT		
Liability for annual leave	994	890
Liability for long service leave	320	297
	1,314	1,187
NON CURRENT		
Liability for long-service leave	647	467
Total employee benefits	1,961	1,654

(A) DEFINED CONTRIBUTION SUPERANNUATION FUNDS

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was $1,376,066 for the financial year ended 30 June 2012 (2011: $1,220,238).

(B) SHARE BASED PAYMENTS

EXECUTIVE SHARE PLAN (ESP) - DISCONTINUED

In March 2005, the Company established a share option plan that entitled selected senior executives to acquire shares in the entity subject to the successful achievement of performance targets related to improvements in total shareholder returns over a two-year option period. The plan was discontinued in 2010 with no new issues made under the plan since that time. The plan remains in operation for those employees granted options under that plan prior to 2010.

The options were exercisable if the total shareholder return (measured as share price growth plus dividends paid) over a two-year period from the grant date exceeds ten percent plus CPI per annum. Once exercised the shares are forfeited if the holder ceases to be an employee of the Company within a further three-year period. The shares issued pursuant to these options are financed by an interest free loan from the Company repayable within twenty years from the proceeds of dividends declared by the Company. These loans are of a non-recourse nature. For accounting purposes these 20-year loans are treated as part of the options to purchase shares, until the loan is extinguished at which point the shares are recognised.

The options were offered only to selected senior executives. Details of the options are below:

KORVEST PERFORMANCE RIGHTS PLAN (KPRP)

In August 2011 the Company established a performance rights plan to replace the ESP. In November 2011 the first performance rights were granted under the plan. The plan is designed to provide long term incentives to eligible senior employees in the Company and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles related to earnings per share (EPS).

Under the plan, eligible employees are offered Performance Rights, which enables the employee to acquire one fully paid ordinary share in the Company for no monetary consideration, once the Performance Rights vest. The conditions attached to the Performance Rights are measured over the three year period commencing at the beginning of the financial year in which the Performance Rights are granted. If the performance conditions at the end of the three year period are met, in whole or in part, all or the relevant percentage of the Performance Rights will vest.

GRANT DATE	PLAN	NUMBER OF OPTIONS / RIGHTS INITIALLY GRANTED	NUMBER OUTSTANDING AT BALANCE DATE AASBS	NUMBER OUTSTANDING AT BALANCE DATE ASX
March 2005	ESP	60,000	52,500	-
March 2009	ESP	85,000	60,000	-
November 2011	KPRP	120,000	120,000	120,000
Total share options / performance rights		265,000	232,500	120,000

Options subject to a non-recourse loan for the purchase of shares are not recognised as exercised by International Financial Reporting Standards, until the loan is extinguished at which point the shares are recognised.

MEASUREMENT OF FAIR VALUES

The fair value of the rights granted through the KPRP was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic share price volatility over the twelve months prior to grant date.

The inputs used in the measurement of the fair value at grant date of the KPRP were as follows.

	2012
Fair value at grant date	$3.13
Share price at grant date	$4.15
Exercise price	-
Share price volatility	50.1%
Dividend yield	6.27%
Risk free interest rate (based on government bonds)	4.01%
Life of options	3 yrs

21. EMPLOYEE BENEFITS (CONTINUED)

(B) SHARE-BASED PAYMENTS (CONTINUED)

RECONCILIATION OF OUTSTANDING SHARE OPTIONS/RIGHTS

GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS/RIGHTS AT BEGINNING OF YEAR
2012 PREVIOUS PLAN				
Mar 05	Jan 07	Jan 2027	$4.36	52,500
Mar 09	Jan 11	Jan 2031	$3.79	50,000
Apr 10	Jan 11	Jan 2031	$3.79	15,000
				117,500
Weighted average exercise price				$4.04
CURRENT PLAN				
Nov 11	Jul 14	Jul 2014	$-	-
				-
Weighted average exercise price				

GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS/RIGHTS AT BEGINNING OF YEAR
2011 PREVIOUS PLAN				
Mar 05	Jan 07	Jan 2027	$4.36	52,500
Mar 09	Jan 11	Jan 2031	$3.79	60,000
Apr 10	Jan 11	Jan 2031	$3.79	15,000
				127,500
Weighted average exercise price				$4.03

RIGHTS GRANTED	LAPSED	FORFEITED	EXERCISED	NUMBER OF OPTIONS AT END OF YEAR ON ISSUE	EXERCISABLE AT 30 JUNE
-	-	-	-	52,500	-
-	-	(5,000)	-	45,000	-
-	-	-	-	15,000	-
-	-	(5,000)	-	112,500	-
		$3.79		$4.06	
120,000	-	-	-	120.000	-
120,000	-	-	-	120,000	-
Nil				Nil	

OPTIONS GRANTED	LAPSED	FORFEITED	EXERCISED	NUMBER OF OPTIONS AT END OF YEAR ON ISSUE	EXERCISABLE AT 30 JUNE
-	-	-	-	52,500	-
-	-	(10,000)	-	50,000	-
-	-	-	-	15,000	-
-	-	(10,000)	-	117,500	-
-		$3.79		$4.04	

21. EMPLOYEE BENEFITS (CONTINUED)

(B) SHARE-BASED PAYMENTS (CONTINUED)

EMPLOYEE EXPENSES

IN THOUSANDS OF AUD	2012	2011
Share options granted in 2007	2	2
Share options granted in 2008	8	8
Share options granted in 2009	1	1
Performance rights granted in 2011	126	-
Expense arising from employee share scheme	52	51
Total expense recognised as employee costs	189	62

22. PROVISIONS

IN THOUSANDS OF AUD	SITE RESTORATION
Balance at 1 July 2011	333
Provisions made during the year	-
Provisions reduced during the year	-
Provisions used during the year	-
Balance at 30 June 2012	333
Current	-
Non-current	333
	333

SITE RESTORATION AND SAFETY

A provision of $360,000 was initially made during the financial year ended 30 June 2003 in respect of the Company's obligation to rectify potential environmental damage at the main site premises in Kilburn. The provision is reassessed annually and is now based on an estimate of the current day cost to rectify the site. It has been assumed that the rectification would occur in 10 years. A discount rate of 6.5% and an inflation rate of 3.0% have been used for the calculation.

23. CAPITAL AND RESERVES'

SHARE CAPITAL

	ORDINARY SHARES	
IN THOUSANDS OF SHARES	**2012**	**2011**
On issue at 1 July	8,640	8,611
Issued under the Employee Share Bonus Plan	35	29
Issued under the Executive Share Plan	5	-
On issue at 30 June – fully paid	8,680	8,640

The Company made two issues of ordinary shares under the Employee Share Bonus Plan during the year. All employees meeting the service criteria were eligible to participate in the issue. The shares are issued at market value.

Under the Executive Share Plan a parcel of shares was sold when the recipient of the shares ceased employment with Korvest before the end of the 5 year restricted period. In accordance with the Plan Rules the shares were sold on-market and the sale proceeds dealt with in the manner prescribed in the Plan Rules.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

REVALUATION RESERVE

The revaluation reserve relates to land and buildings measured at fair value in accordance with Australian Accounting Standards.

EQUITY COMPENSATION RESERVE

The Equity Compensation reserve represents the accumulated expense recognised for share-based payments granted by the Company to date. This reserve will be reversed against share capital or retained earnings when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

23. CAPITAL AND RESERVES' (CONTINUED)

DIVIDENDS

Dividends recognised in the current year by the Company are:

IN THOUSANDS OF AUD	CENTS PER SHARE	TOTAL AMOUNT	FRANKED / UNFRANKED	DATE OF PAYMENT
2012				
Interim 2012 ordinary	18.0	1,564	Fully franked	9 March 2012
Interim 2012 special	5.0	435	Fully franked	9 March 2012
Final 2011 ordinary	15.0	1,300	Fully franked	8 September 2011
Total amount		3,299		
2011				
Interim 2011 ordinary	11.0	951	Fully franked	1 March 2011
Final 2010 ordinary	15.0	1,293	Fully franked	7 September 2010
Total amount		2,244		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

IN THOUSANDS OF AUD	CENTS PER SHARE	TOTAL AMOUNT	FRANKED / UNFRANKED	DATE OF PAYMENT
Final ordinary	30.0	2,638	Fully franked	6 September 2012
Total amount		2,638		

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2012 and will be recognised in subsequent financial reports.

IN THOUSANDS OF AUD	2012	2011
30% franking credits available to shareholders of Korvest Ltd for subsequent financial years	13,484	11,458

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 liabilities;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; 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 being able to declare dividends. The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by $1,130,516 (2011: $563,022).

24. FINANCIAL INSTRUMENTS

CREDIT RISK

EXPOSURE TO CREDIT RISK

The carrying amount of the Company's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is summarised below:

IN THOUSANDS OF AUD	NOTE	2012	2011
Cash and cash equivalents	13	5,170	1,577
Trade and other receivables	14	14,779	16,025

IMPAIRMENT LOSSES

The ageing of the Company's trade and other receivables at the reporting date was:

	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
IN THOUSANDS OF AUD	2012	2012	2011	2011
Not past due	8,667	(116)	7,665	(15)
Past due 0-30 days	4,441	(186)	5,209	(110)
Past due 31-90 days	2,095	(415)	2,842	(73)
More than 91 days	494	(201)	808	(301)
	15,697	(918)	16,524	(499)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

IN THOUSANDS OF AUD	2012	2011
Balance at 1 July	(499)	(239)
Amounts written off against allowance	427	-
Impairment loss (recognised) / reversed	(846)	(260)
Balance at 30 June	(918)	(499)

Based on historic default rates, the Company generally believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 91 days. However in the current year allowances have been made in other ageing categories as a result of the Hastie Group being placed into administration in May 2012. Hastie Group companies owed debts of $564,000 to Korvest with all except $6,000 of the amount owed within trading terms at the time that administrators were appointed.

The Company sells to a variety of customers including wholesalers and end users and does not have a concentration of credit risk in any one sector. The Company's entire credit risk is within the geographic region of Australia.

24. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including estimated interest payments. The amounts disclosed are the contractual undiscounted cash flows (inflows shown as positive, outflows as negative).

			2012			2011
IN THOUSANDS OF AUD	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MTHS OR LESS	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MTHS OR LESS
NON-DERIVATIVE FINANCIAL LIABILITIES						
Trade and other payables	5,078	(5,078)	(5,078)	7,459	(7,459)	(7,459)
	5,078	(5,078)	(5,078)	7,459	(7,459)	(7,459)

CURRENCY RISK

EXPOSURE TO CURRENCY RISK

The Company did not have any material exposure to foreign currency risk and as a result movements in the Australian dollar against other currencies will not have a material impact on the Company's profit or equity.

INTEREST RATE RISK

EXPOSURE TO INTEREST RATE RISK

Movements in interest rates will not have a material impact on the Company's profit or equity.

FAIR VALUES

The fair values together with the carrying amounts shown in the Statement of financial position are as follows:

		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
IN THOUSANDS OF AUD	NOTE	2012	2012	2011	2011
Trade and other receivables	14	14,779	14,779	16,025	16,025
Cash and cash equivalents	13	5,170	5,170	1,577	1,577
Trade and other payables	19	(5,078)	(5,078)	(7,459)	(7,459)
		14,871	14,871	10,143	10,143

All fair value instruments recognised in the Statement of financial position are Level 3, i.e. inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

IN THOUSANDS OF AUD	2012	2011
Less than one year	796	732
Between one and five years	1,496	1,367
More than five years	80	-
	2,372	2,099

The Company leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. None of the leases includes contingent rentals. Rentals are increased by CPI each year.

During the financial year ended 30 June 2012, $836,535 was recognised as an expense in the Statement of comprehensive income in respect of operating leases (2011: $792,826).

26. CAPITAL AND OTHER COMMITMENTS

IN THOUSANDS OF AUD	2012	2011
CAPITAL EXPENDITURE COMMITMENTS		
PLANT AND EQUIPMENT		
Contracted but not provided for and payable:		
Within one year	61	270
One year or later and no later than five years	-	-
Later than five years	-	-
	61	170

27. ULTIMATE PARENT ENTITY

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2012	2011
ULTIMATE PARENT ENTITY		%	%
Hills Holdings Limited	Australia	48	48

Hills Holdings Limited controls Korvest Ltd by virtue of their control of the Company's Board through the chairman's casting vote, effective management of the Company and exposure to the risks and benefits of ownership, or control of voting rights through the dilution of minority shareholders.

28. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES

IN THOUSANDS OF AUD	NOTE	2012	2011
Profit for the period		6,201	4,221
Adjustments for:			
Depreciation	18, 7	1,541	1,279
Impairment of trade receivables	7	860	318
Impairment of inventories	7	80	146
Loss on sale of property, plant and equipment	7	104	40
Equity-settled share-based payment expenses	21(b)	189	62
PROFIT BEFORE CHANGES IN WORKING CAPITAL		8,975	6,066
(Increase)/decrease in trade and other receivables		386	(5,519)
(Increase)/decrease in inventories		413	485
(Decrease)/increase in trade and other payables		(2,381)	2,151
(Decrease)/increase in deferred tax liabilities		(234)	(149)
(Decrease)/increase in income taxes payable		1,191	250
(Decrease)/Increase in provisions and employee benefits		331	(99)
NET CASH FROM OPERATING ACTIVITIES		8,681	3,185

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

NON-EXECUTIVE DIRECTORS

Peter W Stancliffe (Chairman)
Graham L Twartz
Peter Brodribb

EXECUTIVE DIRECTORS

Alexander H W Kachellek (Managing Director)
Steven J W McGregor (Finance Director and Company Secretary)

EXECUTIVES

C A Hartwig (General Manager, EzyStrut)
S W Evans (General Manager, Galvanising)
A P Ifkovich (General Manager, Indax) Commenced 9 August 2010.

The key management personnel compensation included in 'personnel expenses' (see Note 8) are as follows:

IN AUD	2012	2011
Short-term employee benefits	1,416,481	1,268,833
Post employment benefits	123,261	110,617
Long term benefits	62,971	27,176
Equity compensation benefits	117,805	8,947
	1,720,518	1,415,573

INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION DISCLOSURES

Information regarding individual directors and executives compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3. is provided in the Remuneration report section of the Directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS WITH THE COMPANY

From time to time, key management personnel of the Company, or their related entities, may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees or customers and are trivial or domestic in nature.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

The movement during the reporting period in the number of options over ordinary shares in Korvest Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	HELD AT 1 JULY 2011 IFRS	GRANTED AS COMPEN-SATION	EXERCISED	OTHER CHANGES *	HELD AT 30 JUNE 2012 AASBS	HELD AT 30 JUNE 2012 ASX	VESTED DURING THE YEAR	ASX VESTED AND EXERCISED DURING THE YEAR ENDED 30 JUNE 2012
DIRECTORS								
A Kachellek	30,000	35,000	-	-	65,000	35,000	-	-
S McGregor	15,000	25,000	-	-	40,000	25,000	-	-
EXECUTIVES								
C Hartwig	10,000	25,000	-	-	35,000	25,000	-	-
S Evans	-	10,000	-	-	10,000	10,000	-	-
A Ifkovich	-	10,000	-	-	10,000	10,000	-	-

* Other changes represent options that expired, were cancelled or were forfeited during the year.
No options held by key management personnel are vested but not exercisable.

	HELD AT 1 JULY 2010 IFRS	GRANTED AS COMPEN-SATION	EXERCISED	OTHER CHANGES *	HELD AT 30 JUNE 2011 AASBS	HELD AT 30 JUNE 2011 ASX	VESTED DURING THE YEAR	ASX VESTED AND EXERCISED DURING THE YEAR ENDED 30 JUNE 2011
DIRECTORS								
A Kachellek	30,000	-	-	-	30,000	-	30,000	30,000
S McGregor	15,000	-	-	-	15,000	-	15,000	15,000
EXECUTIVES								
C Hartwig	10,000	-	-	-	10,000	-	10,000	10,000

* Other changes represent options that expired or were forfeited during the year.

Options subject to a non-recourse loan for the purchase of shares are not recognised as exercised by International Financial Reporting Standards, until the loan is extinguished at which point the shares are recognised.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

MOVEMENTS IN SHARES

The movement during the reporting period in the number of ordinary shares in Korvest Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	HELD AT 1 JULY 2011	PURCHASES	ALLOCATED UNDER EMPLOYEE SHARE PLAN	SALES	HELD AT 30 JUNE 2012	SHARES HELD SUBJECT TO NON-RECOURSE LOAN
DIRECTORS						
P. Stancliffe	1,000	-	-	-	1,000	-
G. Twartz	29,115	-	-	-	29,115	-
P. Brodribb	15,781	-	-	-	15,781	-
S. McGregor	500	-	-	-	500	15,000
A. Kachellek	1,258	1,000	-	-	2,258	30,000
EXECUTIVES						
C. Hartwig	529	-	253	-	782	10,000
S. Evans	-	-	123	-	123	
A Ifkovich	-	-	-	-	-	

No shares were granted to key management personnel during the reporting period as compensation other than those provided under the employee share plan on the same terms and conditions as for all employees.

	HELD AT 1 JULY 2010	PURCHASES	ALLOCATED UNDER EMPLOYEE SHARE PLAN	SALES	HELD AT 30 JUNE 2011	SHARES HELD SUBJECT TO NON-RECOURSE LOAN
DIRECTORS						
P. Stancliffe	1,000	-	-	-	1,000	-
G. Twartz	29,115	-	-	-	29,115	-
P. Brodribb	15,781	-	-	-	15,781	-
S. McGregor	500	-	-	-	500	15,000
A. Kachellek	695	563	-	-	1,258	30,000
EXECUTIVES						
C. Hartwig	310	-	219	-	529	10,000
S. Evans	-	-	-	-	-	-
A Ifkovich	-	-	-	-	-	-

30. RELATED PARTY DISCLOSURES

IDENTITY OF RELATED PARTIES

The Company has a related party relationship with its ultimate parent entity (see Note 27) and with its key management personnel (see Note 29).

OTHER RELATED PARTY TRANSACTIONS

ULTIMATE PARENT ENTITY

During the year the following material transactions took place with Hills Holdings Limited under normal commercial terms and conditions.

IN AUD ($)	2012	2011
Sales	101,758	157,212
Purchases	1,095,663	1,050,634
Payment of dividends	1,599,933	1,057,191
Amounts payable at reporting date (current)	101,490	95,526
Amounts receivable at reporting date (current)	30,450	10,091

31. SUBSEQUENT EVENTS

There has not arisen between the end of the year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company in subsequent financial periods.

DIRECTORS' DECLARATION

1 In the opinion of the Directors of Korvest Ltd (the Company):

(a) the financial statements and notes that are set out on pages 36 to 74 and the Remuneration report in the Directors' report, set out on pages 10 to 25, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2012.

3 The Directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 26th day of July 2012.

Signed in accordance with a resolution of directors:

PETER STANCLIFFE
DIRECTOR

Independent auditor's report to the members of Korvest Ltd

Report on the financial report

We have audited the accompanying financial report of Korvest Ltd (the Company), which comprises the Statement of financial position as at 30 June 2012, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Korvest Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration report

We have audited the Remuneration report included in pages 16 to 25 of the Directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Korvest Ltd for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

N T Faulkner
Partner

Adelaide

26 July 2012

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Korvest Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

N T Faulkner
Partner

Adelaide

26 July 2012

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS (AS AT 17 AUGUST 2012)

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders and their associates are set out below:

SHAREHOLDER	NUMBER
Hills Finance Pty Ltd	4,210,349
Donald Cant Pty Ltd	527,203

VOTING RIGHTS

ORDINARY SHARES

Refer to note 23 in the financial statements

OPTIONS

Refer to note 21 in the financial statements

DISTRIBUTION OF EQUITY SECURITY HOLDERS

CATEGORY	TOTAL HOLDERS	UNITS	% ISSUED CAPITAL
1 - 1,000	686	243,205	2.77
1,001 - 5,000	415	1,065,071	12.11
5,001 - 10,000	95	689,616	7.84
10,001 - 100,000	69	1,754,264	19.95
100,001 and over	4	5,040,752	57.33
	1,261	8,792,908	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 44.

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange. The Home exchange is Adelaide.

OTHER INFORMATION

Korvest Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ON MARKET BUY BACK

The company announced an on-market buy-back on 14 October 2011. This remains in place as at the date of this report.

ASX ADDITIONAL INFORMATION (CONTINUED)

TWENTY LARGEST SHAREHOLDERS

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Hills Finance Pty Ltd	4,210,349	47.88
Donald Cant Pty Ltd	527,203	6.00
Angueline Investments Pty Limited	193,300	2.22
HSBC Custody Nominees (Australia) Limited	107,900	1.23
Mr John Frederick Bligh	94,940	1.08
Capucin Pty Ltd	91,182	1.04
De Bruin Nominees Pty Ltd (De Bruin Super Fund a/c)	87,000	0.99
Ling Nominees Pty Ltd	61,900	0.70
Rotret Three Pty Ltd	54,108	0.62
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	53,118	0.60
Mardie Pty Ltd	50,358	0.57
Brazil Farming Pty Ltd	47,727	0.54
Velkov Funds Managements Limited <Victor Value Fund a/c>	45,751	0.52
Manovert Pty Ltd (Rollinson Super Fund a/c)	39,165	0.45
Mr Dean Greenslade	39,000	0.44
Mr Glenn Arthur Moore & Mrs Elizabeth Moore (Moore Superannuation a/c)	37,714	0.43
Mr Ronald Stacy Muggleton & Mrs Norma Muggleton	35,365	0.40
Mr Alexander Henrik Wilhelm Kachellek	31,495	0.36
Mrs Myra Jill Wilson	30,330	0.34
Mr Ric Gros	30,178	0.34
	5,870,083	66.75

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