

Appendix 4E
Korvest Ltd
ABN 20 007 698 106
and its Controlled Entities
Preliminary Final Report
Financial Year Ended 30 June 2010

Results for announcement to the market:

\$A'000

Revenues from ordinary activities	Down 11.3%	to	55,774
Profit from ordinary activities after tax attributable to members	Down 29.6%	to	3,983
Net profit for the period attributable to members	Down 29.6%	to	3,983
Earnings per share	Down 29.7%	to	46.3¢
Dividends	Amount per security	Franked amount per security	
Final dividend (#)			
- current reporting period	15.0¢		15.0¢
- previous corresponding period	17.0¢		17.0¢
Interim dividend			
- current reporting period	17.0¢		17.0¢
- previous corresponding period	17.0¢		17.0¢
# Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.			
Record date for determining entitlements to the dividend	24 August 2010		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market: Refer attached press release.			

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

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Statement of Comprehensive Income for the Year Ended 30 June 2010

		<u>Consolidated</u>	
	Note	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Revenue	5	<u>55,774</u> 55,774	<u>62,896</u> 62,896
Expenses, excluding net financing costs	6	<u>(50,187)</u>	<u>(54,878)</u>
Profit before net financing costs and income tax		<u>5,587</u>	<u>8,018</u>
Financial income		<u>149</u>	<u>76</u>
Net financing costs		<u>149</u>	<u>76</u>
Profit before income tax expense		5,736	8,094
Income tax expense		<u>(1,753)</u>	<u>(2,439)</u>
Net profit from continuing operations		<u>3,983</u>	<u>5,655</u>
Profit for the period		<u>3,983</u>	<u>5,655</u>
Other comprehensive income			
Foreign currency translation differences		<u>100</u>	<u>3</u>
Total comprehensive income for the period		<u>4,083</u>	<u>5,658</u>
Basic earnings per share	10	46.3¢	65.9¢
Diluted earnings per share	10	46.1¢	65.7¢
Dividends per share in respect of the current reporting period		32.0¢	34.0¢

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

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Statement of Changes in Equity for the Year Ended 30 June 2010

Consolidated	Share capital	Equity compens- ation reserve	Trans- lation reserve	Asset revaluation reserve	Retained earnings	Total
<i>In thousands of AUD</i>						
Balance at 1 July 2009	3,617	42	(100)	3,275	22,216	29,050
Total recognised income and expense	-	-	100	-	3,983	4,083
Shares issued under the Share Plans	45	14	-	-	-	59
Dividends to shareholders	-	-	-	-	(2,921)	(2,921)
Balance at 30 June 2010	<u>3,662</u>	<u>56</u>	<u>-</u>	<u>3,275</u>	<u>23,278</u>	<u>30,271</u>
Balance at 1 July 2008	3,580	27	(101)	3,275	19,221	26,002
Total recognised income and expense	-	-	1	-	5,655	5,656
Shares issued under the Employee Share Bonus Plan	37	15	-	-	-	52
Dividends to shareholders	-	-	-	-	(2,660)	(2,660)
Balance at 30 June 2009	<u>3,617</u>	<u>42</u>	<u>(100)</u>	<u>3,275</u>	<u>22,216</u>	<u>29,050</u>

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

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Statement of Financial Position as at 30 June 2010

		<u>Consolidated</u>	
	Note	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Current Assets			
Cash and cash equivalents		2,605	4,002
Trade and other receivables		10,825	11,195
Inventories		9,806	8,483
Current tax receivable		13	-
Total current assets		<u>23,249</u>	<u>23,680</u>
Non-Current Assets			
Property, plant and equipment		<u>15,296</u>	<u>14,034</u>
Total non-current assets		<u>15,296</u>	<u>14,034</u>
Total assets		<u>38,545</u>	<u>37,714</u>
Current Liabilities			
Trade and other payables		5,256	5,064
Employee benefits		1,061	1,027
Income tax payable		-	756
Provisions		496	571
Total current liabilities		<u>6,813</u>	<u>7,418</u>
Non-Current Liabilities			
Employee benefits		385	335
Deferred tax liability		880	683
Provisions		196	228
Total non-current liabilities		<u>1,461</u>	<u>1,246</u>
Total liabilities		<u>8,274</u>	<u>8,664</u>
Net assets		<u>30,271</u>	<u>29,050</u>
Equity			
Issued capital		3,662	3,617
Reserves		3,331	3,217
Retained earnings	11	<u>23,278</u>	<u>22,216</u>
Total equity attributable to equity holders of the parent		<u>30,271</u>	<u>29,050</u>

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

Korvest Ltd and its Controlled Entities
Consolidated Preliminary Statement of Cash Flows for the Year Ended 30 June 2010

	<u>Consolidated</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
	Note	
Cash Flows from Operating Activities		
Cash receipts in the course of operations	61,696	70,711
Cash payments in the course of operations	(55,655)	(60,914)
Interest received	149	76
Income taxes paid	<u>(2,326)</u>	<u>(2,283)</u>
Net cash provided by operating activities	<u>3,864</u>	<u>7,590</u>
Cash Flows from Investing Activities		
Proceeds on disposal of property, plant and equipment	22	11
Payments for property, plant and equipment	<u>(2,362)</u>	<u>(2,951)</u>
Net cash provided by / (used in) investing activities	<u>(2,340)</u>	<u>(2,940)</u>
Cash Flows from Financing Activities		
Dividends paid by the Company	12(a) <u>(2,921)</u>	<u>(2,660)</u>
Net cash provided by / (used in) financing activities	<u>(2,921)</u>	<u>(2,660)</u>
Net increase / (decrease) in cash held	(1,397)	1,990
Cash at the beginning of the year	<u>4,002</u>	<u>2,012</u>
Cash at the end of the year	<u>2,605</u>	<u>4,002</u>

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

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

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 consolidated preliminary financial statements as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'Consolidated Entity'). The Group primarily is involved in manufacturing businesses as detailed in note 4.

2. Basis of preparation

(a) Statement of compliance

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

The preliminary financial report should be read in conjunction with the 2009 annual report, the December 2009 half year report and any announcement by Korvest Ltd or its controlled entities in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated preliminary financial report was approved by the Board of Directors on 29th July 2010.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

3. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position 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.

(ii) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, 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, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

Other

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

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost (effective interest rate method) less any impairment charges.

(iii) Trade and other payables

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

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

(iv) Interest-bearing borrowings

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

(v) Share capital

Ordinary shares

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

Dividends

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

(d) Property, plant and equipment

(i) Land and Buildings

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

(ii) Plant and Equipment

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

(iii) Subsequent costs

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

(iv) Depreciation

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

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

3. Significant accounting policies (continued)

(e) Leased assets

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

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

(i) Financial assets

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

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

Individually significant financial assets are tested for impairment on 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.

(ii) Non-financial assets

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

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

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

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

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

3. Significant accounting policies (continued)

(h) Employee benefits

(i) Defined contribution superannuation funds

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

(ii) Long-term benefits

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

(iii) Short-term benefits

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

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

(iv) Share-based payment transactions

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

Employee Share Bonus Plan

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

Executive Share Plan

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

Korvest Ltd and its Controlled Entities

Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

3. Significant accounting policies (continued)

(i) Provisions

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

(j) Revenue

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

(k) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues. Finance expenses comprise interest expense on borrowings. Interest paid is recognised as it accrues.

(l) Operating lease payments

Payments made under operating leases are recognised in the 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.

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.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

3. Significant accounting policies (continued)

(o) Earnings per share

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

(p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement.
AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

4. Segment Disclosures

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

\$'000s	Industrial Products		Production		Total	
	2010	2009	2010	2009	2010	2009
External revenue	50,013	55,424	5,761	7,468	55,774	62,892
Depreciation and amortisation	576	383	355	489	931	872
Reportable segment profit before tax	5,296	8,278	858	977	6,154	9,255
Reportable segment assets	23,444	21,537	4,801	4,487	28,245	26,024
Capital expenditure	1,682	2,209	575	556	2,257	2,765

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Reconciliation of reportable segment profit, assets and other material items		
Profit		
Total profit for reportable segments	6,154	9,255
Unallocated amounts – other corporate expenses	(418)	(1,161)
Consolidated profit before income tax	<u>5,736</u>	<u>8,094</u>
Assets		
Total assets for reportable segments	28,245	26,024
Other unallocated amounts	10,300	11,690
Consolidated total assets	<u>38,545</u>	<u>37,714</u>
Other material items		
Depreciation – reportable segments	931	872
Unallocated amounts – other corporate expenses	129	113
Consolidated total	<u>1,060</u>	<u>985</u>

Geographical segments

The Group operates in Australia.

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

	<u>Consolidated</u>	
	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
5. Revenue and other income		
Revenue		
Sales of goods	55,774	62,892
Other	-	4
	<u>55,774</u>	<u>62,896</u>
6. Expenses		
Costs of goods sold	30,966	33,877
Sales and marketing expenses	12,207	12,914
Distribution expenses	4,574	4,882
Administration expenses	2,136	2,729
Foreign currency translation reserve on winding up of NZ subsidiary	100	-
Restructuring costs	186	-
Other expenses	<u>18</u>	<u>476</u>
Expenses excluding financing costs	<u>50,187</u>	<u>54,878</u>
7. Profit before income tax		
Profit before income tax has been arrived at after charging / (crediting) the following items		
Depreciation of buildings	58	57
Depreciation of plant and equipment	<u>1,002</u>	<u>928</u>
Total depreciation of property, plant and equipment	<u>1,060</u>	<u>985</u>
Net impairment gain/(loss) expense including movements in provision for receivable impairment losses	10	(76)
Gain/(loss) on disposal of non-current assets: Net gain/(loss) on disposal of property, plant and equipment	(18)	(24)
8. Comparison of Half-Year Profit		
Net profit attributable to members of the Company reported for the first half-year	2,526	2,921
Net profit attributable to members of the Company for the second half-year	<u>1,457</u>	<u>2,734</u>
	<u>3,983</u>	<u>5,655</u>

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

	<u>Consolidated</u>	
	<u>2010</u>	<u>2009</u>
9. Ratios		
(a) Net tangible asset (NTA) backing		
Net tangible assets per ordinary share	\$3.52	\$3.38
(b) Other ratios		
Profit before tax / revenue	10.3%	12.9%
Calculated as profit from ordinary activities before related income tax expense as a percentage of total revenues		
Profit after tax / equity interests	13.2%	19.5%
Calculated as net profit attributable to members of the Company as a percentage of equity attributable to members		
10. Earnings per Share	<u>2010</u>	<u>2009</u>
	Cents	Cents
Basic earnings per share from continuing operations	46.3	65.9
Diluted earnings per share from continuing operations	46.1	65.7

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$3,983,000 (2009: \$5,655,000) and a weighted average number of ordinary shares outstanding of 8,597,020 (2009: 8,577,644).

The calculation of diluted earnings per share at 30 June 2010 was based on profit attributable to ordinary shareholders of \$3,997,000 (2009: \$5,670,000) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 8,670,787 (2009: 8,631,610), calculated as follows:

	<u>2010</u>	<u>2009</u>
	Number	Number
Weighted average number of ordinary shares (basic)	8,597,020	8,577,644
Effect of share options on issue	73,767	53,966
Weighted average number of ordinary shares (diluted) at 30 June	<u>8,670,787</u>	<u>8,631,610</u>

	<u>Consolidated</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
11. Retained Profits		
Balance at the beginning of the year	22,216	19,221
Net profit attributable to members of the Company	3,983	5,655
Dividends recognised during the year	<u>(2,921)</u>	<u>(2,660)</u>
Balance at the end of the year	<u>23,278</u>	<u>22,216</u>

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

12. Dividends

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

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
2009				
Interim – ordinary	17.0	1,461	Franked	6 March 2009
Final – ordinary	14.0	<u>1,199</u>	Franked	1 September 2008
Total amount		<u><u>2,660</u></u>		
2010				
Interim – ordinary	17.0	1,460	Franked	5 March 2010
Final – ordinary	17.0	<u>1,461</u>	Franked	1 September 2009
Total amount		<u><u>2,921</u></u>		

Subsequent events

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

Final – ordinary	15.0	Franked	7 September 2010
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The financial effect of this dividend has not been brought to account in this financial report for the year ended 30 June 2010. The financial effect of the dividend will be recognised in the next year.

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

The Company

2010	2009
\$'000	\$'000

(b) Dividend franking account

30% franking credits available to shareholders of the Company for subsequent financial years	<u>10,602</u>	<u>10,862</u>
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The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

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

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

Korvest Ltd and its Controlled Entities
Notes to the Preliminary Financial Statements for the Year Ended 30 June 2010

13. Events Subsequent to Reporting Date

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

(b) **Dividends**

For dividends declared after 30 June 2010 see Note 12. The Dividend Reinvestment Plan remains suspended.

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

Dated at Kilburn this 29th day of July 2010.

Signed in accordance with a resolution of the directors.



Peter Stancliffe
Director

Annual General Meeting

The 40th Annual General Meeting of Korvest Ltd will be held at The KPMG Boardroom, Level 7, 151 Pirie Street, Adelaide, SA, 5000 on Friday 22nd October 2010 at 11.30 am.

The Notice of Meeting and Proxy Form will be sent with the Annual Report in September 2010.