

## Appendix 4D

### Korvest Ltd ABN 20 007 698 106 and its Controlled Entities

### Half-Year Financial Report 31 December 2010

#### Results for announcement to the market:

\$A'000

Revenues	<b>Up</b>	<b>9.6%</b>	to	<b>31,121</b>
Net profit after tax for the period attributable to members	<b>Down</b>	<b>25.9%</b>	to	<b>1,872</b>
<b>Dividends</b>	Amount per security		Franked amount per security	
Interim dividend (#)				
- current reporting period	<b>11.0¢</b>		<b>11.0¢</b>	
- previous corresponding period	17.0¢		17.0¢	
# 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>25 February 2011</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 2010 annual financial report.**

## Korvest Ltd and its Controlled Entities Directors' Report

The Directors present their report together with the consolidated financial report of Korvest Ltd ("the Company") and its controlled entities for the half-year ended 31 December 2010 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 62

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 53

A Director since November 1999.

Chairman of Audit Committee.

Managing Director, Hills Holdings Limited.

**Peter Brodribb** F.I.E (Aust)

Age 66

Non-Executive Director

A Director since 1984.

Appointed Non-Executive Director in January 2005.

**Alexander Henrik Wilhelm Kachellek** C.Eng, Bsc. MIEE

Age 57

Managing Director

A Director since June 2007.

**Steven John William McGregor** BA (Acc), CA

Age 39

Finance Director

Appointed 1 January 2009.

Company Secretary since April 2008

### Consolidated Result

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

<i>In thousands of AUD</i>	<b>31 Dec 10</b>	<b>31 Dec 09</b>
Profit after income tax expense	1,872	2,526
Net profit attributable to members of the Company	1,872	2,526

## Korvest Ltd and its Controlled Entities Directors' Report

### Other Ratios

	31 Dec 10	31 Dec 09
<b>Net tangible asset (NTA) backing</b>		
Net tangible assets per ordinary share	\$3.58	\$3.52
Profit before tax / revenue	8.8%	13.1%
Profit after tax / equity interests	6.1%	8.4%

### Review of Operations

Revenue from trading operations for the half-year increased by 9.6% to \$31.121m whilst profit after tax for the period decreased by 25.9% to \$1.872m. This result is in line with guidance provided at the 2010 Annual General Meeting and highlights the difficult trading conditions of the second half of F2010 which continued into this first half.

Within the Industrial Products segment, the EzyStrut business achieved improved revenue however margin pressure resulted in a lower EBIT. A number of significant projects in the Eastern States and South Australia contributed to the improved revenue. These projects are ongoing and will provide a good base for the second half of F2011. During the first half the EzyStrut range was expanded to include fibreglass reinforced plastic (FRP) products. In addition the range of pipe support products was expanded to be able to provide a more comprehensive offering to EzyStrut's customers. These range expansions are expected to provide growth opportunities through new markets and customers, however they contributed to an increased inventory level during the first half.

Included in the Industrial Products segment is the Indax handrail and walkway system business. Indax performed poorly during the first half after a particularly slow first quarter where the absence of large projects resulted in a surplus of capacity in the two fabrication facilities. The second quarter showed improvement and the order book is healthy for the third quarter. Indax experienced margin pressure as it was operating in markets where there was generally a lower level of activity and therefore more intense competition for the available work. Indax expanded its range to include an Aluminium product during the first half which also resulted in increased inventory holdings to establish this new range.

Within the Production segment the Galvanising business experienced difficult trading conditions during the first half continuing the trend of the last twelve months. During the first half, overall plant volumes were down when compared to the same period last year and softer trading conditions in the Industrial Products segment also meant that internal volumes provided to the Galvanising business were reduced. Pricing remained very competitive as interstate competitors remained active in the South Australian market due to surplus industry capacity. Setting aside seasonal factors, the second quarter showed signs of stronger trading conditions for the galvanising business and there are positive signs for the third quarter's trading.

### Dividends

The Company's dividend policy is to pay around 50% of its after-tax profits to shareholders as dividends as long as the following conditions are met:

- no change in the law in connection with the distribution of accumulated franking credits; and
- an acceptable level of profitability.

The Directors announced a fully franked interim dividend of 11.0 cents per share. This dividend can be taken as cash only as the Dividend Investment and Share Investment Plans have been suspended. The dividend will be paid on 11 March 2011 and the record date is 25 February 2011.

### **Events Subsequent to Reporting Date**

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

### **2011 Guidance**

There is no change to the guidance provided at the Annual General Meeting. It is expected that the full year's results should be in line with last year.

### **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 2010.

### **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 27<sup>th</sup> day of January 2011.

Signed in accordance with a resolution of the Directors:



**PW Stancliffe**  
Director



**AHW Kachellek**  
Director

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**Lead Auditor's Independence Declaration**



***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 2010 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.

A handwritten signature of the KPMG representative, written in black ink.

KPMG

A handwritten signature in black ink, appearing to read 'N T Faulkner'.

N T Faulkner  
*Partner*

Adelaide

Dated on this the 27<sup>th</sup> day of January 2011

**Korvest Ltd and its Controlled Entities**  
**Consolidated Interim Statement of Comprehensive Income for the Half-Year Ended 31 December 2010**

<i>In thousands of AUD</i>	Note	<b>Consolidated</b>	
		<b>31 Dec 10</b>	<b>31 Dec 09</b>
Revenue	6(a)	31,121	28,398
Expenses excluding net financing costs	6(b)	(28,382)	(24,765)
<b>Results from operating activities excluding net financing costs</b>		<b>2,739</b>	<b>3,633</b>
Financial income		21	84
Financial expenses		(11)	-
<b>Net financing costs</b>		<b>10</b>	<b>84</b>
<b>Profit before income tax expense</b>		<b>2,749</b>	<b>3,717</b>
Income tax expense		(877)	(1,191)
<b>Net profit for the period</b>		<b>1,872</b>	<b>2,526</b>
<b>Attributable to:</b>			
Shareholders of the Company		1,872	2,526
Profit for the period		1,872	2,526
<b>Other comprehensive income</b>			
Foreign currency translation differences		-	100
<b>Total comprehensive income for the period</b>		<b>1,872</b>	<b>2,626</b>
Basic earnings per share		21.7¢	29.4¢
Diluted earnings per share		21.6¢	29.2¢

The Statement of Comprehensive Income is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.

**Korvest Ltd and its Controlled Entities**  
**Consolidated Interim Statement of Changes in Equity for the Half-Year Ended 31 December 2010**

<b>Consolidated</b>	<b>Share</b>	<b>Equity</b>	<b>Trans-</b>	<b>Asset</b>	<b>Retained</b>	<b>Total</b>
<i>In thousands of AUD</i>	<b>capital</b>	<b>compens-</b>	<b>lation</b>	<b>revaluation</b>	<b>earnings</b>	
		<b>ation</b>	<b>reserve</b>	<b>reserve</b>		
		<b>reserve</b>				
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>-</u>	<u>3,275</u>	<u>23,857</u>	<u>30,880</u>
Balance at 1 July 2009	3,617	42	(100)	3,275	22,216	29,050
Total comprehensive income and expense	-	-	100	-	2,526	2,626
Shares issued under the Share Plans	-	7	-	-	-	7
Dividends to shareholders	-	-	-	-	(1,460)	(1,460)
Balance at 31 December 2009	<u>3,617</u>	<u>49</u>	<u>-</u>	<u>3,275</u>	<u>23,282</u>	<u>30,223</u>

The Statement of Changes in Equity is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.

**Korvest Ltd and its Controlled Entities**  
**Consolidated Interim Statement of Financial Position as at 31 December 2010**

		<b>Consolidated</b>		
<i>In thousands of AUD</i>		<b>Note</b>	<b>31 Dec 10</b>	<b>30 June 10</b>
<b>Current Assets</b>				
Cash and cash equivalents	12	20	2,605	
Trade and other receivables		12,595	10,825	
Inventories		11,453	9,806	
Current tax receivables		-	13	
<b>Total current assets</b>		<b>24,068</b>	<b>23,249</b>	
<b>Non-Current Assets</b>				
Property, plant and equipment		15,702	15,296	
<b>Total non-current assets</b>		<b>15,702</b>	<b>15,296</b>	
<b>Total assets</b>		<b>39,770</b>	<b>38,545</b>	
<b>Current Liabilities</b>				
Bank overdraft	12	446	-	
Trade and other payables		5,377	5,256	
Income tax payable		188	-	
Employee benefits		978	1,061	
Provisions		487	496	
<b>Total current liabilities</b>		<b>7,476</b>	<b>6,813</b>	
<b>Non-Current Liabilities</b>				
Deferred tax liabilities		805	880	
Employee benefits		416	385	
Provisions		193	196	
<b>Total non-current liabilities</b>		<b>1,414</b>	<b>1,461</b>	
<b>Total liabilities</b>		<b>8,890</b>	<b>8,274</b>	
<b>Net assets</b>		<b>30,880</b>	<b>30,271</b>	
<b>Equity</b>				
Issued capital	10	3,686	3,662	
Reserves		3,337	3,331	
Retained earnings		23,857	23,278	
<b>Total equity attributable to equity holders of the parent</b>		<b>30,880</b>	<b>30,271</b>	
<b>Total equity</b>		<b>30,880</b>	<b>30,271</b>	

The Statement of Financial Position is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.



**Korvest Ltd and its Controlled Entities**  
**Consolidated Interim Statement of Cash Flows for the Half-Year Ended 31 December 2010**

		<b>Consolidated</b>	
<i>In thousands of AUD</i>		<b>31 Dec 10</b>	<b>31 Dec 09</b>
	Note		
<b>Cash flows from Operating Activities</b>			
Cash receipts from customers		32,585	32,795
Cash payments paid to suppliers and employees		(32,555)	(28,101)
Interest received		26	76
Interest paid		(11)	-
Income taxes paid		(750)	(1,326)
<b>Net cash (used in) / provided by operating activities</b>		<b>(705)</b>	<b>3,444</b>
<b>Cash flows from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		20	13
Acquisition of property, plant and equipment		(1,053)	(1,107)
<b>Net cash (used in) by investing activities</b>		<b>(1,033)</b>	<b>(1,094)</b>
<b>Cash flows from Financing Activities</b>			
Repayment of borrowings		-	-
Dividends paid to members of the parent entity	11	(1,293)	(1,461)
<b>Net cash (used in) / provided by financing activities</b>		<b>(1,293)</b>	<b>(1,461)</b>
<b>Net (decrease) / increase in cash held</b>		<b>(3,031)</b>	<b>889</b>
<b>Cash at the beginning of the period</b>		<b>2,605</b>	<b>4,002</b>
<b>Cash at the end of the period</b>		<b>(426)</b>	<b>4,891</b>

The Statement of Cash Flows is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.

## **Korvest Ltd and its Controlled Entities – 31 December 2010 Interim Financial Report Condensed Notes to the Consolidated Interim Financial Report**

### **1. Reporting entity**

Korvest Ltd (the Company) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2010 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 consolidated 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 consolidated 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 consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2010.

This consolidated interim financial report was approved by the Board of Directors on 27 January 2011.

The consolidated entity 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 consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2010.

### **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 consolidated interim financial report, the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

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

The consolidated entity’s financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2010.

**Korvest Ltd and its Controlled Entities – 31 December 2010 Interim Financial Report**  
**Condensed Notes to the Consolidated Interim Financial Report**

		<b>Consolidated</b>	
		<b>31 Dec 10</b>	<b>31 Dec 09</b>
<b>6.</b>	<b>Revenues and Expenses</b>		
	<i>In thousands of AUD</i>		
<b>(a)</b>	<b>Revenue</b>		
	<i>Sales revenue</i>		
	Sales of goods	31,121	28,398
	<b>Total revenue</b>	<b>31,121</b>	<b>28,398</b>
<b>(b)</b>	<b>Expenses</b>		
	Costs of goods and services sold	18,210	15,064
	Sales and marketing expenses	6,209	6,139
	Distribution expenses	2,950	2,238
	Administration expenses	1,001	1,165
	Other expenses	12	59
	Foreign currency translation reserve on winding up of NZ subsidiary	-	100
		<b>28,382</b>	<b>24,765</b>
<b>(c)</b>	<b>Depreciation</b>		
	Depreciation of buildings	29	29
	Depreciation of plant and equipment	586	486
	<b>Total depreciation of property, plant and equipment</b>	<b>615</b>	<b>515</b>

## Korvest Ltd and its Controlled Entities – 31 December 2010 Interim Financial Report Condensed Notes to the Consolidated Interim Financial Report

### 7. Segment disclosures

The consolidated entity has two reportable segments. The business is organised based on products and services. The following summary describes the operations in each of the consolidated entity'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	
	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09
\$'000s						
External Revenues	28,077	25,456	3,044	2,942	31,121	28,398
Reportable segment profit before tax	2,440	3,392	425	667	2,865	4,059
	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09
Reportable segment assets	27,586	20,905	4,453	4,601	32,039	25,506

#### Reconciliation of reportable segment profit and assets

*In thousands of AUD*

##### Profit

	31 Dec 10	31 Dec 09
Total profit or loss for reportable segments	2,865	4,059
Unallocated amounts – other corporate expenses	(116)	(342)
Consolidated profit before income tax	2,749	3,717

##### Assets

	31 Dec 10	30 Jun 10
Total assets for reportable segments	32,039	28,245
Other unallocated amounts	7,731	10,300
Consolidated total assets	39,770	38,545

#### Geographical segments

The consolidated entity operates in Australia.

## 8. Write-down of obsolete inventory

During the six months ended 31 December 2010 the consolidated entity increased its write-down provision for finished goods inventory by \$50,000 (31 December 2009: \$25,000). This forms part of the Other expenses disclosed in note 6(b).

## 9. Property, plant and equipment

### *Acquisitions and disposals*

During the six months ended 31 December 2010, the consolidated entity acquired assets with a cost of \$1,053,000 (six months ended 31 December 2009: \$1,107,000). No assets were acquired through business combinations. Assets with a net book value of \$32,000 were disposed of during the six months ended 31 December 2010 (six months ended 31 December 2009: \$22,000), resulting in a \$12,000 loss on disposal (six months ended 31 December 2009: \$9,000 loss).

### *Capital commitments*

The consolidated entity has \$95,000 in capital commitments at 31 December 2010 (31 December 2009: \$232,000).

## 10. Share Capital

*In thousands of AUD*

### Issued and paid-up capital

8,677,607 (30 June 2010: 8,663,655) ordinary shares fully paid

<b>Consolidated</b>	
<b>31 Dec 10</b>	<b>30 June 10</b>
3,686	3,662

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 2009 no issues were 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 2010</b>				
22 October 2010	13,952	63,761	109	-
<b>31 December 2009</b>				
-	-	-	-	-

Shares issued to employees under the Employee Share Bonus Plan are recognised in equity at the fair value of the shares issued being \$23,974 (2009: \$nil). 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.

### Dividend and Share Investment Plans

The Dividend Investment Plan and Share Investment Plan remain suspended.

## Korvest Ltd and its Controlled Entities – 31 December 2010 Interim Financial Report Condensed Notes to the Consolidated 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 2010</b>				
Final – ordinary	15.0	<u>1,293</u>	Franked	7 September 2010
<b>31 December 2009</b>				
Final – ordinary	17.0	<u>1,461</u>	Franked	1 September 2009
<b>Subsequent events</b>				
Since the end of the half-year, the Directors declared the following dividend:				
Interim – ordinary	11.0	<u>955</u>	Franked	11 March 2011

The financial effect of this dividend 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 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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

<i>In thousands of AUD</i>	31 Dec 10	31 Dec 09
Bank overdraft	(446)	-
Cash	20	4,891
Cash and cash equivalents	<u>(426)</u>	<u>4,891</u>

### 13. Contingent Liabilities and Contingent Assets

There have been no material changes in contingent liabilities or contingent assets since 30 June 2010.

### 14. Events Subsequent to Reporting Date

#### Dividends

For dividends declared after 31 December 2010 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 2010 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 14, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2010 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 27<sup>th</sup> day of January 2011.

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, which comprises the Consolidated Interim Statement of Financial Position as at 31 December 2010, Consolidated Interim Statement of Comprehensive Income, Consolidated Interim Statement of Changes in Equity and Consolidated 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 Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *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 internal 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 Group's financial position as at 31 December 2010 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 Group's financial position as at 31 December 2010 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*.

A handwritten version of the KPMG logo, with the letters 'KPMG' written in a cursive, stylized script.

KPMG

A handwritten signature in black ink, appearing to read 'N T Faulkner'.

N T Faulkner  
*Partner*

Adelaide

Dated this the 27<sup>th</sup> day of January 2011