

## Appendix 4D

**Korvest Ltd**  
**ABN 20 007 698 106**

### Half-Year Financial Report 31 December 2011

#### Results for announcement to the market:

\$A'000

Revenues	Up	23.7%	to	<b>38,494</b>
Net profit after tax for the period attributable to members	Up	98.6%	to	<b>3,718</b>
<b>Dividends</b>		Amount per security		Franked amount per security
Special dividend (#)		<b>5.0¢</b>		<b>5.0¢</b>
Interim dividend (##)				
- current reporting period		<b>18.0¢</b>		<b>18.0¢</b>
- previous corresponding period		11.0¢		11.0¢
# The financial effect of this dividend will be recognised in the next reporting period. ## Interim 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		<b>24 February 2012</b>		
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:  <b>Refer Directors' report on pages 2 to 4 of this financial report.</b>				

This financial report is all the half-year information provided to the Australian Stock Exchange under listing rule 4.2A. The report also satisfies the half-year reporting requirements of the Corporations Act 2001.

**This half-year financial report should be read in conjunction with the 2011 annual financial report.**

## Korvest Ltd Directors' Report

The Directors present their report together with the financial report of Korvest Ltd ("the Company") for the half-year ended 31 December 2011 and the auditor's review report thereon.

### Directors

The Directors of the Company at any time during or since the end of the half-year are:

**Peter William Stancliffe** BE(Civil) FAICD  
Age 63  
Chairman appointed 1 January 2009  
Non-Executive Director  
Appointed Director in January 2009  
Director Hills Holdings Limited  
Director Automotive Holdings Group Limited

**Graham Lloyd Twartz** B.A. (Adel), Dip Acc (Flinders)  
Age 54  
A Director since November 1999.  
Chairman of Audit Committee.  
Managing Director, Hills Holdings Limited.

**Peter Brodribb** F.I.E (Aust)  
Age 67  
Non-Executive Director  
A Director since 1984.  
Appointed Non-Executive Director in January 2005.

**Alexander Henrik Wilhelm Kachellek** C.Eng, Bsc. MIEE  
Age 58  
Managing Director  
A Director since June 2007.

**Steven John William McGregor** BA (Acc), CA  
Age 40  
Finance Director  
Appointed 1 January 2009.  
Company Secretary since April 2008

### Result

The profit for the half-year attributable to the members of the Company was:

	31 Dec 11	31 Dec 10
<i>In thousands of AUD</i>		
Profit after income tax expense	3,718	1,872
Net profit attributable to members of the Company	3,718	1,872

## Korvest Ltd Directors' Report

### Other Ratios

	31 Dec 11	31 Dec 10
<b>Net tangible asset (NTA) backing</b>		
Net tangible assets per ordinary share	\$4.07	\$3.58
Profit before tax / revenue	13.5%	8.8%
Profit after tax / equity interests	10.4%	6.1%

### Review of Operations

Revenue from trading operations for the half-year increased by 23.7% to \$38.494m whilst profit after tax for the period increased by 98.6% to \$3.718m, a company record. As foreshadowed in earlier guidance the first half result was substantially improved on the prior year due to the impact of a number of projects.

Within the Industrial Products segment, the EzyStrut business achieved improved revenue and margins resulting in a higher EBIT. Significant projects in the Eastern States and Western Australia contributed to the much improved result. In almost all markets in which EzyStrut operates it achieved improved results compared to the same period last year. EzyStrut's success can be attributed to its position as national market leader in the cable support market. The ability to utilise Korvest's in-house engineering resources to support customers on large projects along with being first to market with specialised products were factors that influenced the first half success with project work. Whilst the first half result benefited significantly from these projects most of them are now largely completed and will contribute little to the second half results. The pipeline of known projects is not currently as significant as it was six months ago, however, EzyStrut's supply chain, national distribution network and Australian manufacturing facility ensures that it is well placed to secure projects as they become available.

Included in the Industrial Products segment is the Indax handrail and walkway system business. Indax's performance improved when compared to recent reporting periods however further improvements are still to be made. Operational changes were made to the Kilburn facility over the Christmas period and these are expected to result in improved efficiency and output from this site in the second half. Pricing has remained competitive during the first half although there are now signs that the surplus capacity within the market is diminishing and pricing may respond accordingly. The work generated by Indax in the Western Australian market increased during the first half.

Within the Production segment the Galvanising business experienced improved trading conditions during the first half. This reverses the trend of recent reporting periods. During the first half, overall plant volumes were up when compared to the same period last year and strong project driven trading conditions in the Industrial Products segment meant that internal volumes provided to the Galvanising business were significantly increased. Volumes through the spin plant were substantially improved on recent years and this contributed positively to an overall improved result for the business. There are a number of projects that are expected to flow through during the second half and accordingly the improved performance for the Galvanising business is likely to continue into the second half.

### Dividends

The Directors announced a fully franked interim dividend of 18.0 cents per share. The Directors also announced a fully franked special dividend of 5.0 cents per share. This reflects the impact of significant projects referred to earlier that were completed in the first half.

These dividends can be taken as cash only as the Dividend Investment and Share Investment Plans have been suspended. The dividends will be paid on 9 March 2012 and the record date is 24 February 2012.

### Events Subsequent to Reporting Date

Events subsequent to the reporting date are included in Note 14 of the *Condensed Notes to the Interim Financial Report*.

### 2012 Guidance

As a result of the completion of the major projects that contributed to the excellent first half result it is expected that the second half will return to levels more consistent with prior reporting periods. In particular the second half result is expected to be in line with that achieved for the second half of FY 2011.

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

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2011.

### 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.

Dated at Kilburn this 25<sup>th</sup> day of January 2012.

Signed in accordance with a resolution of the Directors:



**PW Stancliffe**  
Director



**AHW Kachellek**  
Director



***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 review for the half-year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

  
KPMG

  
N T Faulkner  
Partner

Adelaide

25 January 2012

**Korvest Ltd****Interim Statement of Comprehensive Income for the Half-Year Ended 31 December 2011**

<i>In thousands of AUD</i>	Note	<b>31 Dec 11</b>	<b>31 Dec 10</b>
Revenue	6(a)	38,494	31,121
Expenses excluding net financing costs	6(b)	(33,366)	(28,382)
<b>Results from operating activities excluding net financing costs</b>		<b>5,128</b>	<b>2,739</b>
Financial income		52	21
Financial expenses		-	(11)
<b>Net financing costs</b>		<b>52</b>	<b>10</b>
<b>Profit before income tax expense</b>		<b>5,180</b>	<b>2,749</b>
Income tax expense		(1,462)	(877)
<b>Net profit for the period</b>		<b>3,718</b>	<b>1,872</b>
<b>Attributable to:</b>			
Shareholders of the Company		3,718	1,872
Profit for the period		3,718	1,872
<b>Total comprehensive income for the period</b>		<b>3,718</b>	<b>1,872</b>
Basic earnings per share		43.0¢	21.7¢
Diluted earnings per share		42.3¢	21.6¢

The Interim Statement of Comprehensive Income is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.

**Korvest Ltd****Interim Statement of Changes in Equity for the Half-Year Ended 31 December 2011**

*In thousands of AUD*

	Share capital	Equity compens- ation reserve	Asset revaluation reserve	Retained earnings	Total
Balance at 1 July 2010	3,713	67	4,183	25,255	33,218
Total comprehensive income and expense	-	-	-	3,718	3,718
Shares issued under the Share Plans	26	69	-	-	95
Issue of Shares	18	-	-	-	18
Dividends to shareholders	-	-	-	(1,300)	(1,300)
Balance at 31 December 2011	<u>3,757</u>	<u>136</u>	<u>4,183</u>	<u>27,673</u>	<u>35,749</u>
Balance at 1 July 2010	3,662	56	3,275	23,278	30,271
Total comprehensive income and expense	-	-	-	1,872	1,872
Shares issued under the Share Plans	24	6	-	-	30
Dividends to shareholders	-	-	-	(1,293)	(1,293)
Balance at 31 December 2010	<u>3,686</u>	<u>62</u>	<u>3,275</u>	<u>23,857</u>	<u>30,880</u>

The Interim Statement of Changes in Equity is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.

**Korvest Ltd**  
**Interim Statement of Financial Position as at 31 December 2011**

<i>In thousands of AUD</i>	Note	31 Dec 11	30 June 11
<b>Current Assets</b>			
Cash and cash equivalents	12	3,283	1,577
Trade and other receivables		15,646	16,025
Inventories		9,686	9,176
Current tax receivables		-	-
<b>Total current assets</b>		<b>28,615</b>	<b>26,778</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		17,256	17,243
<b>Total non-current assets</b>		<b>17,256</b>	<b>17,243</b>
<b>Total assets</b>		<b>45,871</b>	<b>44,021</b>
<b>Current Liabilities</b>			
Bank overdraft	12	-	-
Trade and other payables		6,144	7,459
Income tax payable		880	237
Employee benefits		1,237	1,187
<b>Total current liabilities</b>		<b>8,261</b>	<b>8,883</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		954	1,120
Employee benefits		574	467
Provisions		333	333
<b>Total non-current liabilities</b>		<b>1,861</b>	<b>1,920</b>
<b>Total liabilities</b>		<b>10,122</b>	<b>10,803</b>
<b>Net assets</b>		<b>35,749</b>	<b>33,218</b>
<b>Equity</b>			
Issued capital	10	3,757	3,713
Reserves		4,319	4,250
Retained earnings		27,673	25,255
<b>Total equity attributable to equity holders of the parent</b>		<b>35,749</b>	<b>33,218</b>
<b>Total equity</b>		<b>35,749</b>	<b>33,218</b>

The Interim Statement of Financial Position is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.



**Korvest Ltd****Interim Statement of Cash Flows for the Half-Year Ended 31 December 2011***In thousands of AUD*

	Note	31 Dec 11	31 Dec 10
<b>Cash flows from Operating Activities</b>			
Cash receipts from customers		42,708	32,585
Cash payments paid to suppliers and employees		(37,904)	(32,555)
Interest received		51	26
Interest paid		-	(11)
Income taxes paid		(985)	(750)
<b>Net cash provided / (used in) by operating activities</b>		<b>3,870</b>	<b>(705)</b>
<b>Cash flows from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		16	20
Acquisition of property, plant and equipment		(898)	(1,053)
<b>Net cash (used in) investing activities</b>		<b>(882)</b>	<b>(1,033)</b>
<b>Cash flows from Financing Activities</b>			
Issue of shares		18	-
Dividends paid to members of the parent entity	11	(1,300)	(1,293)
<b>Net cash (used in) / provided by financing activities</b>		<b>(1,282)</b>	<b>(1,293)</b>
<b>Net increase / (decrease) in cash held</b>		<b>1,706</b>	<b>(3,031)</b>
<b>Cash at the beginning of the period</b>		<b>1,577</b>	<b>2,605</b>
<b>Cash at the end of the period</b>	12	<b>3,283</b>	<b>(426)</b>

The Interim Statement of Cash Flows is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.

## **Korvest Ltd – 31 December 2011 Interim Financial Report Condensed Notes to the Interim Financial Report**

### **1. Reporting entity**

Korvest Ltd (the Company) is a company domiciled in Australia.

The annual financial report of the Company as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at 580 Prospect Road Kilburn SA 5084 or at [www.korvest.com.au](http://www.korvest.com.au).

### **2. Statement of compliance**

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2011.

This interim financial report was approved by the Board of Directors on 25 January 2012.

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

### **3. Significant accounting policies**

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2011.

### **4. Estimates**

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

In preparing this interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2011.

### **5. Financial risk management**

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial report as at and for the year ended 30 June 2011.

**Korvest Ltd– 31 December 2011 Interim Financial Report**  
**Condensed Notes to the Interim Financial Report**

	<b>31 Dec 11</b>	<b>31 Dec 10</b>
<b>6. Revenues and Expenses</b>		
<i>In thousands of AUD</i>		
<b>(a) Revenue</b>		
<i>Sales revenue</i>		
Sales of goods	38,494	31,121
<b>Total revenue</b>	<b>38,494</b>	<b>31,121</b>
<b>(b) Expenses</b>		
Costs of goods and services sold	21,150	18,210
Sales and marketing expenses	7,549	6,209
Distribution expenses	3,197	2,950
Administration expenses	1,366	1,001
Other expenses	104	12
	<b>33,366</b>	<b>28,382</b>
<b>(c) Depreciation</b>		
Depreciation of buildings	39	29
Depreciation of plant and equipment	726	586
Total depreciation of property, plant and equipment	<b>765</b>	<b>615</b>

**Korvest Ltd – 31 December 2011 Interim Financial Report  
Condensed Notes to the Interim Financial Report**

**7. Segment disclosures**

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 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.

**Information about reportable segments**

	Industrial Products		Production		Total	
\$'000s	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10
External Revenues	35,558	28,077	2,936	3,044	38,494	31,121
Reportable segment profit before tax	4,769	2,440	801	425	5,570	2,865
	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10
Reportable segment assets	29,136	27,586	4,582	4,453	33,718	32,039

**Reconciliation of reportable segment profit and assets**

*In thousands of AUD*

**Profit**

Total profit or loss for reportable segments  
Unallocated amounts – other corporate expenses  
Profit before income tax

31 Dec 11	31 Dec 10
5,570	2,865
(390)	(116)
5,180	2,749

**Assets**

Total assets for reportable segments  
Other unallocated amounts  
Total assets

31 Dec 11	31 Dec 10
33,718	32,039
12,153	7,731
45,871	39,770

**Geographical segments**

The Company operates in Australia.

## 8. Write-down of obsolete inventory

During the six months ended 31 December 2011 the Company increased its write-down provision for finished goods inventory by \$80,000 (31 December 2010: \$50,000).

## 9. Property, plant and equipment

### *Acquisitions and disposals*

During the six months ended 31 December 2011, the Company acquired assets with a cost of \$898,000 (six months ended 31 December 2010: \$1,053,000). No assets were acquired through business combinations. Assets with a net book value of \$120,000 were disposed of during the six months ended 31 December 2011 (six months ended 31 December 2010: \$32,000), resulting in a \$104,000 loss on disposal (six months ended 31 December 2010: \$12,000 loss).

### *Capital commitments*

The Company has \$294,000 in capital commitments at 31 December 2011 (31 December 2010: \$95,000).

## 10. Share Capital

*In thousands of AUD*

### **Issued and paid-up capital**

8,663,557 (30 June 2011: 8,640,617) ordinary shares fully paid

**31 Dec 11**      **30 June 11**

3,757

3,713

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

### **Employee Share Bonus Plan**

The Company made one issue of ordinary shares under the Employee Share Bonus Plan during the period. During the comparative period to 31 December 2010 one issue was made under the Employee Share Bonus Plan. All employees meeting the service criteria were eligible to participate in the issue. The shares are issued at market value for no consideration. Details of the issue are as follows:

Date of issue	Total number of shares issued	Market value of shares issued	Shares issued per participating employee	Number of participating executive directors
<b>31 December 2011</b>				
10 October 2011	17,940	68,890	130	-
<b>31 December 2010</b>				
22 October 2010	13,952	63,761	109	-

Shares issued to employees under the Employee Share Bonus Plan are recognised in equity at the fair value of the shares issued being \$25,902 (2010: \$23,974). The fair value has been measured consistently with the previous annual report and takes into account that the shares issued are unable to be sold by employees for a period of 7 years after issue.

### Share-based payment – Executive Share Plan

In August 2011 the Company established the Korvest Performance Rights 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 earning 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.

A total of 120,000 Performance Rights were issued in November 2011.

The previous share plan, the Korvest Ltd Executive Share Plan is still operational for employees granted options under that plan. The share option plan entitled selected senior managers to acquire shares in the Company subject to successful achievement of performance targets related to improvements in total shareholder returns.

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.

#### *Fair value of Performance Rights granted*

The fair value assessed in accordance with AASB 2 *Share Based Payment* at grant date of Performance Rights granted during the period ended 31 December 2011 was \$3.1314 per Performance Right. The fair value at grant date is determined using a Black Scholes valuation methodology that takes into account a number of factors. Those factors have been set out below including details of the model inputs used for the purposes of valuing the Performance Rights in accordance with AASB 2 *Share based Payment* for the period ended 31 December 2011.

- a) Exercise price: \$0.00
- b) Vesting period: 3 years
- c) Grant date (for Accounting Standards): 21 November 2011
- d) Expiry date: 30 June 2014
- e) Share price at grant date: \$4.15
- f) Expected price volatility of the Company's shares: 50%
- g) Expected dividend yield: 6.27%
- h) Risk-free interest rate: 4.01%
- i) Cost of borrowing: 10.99%
- j) Restricted period: 2 years

Total expenses arising from share-based transactions recognised during the period as part of employee benefit expense were as follows:

#### *In thousands of AUD*

	31 Dec 11	31 Dec 10
Performance rights issued under executive long term incentive plan	63	-
Options issued under the share option plan	6	6
Shares issued under employee share scheme	26	24
	95	30

### Dividend and Share Investment Plans

The Dividend Investment Plan and Share Investment Plan remain suspended.

**Korvest Ltd – 31 December 2011 Interim Financial Report  
Condensed Notes to the Interim Financial Report**

**11. Dividends**

Dividends paid or provided for by the Company in the current period and the previous corresponding period are:

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
<b>31 December 2011</b>				
Final – ordinary	15.0	<u>1,300</u>	Franked	8 September 2011
<b>31 December 2010</b>				
Final – ordinary	15.0	<u>1,293</u>	Franked	7 September 2010
<b>Subsequent events</b>				
Since the end of the half-year, the Directors declared the following dividends:				
Special	5.0	439	Franked	9 March 2012
Interim – ordinary	18.0	<u>1,580</u>	Franked	9 March 2012

The financial effect of these dividends has not been brought to account in this financial report. It will be recognised in the next reporting period.

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

**12. Reconciliation of Cash and Cash Equivalents**

For the purposes of the Interim Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the period as shown in the Interim Statement of Cash Flows is reconciled to the related items in the Interim Statement of Financial Position as follows:

<i>In thousands of AUD</i>	<b>31 Dec 11</b>	<b>31 Dec 10</b>
Bank overdraft	-	(446)
Cash	3,283	20
Cash and cash equivalents	<u>3,283</u>	<u>(426)</u>

**13. Contingent Liabilities and Contingent Assets**

There have been no material changes in contingent liabilities or contingent assets since 30 June 2011.

**14. Events Subsequent to Reporting Date**

No matter or circumstance has occurred subsequent to 31 December 2011 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent years.

**Dividends**

For dividends declared after 31 December 2011 refer to Note 11.

**15. Related Parties**

Arrangements with related party transactions continue to be in place. For details on these arrangements, refer to the 30 June 2011 Annual Financial Report.

**Korvest Ltd**  
**Directors' Declaration**

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

- 1 the financial statements and notes set out on pages 6 to 15, are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the financial position of the Company as at 31 December 2011 and of its performance, for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Kilburn this 25<sup>th</sup> day of January 2012.

Signed in accordance with a resolution of the Directors:



**PW Stancliffe**  
Director



**AHW Kachellek**  
Director





## **Independent auditor's review report to the members of Korvest Ltd**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Korvest Ltd (the "Company"), which comprises the interim statement of financial position as at 31 December 2011, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the half-year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company.

#### *Directors' responsibility for the half-year financial report*

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Korvest Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Korvest Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

  
KPMG

  
N T Faulkner  
Partner

Adelaide

25 January 2012