Korvest Ltd and its Controlled Entities

ABN 20 007 698 106

Half-Year Financial Report
31 DECEMBER 2005

Results for announcement to market

Summary of results

	Note	Percentage change from previous corresponding period			Amount $ '000
Revenue		up	29.3%	to	20,964
Total revenue	2(a)	**up**	**29.3%**	**to**	**20,964**
Profit after tax from ordinary activities - continuing operations		up	26.2%	to	1,987
Profit (loss), after tax, attributable to members	**3**	**up**	**26.2%**	**to**	**1,987**

Dividend distributions				Amount per security	Franked amount per security
Interim dividend:					
- current reporting period				12.0c	12.0c
- previous corresponding period				10.0c	10.0c

Record date for determining entitlements to dividend	24 February 2006

Date of distribution	10 March 2006

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 directors' report on pages 2 to 5 of this financial report

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

This financial report should be read in conjunction with the 2005 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 2005 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:

David James Simmons B.A. (Accounting), F.C.P.A.
Age 52, a Director since 1994.
Managing Director, Hills Industries Limited.
Director, Orrcon Limited.
Director, Fielders Australia Pty Ltd.

Ric Gros F.A.I.C.D.
Age 47, Managing Director since January 2005.

Peter Brodribb F.I.E. (Aust)
Age 61, a Director since 1984.

Graham Lloyd Twartz BA (Adel), Dip Acc (Flinders)
Age 48, a Director since November 1999.
Director, Hills Industries Limited.
Director, Orrcon Limited.
Director, Fielders Australia Pty Ltd.

Andre Jude D'Souza B.Bus (Accountancy), F.C.P.A.
Age 45, a Director since July 2000.
Resigned as a Director October 2005

KORVEST LTD

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

Consolidated Result

The Chairman, Mr David Simmons, today announced the following operating results for the 6 months ended 31st December 2005 for Korvest Ltd and its controlled entities.

	31/12/2005 '$'000	31/12/2004 '$'000	% Change Up (down)	
Total Revenue	**20,964**	**16,218**	Up	29.3%
Operating profit after tax	**1,987**	**1,574**	Up	26.2%
Earnings per share (cents)	**23.3**	**18.6**	Up	25.3%
Dividends per share (cents)	**12.0**	**10.0**	Up	20.0%

Mr Simmons said that the improvement in operating profit was pleasing and continued the recent record of strong results for Korvest.

Ezy-Strut continued to increase market share and is currently benefiting from a high level of activity in the non-residential, commercial building, mining and infrastructure market sectors in Australia and New Zealand. The expansion of the EzyStrut pipe fitting range is expected to deliver future growth opportunities to the group.

Galvanising is benefiting from its entry into the Steel grating market and is gradually increasing its market share in South Australia.

Mr Simmons explained that Korvest is investing in its infrastructure so that future growth can be realised. These investments include:

· The recent upgrade of the Korvest Galvanising facility to increase capacity and productivity. This project is almost complete and is expected to deliver improved performance from March 2006 onward.

· An upgrade of the Ezy-Strut South Australian national distribution hub as part of its commitment to the highest level of customer service.

. Tooling and equipment to enhance and expand the EzyStrut range.

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

Mr Simmons also explained that the Korvest management team had worked diligently to manage its steel and zinc input costs implementing a variety of strategies that have minimised the recent price volatility in these two commodities.

Acquisition initiatives remain a high priority with a number of opportunities currently under consideration.

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

Dividend

The Directors announced an increased fully franked final dividend of 12.0 cents per share compared to 10.0 cents per share last year. The dividend will be paid on 10th March 2006. The record date is 24th February 2006.

Full Year

It is expected that the non-residential and engineering construction sectors will remain strong. There are also significant infrastructure and mining projects forecast for development, particularly in Queensland and Western Australia. Additional resources will be focussing on these two markets in particular.

Steel prices are now moderating, which in combination with our growth strategies and production improvement initiatives should see us produce acceptable results again for the year to June 2006.

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.

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

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2005.

Events Subsequent to Reporting Date

Details of events subsequent to reporting date are set out in Note 10 to the financial statements.

There has not arisen in the interval between the end of the half-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 in subsequent financial periods.

D.J. SIMMONS
CHAIRMAN
30 January 2005

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

For further information contact:

DAVID SIMMONS (Chairman) - 0412 66 22 11
RIC GROS (Managing Director) - 0421 14 43 80

Lead Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001
to the directors of Korvest Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2005 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

Tony Santin
Partner

Place: Adelaide
Date: 30 January 2006

Korvest Ltd and its Controlled Entities
Half-Year Ended 31 December 2005

Condensed Consolidated Interim Income Statement

		Consolidated	
	Note	Dec-05	Dec-04
		$ '000	$ '000
Revenues	2(a)	20,964	16,218
Expenses, excluding financing costs	2(b)	(18,083)	(13,916)
Financing costs		-	-
Profit (loss) before income tax		2,881	2,302
Income tax expense		(894)	(728)
Profit (loss) for the period		1,987	1,574
Profit attributable to members of the parent		1,987	1,574
Basic earnings per share		23.3c	18.6c
Diluted earnings per share		23.3c	18.6c
Net Tangible Asset Backing per share		$2.14	$2.02
Dividends per share		12.0c	10.0c

The basic and diluted EPS for the current period was derived based on the profit after tax and the number of weighted average shares of 8,516,505 (31/12/04 8,483,134).

The income statement is to be read in conjunction with the notes to the half-year financial statements.

Korvest Ltd and its Controlled Entities
Half-Year Ended 31 December 2005

Condensed Consolidated Interim Statement of Recognised Income and Expense

	Note	Consolidated Dec-05 $ '000	Consolidated Dec-04 $ '000
Foreign exchange translation differences	5b	**26**	**-**
Items taken directly to share capital - employee share plan	4	**21**	**48**
Net income recognised directly in equity		**47**	**48**
Profit for the period		**1,987**	**1,574**
Total recognised income and expense for the period		**2,034**	**1,622**
Attributable to:			
Equity holders of parent		**2,034**	**1,622**
Total recognised income and expense for the period		**2,034**	**1,622**

Other movements in equity arising from transactions with owners are set out in note 6

Korvest Ltd and its Controlled Entities
Half-Year Ended 31 December 2005

Condensed Consolidated Interim Balance Sheet

	Note	Consolidated Dec-05 $ '000	Jun-05 $ '000
Current Assets			
Cash		6,501	8,341
Trade receivables		7,228	6,987
Inventories		5,691	3,750
Other current assets		95	30
Total Current Assets		19,515	19,108
Non-Current Assets			
Property, plant and equipment		6,374	5,964
Deferred tax assets		1,198	1,079
Total Non-Current Assets		7,572	7,043
Total Assets		27,087	26,151
Current Liabilities			
Trade and other payables		5,902	5,999
Short-term provisions excluding tax liabilities		1,402	1,386
Income tax payable		699	775
Total Current Liabilities		8,003	8,160
Non-Current Liabilities			
Interest bearing loans and borrowings		40	40
Long-term provisions excluding tax liabilities		261	295
Deferred tax liabilities		547	518
Total Non-Current Liabilities		848	853
Total Liabilities		8,851	9,013
Net Assets		18,236	17,138
Equity			
Share capital	4	3,484	3,463
Reserves	5	1,329	1,303
Retained earnings		13,423	12,372
Total Equity		18,236	17,138

The balance sheet is to be read in conjunction with the notes to the half-year financial statements.

Korvest Ltd and its Controlled Entities
Half-Year Ended 31 December 2005

Condensed Consolidated Interim Statement of Cash Flows

	Note	Consolidated Dec-05 $ '000	Consolidated Dec-04 $ '000
Cash flows from operating activities			
Cash receipts from customers		22,698	18,474
Cash paid to suppliers and employees		(21,878)	(16,373)
Income taxes paid		(1,061)	(1,292)
Interest received		233	187
Interest paid		-	-
Net cash (used in) / provided by operating activities		(8)	996
Cash flow from investing activities			
Proceeds from sale of plant and equipment		-	21
Payment for plant and equipment		(922)	(303)
Payment for land and buildings		-	(88)
Net cash (used in) investing activities		(922)	(370)
Cash flows from financing activities			
Proceeds from issue of share capital		-	-
Dividends paid		(935)	(763)
Repayment of borrowings		-	-
Proceeds from borrowings		-	-
Net cash (used in) financing activities		(935)	(763)
Net (decrease) in cash		(1,865)	(137)
Cash at the beginning of the period		8,341	7,898
Effects of exchange rate fluctuations on cash balances		25	-
Cash at the end of the period		6,501	7,761

The statement of cash flows is to be read in conjunction with the notes to the half-year financial statements.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

1 Statement of Significant Accounting Policies

Korvest Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiary (together referred to as the "consolidated entity"). The condensed consolidated interim financial report was authorised for issue by the directors on 30 January 2006.

(a) Statement of Compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 “Interim Financial Reporting”, the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and Appendix 4D to the Australian Stock Exchange listing rules.

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first finanical report prepared in accordance with AIFRS and AASB 1 *First Time Adoption of AIFRS* has been aaplied. An explanation of how the transition to AIFRS has affected the reported finanical position, financial performance and cash flows of the consolidated entity and the Company is provided in note 11.

The half-year financial report is to be read in conjunction with the 2005 annual financial report and any public announcements by Korvest Ltd and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

(b) Basis of Preparation

The financial report is presented in Australian dollars. The financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

1 Statement of Significant Accounting Policies (continued)

(b) Basis of Preparation (continued)

The current reporting period is the half-year ended 31 December 2005. For the statements of financial performance and cash flows, the previous corresponding period is the half-year ended 31 December 2004. For the statement of financial position, the previous corresponding date is 30 June 2005.

The preparation of an interim financial report in conformity with AASB 134 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

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

* AASB 119 Employee Benefits (December 2004);
* AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements, AASB 124 Related Party Disclosures.
* AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement.
*AASB 2005-3 Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004)

*AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts.
* AASB2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement.
* AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Busines Combinations.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

1 Statement of Significant Accounting Policies (continued)

(b) Basis of Preparation (continued)

*AASB 2005-8 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004).
*AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) amending AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 139 Financial Instruments.
* AASB 2005-11 Amendments to Australian Accounting Standards (September 2005) amending AASB 101 Presentation of Financial Statements, AASB 112 Income Taxes, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, and AASB 141 Agriculture.
* UIG 4 Determining whether an Arrangement contains a Lease.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards - AIFRSs, as required by AASB 1.The impact of the transition from previous GAAP to AIFRSs is explained in note 11. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

(c) Principles of Consolidation

The consolidated financial statements of the economic entity comprise the financial statements of the company, being the parent entity and its controlled entity (‘the consolidated entity’). Inter-entity balances and transactions have been eliminated.

Where the controlled entity began to be controlled during the year the results are only included from the date control commenced.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

1 Statement of Significant Accounting Policies (continued)

(d) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Exchange differences relating to such amounts are brought to account in the income statement in the financial year in which the exchange rates change. The consolidated entity does not hedge foreign currency transactions.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(e) Non-Current Assets

The carrying amounts of all non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of non-current assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Other Non-Current Assets
The consolidated entity has continued to adopt the cost basis for plant and equipment.

(f) 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.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

1 Statement of Significant Accounting Policies (continued)

(g) Receivables

Trade debtors are carried at cost less impairment losses and are normally collected within 60 days.

Doubtful Debts

The impairment of debts is assessed at year end and provision is made sufficient to cover any doubtful accounts.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed factory overhead expenditure, the latter being allocated on the basis of normal operating capacity.

(i) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Trade accounts are normally settled within 60 days.

(j) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, when appropriate, the risks specific to the liability.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

1 Statement of Significant Accounting Policies (continued)

(k) Employee Benefits

Wages, salaries, annual leave, long service leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

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

Contributions made by the consolidated entity to the employee contributory superannuation fund and other industry superannuation funds are charged against operating profit.

(l) Borrowings

Borrowings are carried at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in ‘Other Creditors and Accruals’.

(m) Income Tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement 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 substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

1 Statement of Significant Accounting Policies (continued)

(n) Revenue Recognition

Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to outside entities. Sales revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer.

Interest income
Interest income is recognised as it accrues.

(o) Employee Share Bonus Plan

The Employee Share Bonus Plan allows 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.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

		Consolidated	
		Dec-05	Dec-04
		$ '000	$ '000
2.	**Revenue**		
(a)	Revenue		
	Revenue from sales and services	20,683	15,954
	Interest revenue	233	224
	Other	48	40
	Total	20,964	16,218
(b)	Expenses		
	Cost of goods sold	11,817	9,333
	Distribution	1,206	808
	Marketing	3,580	2,922
	Occupancy	179	161
	Administration	1,171	669
	Other	130	23
	Total	18,083	13,916
(c)	**Profit from ordinary activities**		
	The profit from ordinary activities includes as expenses:		
	Depreciation - plant and equipment	489	267
	- buildings	22	20
	Write down of plant and equipment	-	-

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

3. Segment Reporting

		Industrial Products $ '000	Storage Systems $ '000	Unallocated $ '000	Consolidated $ '000
	31 December 2005				
	External revenue	20,683	-	281	20,964
	Result	2,601	-	280	2,881
	Income Tax expense	-	-	(894)	(894)
	Net profit	2,601	-	(614)	1,987
	31 December 2004				
	External revenue	15,954	-	264	16,218
	Result	2,549	(79)	(168)	2,302
	Income Tax expense	-	-	(728)	(728)
	Net profit	2,549	(79)	(896)	1,574

Business segments

* Industrial Products - Manufacture of electrical and cable support systems, steel fabrication, associated metal treatment and galvanising services.

Geographical segments

The entity operates predominantly in Australia.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

	Consolidated	
	Dec-05	Jun-05
	$ '000	$ '000
4. Contributed Equity		
(a) Issued and Paid-Up Capital		
Number of ordinary shares - current - 8,516,505	**3,484**	3,463
(Number of ordinary shares - 30/6/05 - 8,502,408)		

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 winding up the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

	Dec-05	Jun-05
(b) Movements in Ordinary Shares		
Balance at the beginning of the period	**3,463**	**3,415**
Shares issued:		
- under Dividend Investment Plan	**-**	**-**
- under Employee Share Bonus Plan	**21**	**48**
Balance at the end of the period	**3,484**	**3,463**

Employee Share Bonus Plan

The Company made one (31/12/04: one) issue of ordinary shares under the Employee Share Bonus Plan during the period. All employees with more than twelve months of service are eligible to participate in the plan. 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 values of shares issued	Shares issued per participating employee	Number of participating Executive Directors
31 December 2005				
2nd Sept 2005	14,208	55,695	128	2
31 December 2004				
3rd Sept 2004	16,226	66,364	122	2

Shares issued to employees under the Employee Share Bonus Plan are recognised in equity at the fair value measured at grant date. The fair value recognised in equity is $20,941 (30/6/05 $47,866)

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

4. Contributed Equity (continued)

Dividend and Share Investment Plans

The Company has suspended the Dividend Investment Plan and the Share Investment Plan for the last 2 reporting periods. Under the Dividend Investment Plan, participating shareholders elected to apply dividends in whole or in part to the purchase of ordinary shares at an issue price. Under the Share Investment Plan, participating shareholders elected to forgo dividends in whole or in part and to substitute shares issued out of the capital account. The issue price for both plans was at a 5% discount on the market price.

(c) Options

No options were granted or exercised and no options lapsed during the current period or the previous corresponding period.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

		Consolidated	
		Dec-05	Jun-05
		$ '000	$ '000
5.	**Reserves**		
(a)	Asset revaluation reserve	1,264	1,264
	Foreign currency translation reserve	65	39
		1,329	1,303
(b)	**Movements in Reserves**		
	Asset revaluation reserve		
	Balance at the beginning of the period	1,264	1,264
	Revaluation of property, plant and equipment	-	-
	Balance at the end of the period	1,264	1,264
	Foreign Currency Translation reserve		
	Balance at the beginning of the period	39	-
	Foreign exchange translation differences	26	39
	Balance at the end of the period	65	39
6.	**Retained Earnings**		
	Balance at the beginning of the period	12,372	9,378
	Deferred tax recognised directly in equity	-	(183)
	Profit for the period	1,987	3,940
	Distributions to shareholders	(936)	(763)
	Balance at the end of the period	13,423	12,372
7.	**Dividends**		
	Final - ordinary fully franked at 11.0 cents per share and paid on 2 September 2005	936	0
	Final - ordinary fully franked at 9.0cents per share and paid on 3 September 2004	-	763
	Final dividend foregone for Share Investment Plan	-	-
	Total	936	763

Since the end of the half-year, the directors declared an interim ordinary dividend fully franked at 12.0 cents per share to be paid on 10 March 2006. The total amount payable is $1,021,981.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

The financial effect of this dividend has not been brought to account in the financial report for the half-year ended 31 December 2005. The financial effect of the dividend will be recognised in the next reporting period.

7. Dividends (continued)

The dividend Investment Plan and Share Investment Plan have been suspended.

All dividends paid or declared are fully franked at the tax rate of 30% and do not include foreign sourced income. The directors expect dividends will be fully franked for the foreseeable future.

Number of ordinary securities issued and quoted at the end of the current period.	8,516,505	8,488,866
Increase in the number of shares as a result of new issues.	14,208	16,226

8. Acquisition of controlled entities

The consolidated entity did not gain control over any entities during the current half-year period or the previous corresponding period.

9. Contingent Liabilities and Contingent Assets

There have been no material changes in contingent liabilities or contingent assets since 30 June 2005.

10. Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the half-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 in subsequent financial periods.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

11. Summary of impact of transition to AIFRS

As stated in note 1(a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRSs.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes below:

[a] Equity-based compensation benefits

Shares – Employee Share Bonus Plan

Under AASB 2 Share-based Payment, from 1 July 2004 the group is required to recognise an expense for those options that were issued to employees as part of the Executive Share Plan after 7 November 2002 but that had not vested by 1 January 2005. Under AIFRS, the fair value of shares granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date using a discounted valuation method that takes into account the terms and conditions upon which the shares are granted. The discounted method is used as the shares cannot be traded for a period of seven years after vesting.

The result is a change to the previous accounting policy under which no expense is recognised for equity-compensated compensation. The amount remaining unvested at 1 January 2004 has been recognised in the opening balance sheet through retained earnings.

For the half year ended 31 December 2004, employee benefits expense have been increased, and retained earnings decreased, by $47,866 representing the share expense for the period

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

11. Summary of impact of transition to AIFRS (continued)

[b] Property, plant and equipment

Property is measured at valuation, and plant and equipment is measured at cost under AIFRS.

No reclassifications have arisen for the consolidated entity or the Company. As carrying amounts, depreciation rates and useful economic lives have not changed there is no effect on the income statement for the half year ended 31 December 2004.

Under AIFRS the gain or loss on the disposal of property, plant and equipment is recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. For the consolidated entity an amount of $45,251 has been reclassified from revenue to other expenses for the half year ended 31 December 2004.

[c] Impairment

Under previous Australian GAAP the carrying amounts of non-current assets valued on a cost basis were reviewed at reporting date to determine whether they were in excess of their recoverable amount. If the carrying amount of a non-current asset exceeded its recoverable amount the asset was written down to the lower amount, with the write-down recognised in the income statement in the period in which it occured.

Under previous Australian GAAP the collectibility of receivables was assessed at each reporting date and a provision raised based on the age and underlying quality of the outstanding overdue balance to allow for doubtful accounts.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding deferred tax assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount.

If there is any indication that an asset is impaired (or for those tested annually), the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs will be determined.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless they relate to a revalued asset, where the impairment loss is treated in the same way as a revaluation decrease.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

11. Summary of impact of transition to AIFRS (continued)

(c) Impairment (continued)

Calculation of recoverable amount

Under previous Australian GAAP, the recoverable amount of non-current assets were assessed at an entity level using undiscounted cash flows.

Under AIFRS, the recoverable amount of other assets is the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows are estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

The impact of the change in the basis of impairment testing for trade receivables resulted in a nil adjustment to the doubtful debts provision for the consolidated entity as at 1 July 2005 and as at 30 June 2004.

[d] Taxation

On transition to AIFRS the balance sheet method of tax effect accounting has been adopted, rather than the liability method applied previously under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be 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 reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the
carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided are based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

11. Summary of impact of transition to AIFRS (continued)

(d) Taxation (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

The impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments on the deferred tax balances is an increase in deferred tax assets of $73,619 and an increase in deferred tax liabilities of $280,822 and a decrease in retained earnings of $207,203.

There is no impact of the change in basis on the tax expense for the half year ended 31 December 2004.

[e] Foreign currency

Financial statements of foreign operations

Under previous Australian GAAP, the assets and liabilities of operations that are integrated were translated using the temporal method. Monetary assets and liabilities were translated at rates of exchange at reporting date, while non-monetary items and revenue and expense items were translated at exchange rates current when the transactions occurred. Exchange differences arising on translation were brought to account in the statement of financial performance.

Under AIFRS each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency.

The assets and liabilities of foreign operations on consolidation, are translated from the entity's functional currency to the consolidated entity's presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

There are no changes in functional currency for the Company or its subsidiaries.

All foreign operations are translated into Australian dollars using the method described above, the concepts of 'selfsustaining' and 'integrated' operations do not exist in the AIFRS framework.

There is no impact of this change in policy on the consolidated results for the half year ended 31 December 2004.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

11. Summary of impact of transition to AIFRS (continued)

[f] Financial instruments

Korvest Ltd will take advantage of the election in AASB 1 to not restate comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. There are no adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as Australian GAAP continues to apply.

The entity has followed Australian GAAP in accounting for financial instruments within the scope of AASB 132 and
AASB 139 as described in Note 1 Statement of significant accounting policies. There are no adjustments for the consolidated entity.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended 31 December 2005

11. Summary of impact of transition to AIFRS (continued)

Statement of financial performance
Reconciliation of Profit

for the half year ending 31 December 2004	AGAAP	Transition impact	AIFRS
Sales and Services revenue	15,954		15,954
Other revenue	285	0	285
Revenues from ordinary activities	16,239	0	16,239
Expenses from ordinary activities, excluding borrowing costs	<13,889>	<48>	<13,937>
Operating profit before income tax	2,350	<48>	2,302
Income tax attributable to operating profit	<705>	<23>	<728>
Operating profit after income tax before abnormals	1,645	<71>	1,574
Less Abnormal income tax expense	0		0
Operating profit after income tax after abnormals	1,645	<71>	1,574

Balance Sheet as at 30 June 2005
Reconciliation of Equity

Current Assets			
Cash	8,341		8,341
Receivables	6,987		6,987
Inventories	3,750		3,750
Other	30		30
Inter-co Loan	0		0
Total Current Assets	19,108	0	19,108
Non-Current Assets			
Property, plant and equipment	5,964		5,964
Other	1,006	73	1,079
Total Non-Current Assets	6,970	73	7,043
Total Assets	26,078	73	26,151

11. Summary of impact of transition to AIFRS (continued)

Balance Sheet as at 30 June 2005 (continued)	AGAAP	Transition impact	AIFRS
Current Liabilities			
Accounts Payable	5,999		5,999
Borrowings	0		0
Provisions excluding tax liabilities	1,386		1,386
Dividends	0		0
Tax Liabilities	775		775
Total Current Liabilities	8,160	0	8,160
Non-Current Liabilities			
Borrowings	40		40
Provisions excluding tax liabilities	296		296
Deferred tax liabilities	238	280	518
Total Non-Current Liabilities	574	280	854
Total Liabilities	8,734	280	9,014
Net Assets	17,344	<207>	17,137
Shareholders' Equity			
Share capital	3,415	48	3,463
Reserves	1,303	0	1,303
Retained profits	12,626	<255>	12,371
Total Shareholders' Equity	17,344	<207>	17,137

Korvest Ltd and its Controlled Entities

Directors' Declaration

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

1. the financial statements and notes set out on pages 7 to 30, 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 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 1029 "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 Adelaide this 30th day of January 2006.

Signed in accordance with a resolution of the directors:

DJ Simmons
Director

R Gros
Director

Independent Review Report to the Members of Korvest Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim income statement, statement of recognised income and expense, balance sheet, statement of cash flows, accompanying notes 1 to 11 to the financial statements, and the directors' declaration set out on pages 7 to 31 for the Korvest Ltd Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2005. The consolidated entity comprises Korvest Ltd ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 First-Time Adoption of Australian equivalents to International Financial Reporting Standards.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independent Review Report to the Members of Korvest Ltd

Statement

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

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

KPMG

Tony Santin
Partner

Place: Adelaide
Date: 30 January 2006