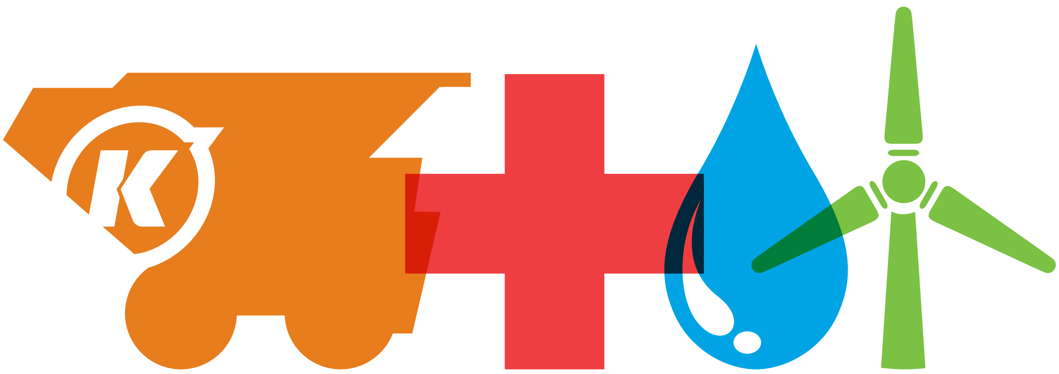
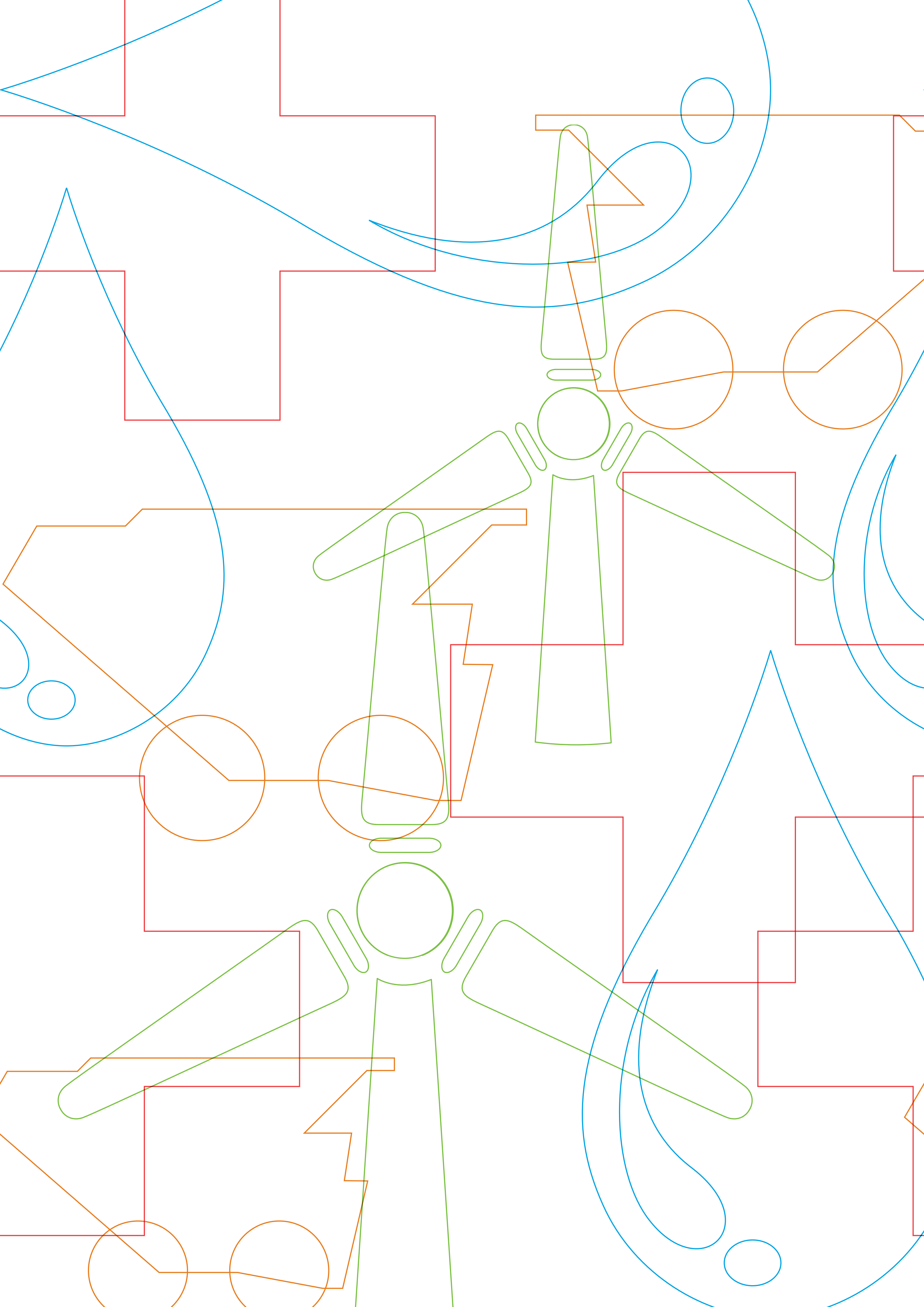


KORVEST LTD
ANNUAL REPORT 2009



KORVEST LTD

Korvest Ltd
and its controlled entities
ABN 20 007 698 106

Annual Report
30 June 2009

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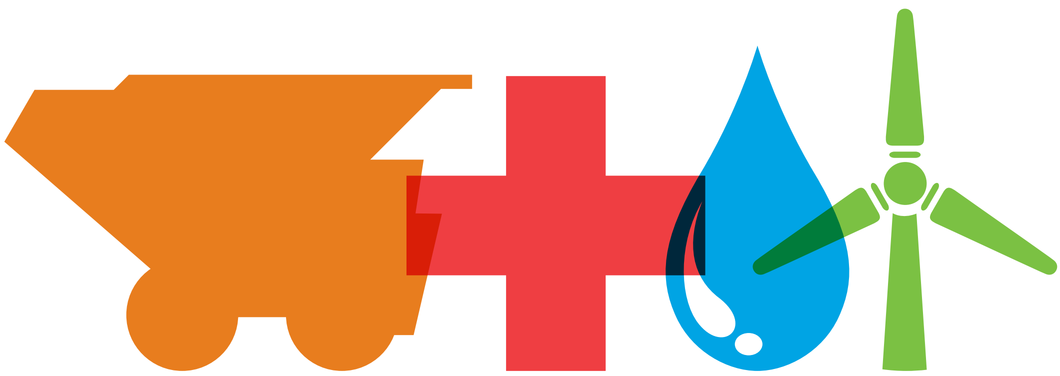
EzyStrut INDAX korvest galvanisers



Korvest Ltd is one of Australia's leading infrastructure providers.

Since 1970, the business has grown to become one of the country's largest manufacturers and suppliers of cable and pipe support systems, galvanising services and walkway systems.

Through its three specialist divisions – Korvest Galvanisers, Indax and EzyStrut, the company produces a range of standard, customised and innovative products.

Following the business mantra of 'we deliver on our promise', Korvest Ltd's projects range from small industrial developments, to work with Australia's biggest construction and mining companies.

The business has a history of success in the commercial construction industry, but has also developed a strong track record in the mining, health, water and energy sectors.

In 2009, Korvest Ltd has a national reach with its head office in Adelaide and sites in Sydney, Brisbane, Melbourne and Perth, plus distributors in Darwin, Hobart and Townsville.

KORVEST: MINING

Mining has been a longstanding area of expertise for Korvest Ltd and services have remained in demand despite industry ups and downs. Nema 20b and 20c ladders are the dominant products for this sector as well as substantial amounts of strut and walkways.

Projects include:

- Orica Coal Mine, NSW
- Rio Tinto's Yarwun Aluminium refinery, Qld
- Bendigo Gold, Vic
- Fortescue Metals, WA
- Pilbarra Iron, WA
- Brockman Mine, WA
- Argyle Diamond Mine, WA
- Boddington Gold Mine, WA
- Alcoa Aluminium Kwinana facility, WA
- Oz Minerals, Prominent Hill, SA
- Whyalla Fabrications, Olympic Dam, SA
- Iluka Jacinth-Ambrosia project, Eucla Basin, SA

Case Study:

Boddington Gold Mine, Western Australia

Boddington will be the largest open pit gold mine in Australia when complete in 2010. Korvest Ltd's main role has been delivering cable ladder. This project has helped Korvest Ltd establish itself as a competitive player in the Western Australian market with a proven capacity to handle large projects profitably.

KORVEST: HEALTH

Health services are an essential area of infrastructure development and Korvest Ltd has been involved in a number of projects in the sector ranging from new hospitals, to redevelopments and upgrades. The main products in this industry include cable tray and strut, along with pipe supports.

Projects include:

- Auburn Hospital Upgrade, NSW
- Rockhampton Hospital upgrade, Qld
- Lyall McEwin Hospital, SA
- Royal Children's Hospital, Vic
- Royal Women's Hospital, Vic
- Alfred Hospital, Vic
- Austin Hospital, Vic
- Northern Hospital, Vic
- Hollywood Hospital, WA
- Rockingham Hospital, WA
- Kalgoorlie Hospital, WA

Case Study:

Melbourne Royal Children's Hospital, Victoria

Korvest Ltd is supplying infrastructure to one of the world's most advanced Children's Hospitals - the new Melbourne Royal Children's hospital. Korvest Ltd was appointed as a supplier to this construction project because of its ability to provide a wide spectrum of high quality products for the job. Work on this $1 billion project alongside the existing hospital commenced in December 2007 and is set for completion in 2011.

KORVEST: WATER

Security of water supplies is driving infrastructure investment across Australia. Desalination plants and water treatment works have opened up opportunities for Korvest Ltd to supply product solutions. Pipe supports, cable tray and strut are the focus in this sector as well as Nema 20b cable ladder.

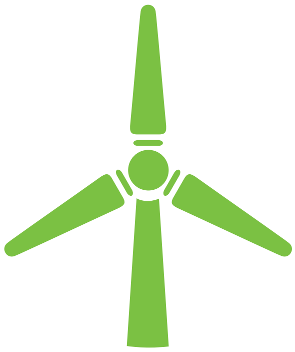
Projects include:

- Sydney Desalination Plant project, NSW
- Gold Coast Desalination Plant, Qld
- SA Water Lock and Weir projects, Bow Hill Engineering, SA
- City Green Alliance, SA
- Eastern Water Treatment Plant Stage one, Vic
- Sugar Loaf Pipeline, Vic
- Victorian Desalination Plant, Vic
- Watercorp maintenance and upgrades, WA
- New Mandurah Wastewater Treatment Facility, WA

Case Study:

Sydney Desalination Plant, New South Wales

To overcome the shortfall of water in NSW the state Government has invested in a desalination plant in Kurnell, Sydney. Korvest Ltd won the contract for the Sydney Desalination Plant project against fierce competition to supply cable support products. By the time Korvest Ltd's supplier role comes to an end in late 2009, this project will have provided the business with an opportunity to establish its name in the water sector.



KORVEST: **ENERGY**

Security of energy supplies into the future is driving investment across electricity networks. Korvest Ltd supplies products for power infrastructure upgrades and developments. Energy projects demand a range of products, with ladders and strut among the highest volume components.

Projects include:

- EnergyAustralia Substation upgrade, NSW
- Integral Energy Substation upgrade, NSW
- Kogan Creek Power Station, Qld
- Hallett Wind Farm, SA
- Bell Bay Power Station, Tas
- Uranquinty Power Station, Vic
- Mortlake Power Station, Vic
- Kwinana Power Plant, WA
- Neerabup Power Plant, WA
- Muja Power Plant, WA

Case Study:

EnergyAustralia electricity network upgrade, New South Wales

Korvest Ltd is involved with EnergyAustralia's $4.8 billion electricity network upgrade. This work includes the construction of more than 40 new major substations in Sydney and surrounding regions throughout NSW, and replacing equipment at existing stations. Korvest Ltd is supplying a range of solutions including stainless steel products, ladders and channel.

DIRECTORS' REPORT

Korvest Ltd and its controlled entities **for the year ended 30 June 2009**

The directors present their report together with the financial report of Korvest Limited ('the Company') and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2009 and the auditor's report thereon.

DIRECTORS

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

Name, qualifications and independence status	**Peter W Stancliffe** BE (Civil) FAICD Non-Executive Director	**Alexander H W Kachellek** BSc. C. Eng. MIET Managing Director	**Graham L Twartz** BA (Adel), Dip Acc (Flinders) Non-Executive Director
Age	61	56	52
Experience, special responsibilities and other directorships	Appointed as a Director and Chairman on 1 January 2009. Director Hills Industries Limited. Director Automotive Holdings Group Limited.	A Director since June 2007. Mr Kachellek has experience in a number of industries including Data Communications and Automotive, Lean Operations Consultancy and Manufacturing.	A Director since 1999. Chairman of Audit Committee. Managing Director, Hills Industries Limited. Director, Fielders Australia Pty Ltd.

Pictured left to right: Board Members Peter Brodribb, Peter Stancliffe, Alexander Kachelleck, Steven McGregor, Graham Twartz.

Peter Brodribb	Steven J W McGregor	David J Simmons
FIE (Aust) Non-Executive Director	CA, BA (Acc) Finance Director	BA (Accountancy) Chairman until 31 December 2008 Non-Executive Director
64	37	55
A Director since 1984. Appointed Non-Executive Director in January 2005 after retiring from the position of Managing Director that he had held since 1984.	Company Secretary since April 2008. Appointed as Finance Director 1 January 2009.	A Director since 1994. Former Managing Director, Hills Industries Limited. Chairman, South Australian Centre for Innovation. Director, Codan Limited, Gunns Limited. Board Member Thomson Playford Lawyers. Resigned 31 December 2008.

COMPANY SECRETARY

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

RE-ELECTIONS

In accordance with our Articles of Association Peter Stancliffe, Peter Brodribb and Steven McGregor retire from the Board at the forthcoming Annual General Meeting on 16 October 2009. All are eligible for re-election at that meeting and offer themselves accordingly.

DIRECTORS' MEETINGS

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

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr P.W. Stancliffe	7	7	1	1	1	1
Mr A.H.W. Kachellek	13	13	-	-	-	-
Mr G.L. Twartz	13	13	2	2	1	1
Mr P. Brodribb	12	13	2	2	-	1
Mr S.J.W. McGregor	7	7	-	-	-	-
Mr D.J. Simmons	6	6	-	1	-	-

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

FINANCIAL RESULTS

The revenue from trading activities including financial revenues for the year under review was $62.972m up 14% on the previous year. Profit after tax was $5.655m up by 19.9%. These results were particularly pleasing in light of the economic conditions that presented themselves over the course of the year. The year saw dramatic fluctuations in steel prices and the value of the Australian dollar against the US dollar which added to the challenges faced by the business.

DIVIDENDS

The Directors announced a fully franked final dividend of 17.0 cents per share compared to 14.0 cents per share last year and 17.0 cents at the half year. The full year dividend in relation to the 2009 year will be 34.0 cents per share compared to 28.0 cents per share for the previous year.

The final dividend will be paid on 1st September 2009.

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

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year 2009				
Interim 2009 ordinary	17.0	1,461	Fully franked	6 March 2009
Final 2008 ordinary	14.0	1,199	Fully franked	1 September 2008
Total amount		2,660		

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

Declared after end of year

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

Final ordinary	17.0	1,461	Fully franked	1 September 2009
Total amount		1,461		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in subsequent financial reports.

	Note	Total amount $'000
Dividends have been dealt with in the financial report as:		
- Dividends	*23*	2,660
- Noted as a subsequent event		1,461

STRATEGY AND FUTURE PERFORMANCE

It is expected that the markets in which Korvest's businesses operate will be subdued during 2010. However given the Company's already significant position in these markets, the Company should continue to produce a satisfactory result. The Company is well placed to take advantage of any improved economic conditions during the coming year.

ACTIVITIES

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

REVIEW OF OPERATIONS

The consolidated entity is comprised of EzyStrut, Korvest Galvanisers and Indax.

EzyStrut

The EzyStrut cable and pipe support business supplies products to contractors for small industrial developments and also supplies products for major infrastructure developments. Major infrastructure developments were particularly prevalent in the first half. They did reduce however in the second half as the economic climate worsened. The smaller industrial developments did remain strong for the entire year. This solid "day-to-day" business underpinned a strong result for the year for this business. The cost of imports from China increased due to input cost and currency fluctuations.

Korvest Galvanisers

The Galvanising business made a very strong start to the year however experienced a weakening in demand in the last quarter of the year as overall demand in the industry slowed appreciably. For a few years now there has been a strong management focus on productivity and process improvements and this has resulted in positive outcomes for the business during both the peaks and troughs of the cycle. During the months when demand was high the plant was able to efficiently process improved tonnages to satisfy the demand whilst when the demand waned, the plant was still able to operate profitably at those lower volumes.

Indax

The Indax grating and stanchion business built on the solid foundation laid in FY2008 and experienced significant growth over the entire period. The focus of the business became more national during the year and work was won in all mainland states. In particular, as a result of successes in Queensland and Western Australia, specific representation was put in place in these states to capitalise on the opportunities available in those markets.

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTNG DATE

At the date of this report there is no matter or circumstance that has arisen since 30th June 2009, that has significantly affected, or may significantly affect:

(i) the operations of the consolidated entity;

(ii) the results of those operations; or

(iii) the state of affairs of the consolidated entity;

in the financial years subsequent to 30th June 2009.

LIKELY DEVELOPMENTS

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

DIRECTORS AND OFFICERS INSURANCE

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

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

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

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

REMUNERATION REPORT

Principles of compensation - audited

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages are made up of fixed remuneration and performance-based remuneration. The remuneration structure takes into account,

a) the overall level of remuneration for each director and executive;

b) the executive's ability to control performance; and

c) the amount of incentives within each executive's remuneration.

The Managing Director's incentive is paid as a fixed percentage on the consolidated earnings before interest and income tax. Incentives for other executives are paid as a fixed percentage of their divisional earnings before interest and taxation (EBIT). The incentive percentage paid ranges from 0.5% to 5%. Executives also receive shares as part of the Employee Bonus Share Plan that is equally available to all employees who meet the plan service requirements and options as part of the Executive Share Plan. The Board considers that the above performance structure is generating the desired outcome.

Non-executive directors receive a fixed fee. The total remuneration for all non-executive directors was last voted upon by shareholders at the AGM held on 27 October 2000 and is not to exceed $150,000. The Notice of Meeting for the 2009 Annual General meeting contains a resolution that this amount be increased to $200,000.

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

REMUNERATION REPORT (continued)

Directors and Executive Remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each director of the company, each of the five named Company and Group executives who receive the highest remuneration and other key management personnel are:-

Name	Date	Short Term		Post employment
		Salary & Fees $	Bonus $	Superannuation benefits $
Specified Directors				
P.W. Stancliffe (appointed 1 Jan 2009) *Non-executive (Chairman)*	2009	25,000	-	2,250
	2008	-	-	-
G.L. Twartz *Non-executive (Director)*	2009	27,925	-	-
	2008	24,820	-	-
P. Brodribb *Non-executive (Director)*	2009	27,925	-	2,513
	2008	24,820	-	2,234
A.H. Kachellek *Executive (Managing Director)*	2009	210,941	105,786	27,996
	2008	201,472	60,000	23,547
S.J.W. McGregor (commenced April 2008 as CFO, appointed Finance Director 1 Jan 2009) *Executive (Finance Director)*	2009	183,490	5,000	17,021
	2008	43,092	-	3,892
Former Directors				
D.J. Simmons (resigned 31 Dec 2008) *Non-executive (Chairman)*	2009	12,930	-	-
	2008	24,820	-	-
J.A. Easling (resigned April 2008) *Non-executive (Director)*	2009	-	-	-
	2008	20,508	-	1,846
N. Peake (resigned May 2008) *Executive (Finance Director)*	2009	-	-	-
	2008	142,996	5,000	13,320
Specified Executives				
D.M. Salvaterra (ceased employment 11 February 2009) *General Manager Ezystrut*	2009	88,390	100,849	24,288
	2008	140,002	128,746	23,150
C.A. Hartwig *General Manager Ezystrut & Indax (commenced 17 April 2009)* *General Manager Galvanising & Indax (ceased 16 April 2009)*	2009	165,631	101,161	24,770
	2008	158,003	50,336	19,323
C.D. Peck *General Manager Operations*	2009	130,003	63,449	17,603
	2008	120,002	63,414	16,018

Termination benefits $	Share based payments Shares $	Share based payments Options $	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
-	-	-	27,250	-	-
-	-	-	-	-	-
-	-	-	27,925	-	-
-	-	-	24,820	-	-
-	-	-	30,438	-	-
-	-	-	27,054	-	-
-	-	5,374	350,097	30.2	1.54
-	-	2,215	287,234	20.9	0.77
-	-	131	205,642	2.4	0.06
-	-	-	46,984	-	-
-	-	-	12,930	-	-
-	-	-	24,820	-	-
-	-	-	-	-	-
-	-	-	22,354	-	-
-	-	-	-	-	-
-	-	-	161,316	3.1	-
154,074	500	-	368,101	27.4	0.14
-	1,000	3,482	296,380	43.4	1.17
-	500	1,965	294,027	34.4	0.67
-	-	1,452	229,114	22.0	0.63
-	1,000	1,709	213,764	29.7	0.80
-	-	1,196	200,630	31.6	0.60

REMUNERATION REPORT (continued)

Options and rights over equity instruments granted as compensation - audited

All options refer to options over ordinary shares of Korvest Ltd, which are exercisable on a one-for-one basis under the Executive Share Plan.

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted during 2009	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of Options vested during 2009 under AIFRS	Number of Options vested during 2009 under ASX
Directors							
A Kachellek	30,000	12 Mar 2009	0.087	3.79	Jan 2031	-	-
S McGregor	15,000	12 Mar 2009	0.087	3.79	Jan 2031	-	-
Executives							
C Hartwig	10,000	12 Mar 2009	0.087	3.79	Jan 2031	-	-
C Peck	10,000	12 Mar 2009	0.087	3.79	Jan 2031	-	-

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options vest two years from grant date. In addition to the continuing employment service condition, the vesting of the options is conditional on a performance hurdle. The performance hurdle requires that the total of the weighted average price of shares traded on the Australian Securities Exchange in the five business days up to and including 31 December 2010 when added to the total dividends paid by the Company in the two year preceding periods exceeds an estimated $4.20.

After the vesting date and upon exercise the individuals must pay the exercise price over a maximum term of 20 years. Dividends, after deduction of an amount intended for the participants' tax, are applied in payment of the exercise price. The arrangement to pay the exercise price over 20 years is interest free and without personal recourse to the participants (recourse is limited to the shares themselves).

Exercise of options granted as compensation

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

REMUNERATION REPORT (continued)

Analysis of options and rights over equity instruments granted as compensation - audited

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

	Options Granted				Year in which grant vests
	Number	Date	% vested in year	% forfeited or lapsed in year	
Directors					
A Kachellek	30,000	March 2007	-%	100%	30 June 2009
	30,000	March 2008	-%	-%	30 June 2010
	30,000	March 2009	-%	-%	30 June 2011
S McGregor	15,000	March 2009	-%	-%	30 June 2011
Executives					
D Salvaterra	15,000	March 2007	-%	100%	30 June 2009
	10,000	March 2008	-%	100%	30 June 2010
C Hartwig	10,000	March 2007	-%	100%	30 June 2009
	10,000	March 2008	-%	-%	30 June 2010
	10,000	March 2009	-%	-%	30 June 2011
C Peck	7,500	March 2007	-%	100%	30 June 2009
	10,000	March 2008	-%	-%	30 June 2010
	10,000	March 2009	-%	-%	30 June 2011

The minimum value of options yet to vest is $Nil as the performance criteria may not be met and consequently the option may not vest. The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the option is exercised.

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company Director and key executives are detailed below.

	Value of Options		
	Granted in year $ (A)	Exercised in year $ (B)	Lapsed or forfeited in year $ (C)
Directors			
A Kachellek	2,616	-	12,780
S McGregor	1,308	-	-
Executives			
D Salvaterra	-	-	11,955
C Hartwig	872	-	5,130
C Peck	872	-	3,848

REMUNERATION REPORT (continued)

Analysis of options and rights over equity instruments granted as compensation – audited

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option- pricing model. The total value of the options granted is included in the previous table on page 21. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2009 to 1 July 2014) which includes the minimum service period.

(B) The value of options exercised during the year is calculated as the market price of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. No options were exercised for accounting purposes during the financial year.

(C) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a binominal option – pricing model with no adjustments for whether the performance criteria had been achieved. The options issued in March 2007 lapsed during the year.

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

Analysis of bonuses included in remuneration – audited

Executive bonuses are paid based on either consolidated earnings before interest and taxation (EBIT) or divisional EBIT depending on the responsibilities of the individual executive. A percentage of EBIT is determined at the beginning of the year based on budgets. This percentage is then applied to actual EBIT achieved. Potential bonuses paid to executives under this methodology are not capped.

DIRECTORS' INTERESTS

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

	Korvest Ltd Ordinary Shares	Korvest Ltd Share Options	Hills Industries Limited Ordinary Shares	Hills Industries Limited Share Options
Peter William Stancliffe	1,000	-	17,115	-
Alexander Henrik Wilhelm Kachellek	529	60,000	-	-
Peter Brodribb	15,781	-	14,508	-
Graham Lloyd Twartz	29,115	-	211,486	160,000
Steven John William McGregor	500	15,000	-	-

NON-AUDIT SERVICES

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

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

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

FINANCIAL INSTRUMENTS DISCLOSURE

The consolidated entity's activities expose it to interest rate fluctuations and credit, liquidity and cash flow risks from its operations. The Board has established policies and procedures in each of these areas to manage these risks. For details of financial instruments refer to Note 24 to the financial statements.

ENVIRONMENT

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The consolidated entity has established a process whereby compliance with existing environmental regulations and new regulations is monitored continually. This process includes procedures to be followed should an incident occur which adversely impacts the environment.

The Directors are not aware of any breaches of environmental legislation during the financial year which are material in nature. The consolidated entity has, in accordance with its compliance policy, been investigating whether the quality of soil and ground water is affected by the operations of the site's previous owners.

The Directors are satisfied that these investigations and actions taken to date will ensure continued compliance with environmental legislation.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 75 and forms part of the directors' report for the financial year ended 30 June 2009.

ROUNDING OFF

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

Signed at Adelaide this Friday 28th of August 2009 in accordance with a resolution of the Directors.

P. W. STANCLIFFE, Director

A. H. W. KACHELLEK, Director

WORKING TOGETHER

"If you were to connect all the springs from the channel nuts Korvest purchased in 2008–09, they would reach around the boundary line of the MCG 102 times"

GALVANISING RELATIONSHIPS

"Approximately 50% of Korvest Galvanising's production is for EzyStrut and Indax"

FIVE YEAR SUMMARY

		2009	2008	2007	2006	2005
Sales Revenue	($'000)	62,892	54,877	45,434	40,667	32,058
Profit after tax	($'000)	5,655	4,716	4,583	4,122	3,061
Depreciation/Amortisation	($'000)	985	695	605	789	617
Cash flow from operations	($'000)	7,590	2,178	3,244	17	2,662
Profit from ordinary activities						
- As % of Shareholders' Equity		19.5%	18.1%	21.1%	21.4%	17.9%
- As % of Sales Revenue		9.0%	8.6%	10.1%	10.1%	9.5%
- Per issued share		65.8c	54.9c	53.7c	48.4c	36.1c
Dividend						
- Total amount	($'000)	2,660	2,395	2,219	2,131	1,784
- Per issued share		34.0c	28.0c	27.0c	25.0c	21.0c
- Times covered by profit from ordinary activities		2.1	2.0	2.0	1.9	1.7
Number of employees		204	194	187	164	161
Shareholders						
- Equity to total assets ratio		77%	75%	75%	71%	67%
- Number at year end		1,094	1,056	1,125	1,015	1,048
Net assets per issued ordinary share		$3.36	$3.06	$2.54	$2.26	$2.02

Information has been calculated in accordance with Australian equivalents to IFRS.

CORPORATE GOVERNANCE STATEMENT

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

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company complies with the ASX recommendation of recognising and publishing the respective roles and responsibilities of Board and management.

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

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

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

- Acting as an interface between the Company and shareholders;
- Setting the goals of the Company;
- Reviewing the annual progress and performance of the Company in meeting its objectives;
- Providing the overall strategic direction of the Company;
- Determining policies governing the operations of the Company;
- Appointing and approving the terms and conditions of the appointment of the Managing Director (MD);
- Reviewing and providing feedback on the performance of the MD;
- Endorsing the terms and conditions for senior executives reporting to the MD through the Remuneration Committee;
- Establishing and determining the powers and functions of the committees of the board, including the Audit and the Remuneration Committee;
- Approving major operating plans;
- Approving the annual budget and long-term budgets;
- Board approval of all banking facilities;
- Approving all significant items of capital expenditure;
- Approving all significant operational expenditures outside budget;
- Approving all mergers and acquisitions, and property acquisitions and disposals;
- Approving the issue or cancellation of shares;
- Approving all significant loans to outside parties or employees;
- Approving half-yearly and yearly accounts;
- Keeping the market informed about Korvest in accordance with ASX rules;
- Reviewing its own performance;
- Resolution of major issues of material nature affecting the organisation;
- Approving management reporting processes and documentation;

- Approving all significant contracts, leases and other company commitments; and
- Ensuring that all requirements of the ASX, ASIC, ACCC, ATO and other relevant legislation are met.

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

Executive performance

The Managing Director via a formal performance management process reviews the performance of senior executives regularly. The executives are assessed on their performance against specified performance objectives. During the reporting period each senior executive has undertaken this process with the Managing Director.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

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

Board composition

The Company constitution allows for a maximum of ten directors. The Company Board currently comprises five directors, three being non-executive directors plus the Managing Director and Finance Director. The directors come from a variety of business and professional backgrounds and bring to the Board a range of skills and experience relevant to the consolidated entity. Details of the directors' experience, expertise and terms in office are set out on page 12-13 of this annual report.

Board independence

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

In the event of a tied vote, the Chairman, a non-independent non-executive director, has the casting vote. This is not in accordance with ASX recommendation 2.1 but is considered appropriate by the directors for a small, established public company.

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

The skills and experience of each director is set out in the Director's Report.

The role of the Chairman

The Chairman, Mr P W Stancliffe, whilst non-executive, is a non-independent director. This is not in accordance with ASX recommendation 2.2 but is considered appropriate given that Hills Industries Limited holds 46% of the shares in the company. Mr Stancliffe's considerable experience in the various industries within which the consolidated entity operates and the various positions and activities engaged in outside the entity are considered invaluable in his role as Chairman.

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

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

Nomination Committee

The Board has not established a Nomination Committee due to the size of the consolidated entity.

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

Board performance

The company Board informally reviews the operations of the Board and its committees and the performance of its individual directors. The review is conducted annually, focusing on a few key issues each year with a view to assessing overall performance over a three year period. The Board has also formalised a process for the induction of new directors to ensure they are provided with the information required to properly perform their role.

Board operations

During 2009 the Board met 13 times and the directors' attendance at those meetings is set out on page 14 of this annual report. The directors receive a comprehensive Board pack, which includes financial statements and executive reports. The Chairman and the Managing Director communicate regularly between Board meetings. Senior executives attend and present to Board and committee meetings on particular issues when required.

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

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

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

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

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

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

Share dealings by directors and officers

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

The Board has adopted a share dealing policy that specifically precludes directors and officers from buying or selling shares within 45 days prior to the announcement of the annual or half-year results, the day of and the day after the announcements and if in possession of price sensitive information not generally available to the public. A copy of the policy is available on the Korvest website and details of directors' individual shareholdings are set out in Note 29 to the financial statements.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

Commitment to financial integrity

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

Audit Committee

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

The committee consists of three directors, all of whom are non-executive and non-independent. The Chairman of the committee is a non-independent director who is not the Chairman of the Board. The composition of the committee is not in accordance with ASX recommendation 4.3 but is considered appropriate by the directors for a small, established public company. The Managing Director, Finance Director and external auditors are invited to attend the committee meetings. Details of membership and attendance at committee meetings are set out on page 14 of this annual report.

Audit process

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

Auditor independence

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

Risk management and oversight

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

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

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

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

The Board has established continuous disclosure controls to ensure compliance with the ASX Listing Rules that include senior executives providing regular sign-off concerning matters that require disclosure to the ASX.

PRINCIPLE 6 -
RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

- the annual report distributed at the end of September each year; and
- making appropriate disclosure to the market where necessary.

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

PRINCIPLE 7 -
RECOGNISE AND MANAGE RISK

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

The Audit and Compliance Committee oversees the operation of the risk management controls established by the Company.

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

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

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

PRINCIPLE 8 -
REMUNERATE FAIRLY AND RESPONSIBLY

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

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

Commitment to responsible executive remuneration

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

Remuneration Committee

The Remuneration Committee sets policies for directors' and senior officers' remuneration, makes specific recommendations to the Board on the remuneration of directors and senior officers and undertakes a detailed review of the performance of the Managing Director at least annually. The committee consists of three non-executive, non-independent directors. Details of membership and attendance at committee meetings are set out on page 14 of this annual report.

Directors' remuneration

The remuneration of non-executive directors is different to that of executives. Executive directors receive a salary and may receive shares in accordance with plans approved by shareholders. Further details in respect of executive remuneration are set out on page 17 to 22 of this report.

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

When reviewing directors' fees, the Board takes into account any changes in the size and scope of the consolidated entity's activities, the potential liability of directors and the demands placed on them in discharging their responsibilities. The Board also considers the advice of independent remuneration consultants.

Retirement benefits

Directors receive their statutory superannuation entitlements only.

OTHER ITEMS

Indemnity and insurance of directors

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

Commitment to its staff

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

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

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

Commitment to the environment

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

Commitment to the community

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

COMMUNITY SPIRIT

"Thank you for the wonderful job you did at our barbecue – we were able to raise $3600 over the two days to turn this into a quarterly event – fantastic."

– Community Food SA

FINANCIAL STATEMENTS

Korvest Ltd and its controlled entities
For the year ended 30 June 2009

INCOME STATEMENTS

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**
Revenue	*6*	62,892	54,877	62,892	54,613
Other income		4	134	4	116
		62,896	55,011	62,896	54,729
Expenses, excluding net financing costs	*7*	(54,878)	(48,466)	(54,857)	(48,872)
Profit before financing costs		8,018	6,545	8,039	5,857
Financial income	*10*	76	221	76	221
Net financing income		76	221	76	221
Profit before income tax		8,094	6,766	8,115	6,078
Income tax expense	*11*	(2,439)	(2,050)	(2,439)	(2,050)
Profit for the year		5,655	4,716	5,676	4,028
Attributable to:					
Equity holders of the parent		5,655	4,716	5,676	4,028
Profit for the year		5,655	4,716	5,676	4,028
Earnings per share attributable to the ordinary equity holders of the Company:					
Basic earnings per share from continuing operations	*12*	0.66	0.55		
Diluted earnings per share from continuing operations	*12*	0.66	0.55		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 41 to 71

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**
Revaluation of property		-	3,164	-	3,164
Tax effect of revaluation		-	(1,153)	-	(1,153)
Foreign exchange translation differences	*23*	1	(49)	-	-
Net income recognised directly in equity		1	1,962	-	2,011
Profit for the period		5,655	4,716	5,676	4,028
Total recognised income and expense for the period	*23*	5,656	6,678	5,676	6,039
Attributable to:					
Equity holders of the parent		5,656	6,678	5,676	6,039
Total recognised income and expense for the period	*23*	5,656	6,678	5,676	6,039

Other movements in equity arising from transactions with owners as owners are set out in Note 23.

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 41 to 71.

BALANCE SHEETS

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**
Assets					
Cash and cash equivalents	*13*	4,002	2,012	4,002	1,952
Trade and other receivables	*14*	11,195	12,647	11,195	12,647
Inventories	*15*	8,483	7,822	8,483	7,822
Total current assets		**23,680**	22,481	**23,680**	22,421
Loans due from controlled entities	*14*	-	-	-	34
Property, plant and equipment	*18*	14,034	12,105	14,034	12,105
Total non-current assets		**14,034**	12,105	**14,034**	12,139
Total assets		**37,714**	34,586	**37,714**	34,560
Liabilities					
Trade and other payables	*19*	5,064	5,373	5,064	5,367
Employee benefits	*21*	1,027	1,203	1,027	1,203
Income tax payable	*16*	756	414	756	414
Provisions	*22*	571	189	571	189
Total current liabilities		**7,418**	7,179	**7,418**	7,173
Loans and borrowings	*20*	-	-	-	-
Employee benefits	*21*	335	274	335	274
Deferred tax liability	*17*	683	869	683	869
Provisions	*22*	228	262	228	262
Total non-current liabilities		**1,246**	1,405	**1,246**	1,405
Total liabilities		**8,664**	8,584	**8,664**	8,578
Net assets		**29,050**	26,002	**29,050**	25,982
Equity					
Issued capital		3,617	3,580	3,617	3,580
Reserves		3,217	3,201	3,317	3,302
Retained earnings		22,216	19,221	22,116	19,100
Total equity attributable to equity holders of the parent		**29,050**	26,002	**29,050**	25,982
Total equity	23	**29,050**	26,002	**29,050**	25,982

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 41 to 71.

STATEMENTS OF CASH FLOWS

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities					
Cash receipts from customers		70,711	56,928	70,711	56,628
Cash paid to suppliers and employees		(60,914)	(52,993)	(60,854)	(52,924)
Cash generated from operations		9,797	3,935	9,857	3,704
Interest received		76	221	76	221
Income taxes paid		(2,283)	(1,978)	(2,283)	(1,978)
Net cash from operating activities	*28*	**7,590**	**2,178**	**7,650**	**1,947**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		11	225	11	204
Acquisition of property, plant and equipment	*18*	(2,951)	(2,439)	(2,951)	(2,439)
Net cash from investing activities		**(2,940)**	**(2,214)**	**(2,940)**	**(2,235)**
Cash flows from financing activities					
Loans (to) / repaid by controlled entities		-	-	-	222
Dividends paid	*23*	(2,660)	(2,395)	(2,660)	(2,395)
Net cash from financing activities		**(2,660)**	**(2,395)**	**(2,660)**	**(2,173)**
Net increase in cash and cash equivalents		1,990	(2,431)	2,050	(2,461)
Cash and cash equivalents at 1 July		2,012	4,489	1,952	4,413
Effect of exchange rate fluctuations on cash held		-	(46)	-	-
Cash and cash equivalents at 30 June	13	**4,002**	**2,012**	**4,002**	**1,952**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 41 to 71.

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1. REPORTING ENTITY

Korvest Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 580 Prospect Road, Kilburn SA 5084. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'Consolidated Entity'). The Group primarily is involved in manufacturing businesses as detailed in the segment note.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on 28th August 2009.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

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

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

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

(ii) Trade and other receivables

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

(iii) Trade and other payables

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

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

(iv) Interest-bearing borrowings

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

(v) Share capital

Ordinary shares

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

Dividends

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

(d) Property, plant and equipment

(i) Land and Buildings

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

(ii) Plant and Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) Subsequent costs

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

(iv) Depreciation

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

(v) Disposal

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

(e) Leased assets

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

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment (continued)

(ii) Non-financial assets

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

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

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

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

(h) Employee benefits

(i) Defined contribution superannuation funds

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

(ii) Long-term benefits

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

(iii) Short-term benefits

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

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

(iv) Share-based payment transactions

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits (continued)

Employee Share Bonus Plan

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

Executive Share Plan

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

(i) Provisions

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

(j) Revenue

(i) Goods sold

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

(k) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues.

Finance expenses comprise interest expense on borrowings. Interest expense is recognised as it accrues.

(l) Operating lease payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense and spread over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Earnings per share

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

(p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement on non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Standard will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New standards and interpretations not yet adopted (continued)

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operation Decision Maker in order to assess each segment's performance and to allocate resources to them. The Group is yet to determine the full impact of this new standard on the Group's disclosures.
- Revised AASB 101 *Presentation of Financial Statements (2007)* introduces the term comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and separate statement of comprehensive income. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in the grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements and are not expected to have any impact on the financial statements.

4. FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it also arises from receivables due from subsidiaries.

Trade and other receivables

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

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

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

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

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Liquidity risk

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

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. The Group also has banking facilities as detailed in Note 20 to manage liquidity risk.

4. FINANCIAL RISK MANAGEMENT (contiuned)

Market risk

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

Currency risk

With the closure of the New Zealand operations in November 2007 the Company now predominantly operates within Australia. The Company is exposed to currency risk with respect to some purchases that are denominated in currencies other than Australian Dollars (AUD). The currency in which these transactions are primarily denominated are US dollars (USD) and New Zealand Dollars (NZD).

Interest rate risk

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

Other market price risk

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

Capital management

The Group's and the company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Company is not subject to externally imposed capital requirements.

5. SEGMENT REPORTING

Business segments

The entity operates in the Industrial Products sector in the manufacture of electrical and cable support systems, steel fabrication, associated metal treatment and galvanising services.

Geographical segments

The entity operates predominately in Australia.

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**

6. REVENUE AND OTHER INCOME

Revenue					
Sales of goods		62,892	54,877	62,892	54,613
Other income					
Other income		4	134	4	116
		62,896	55,011	62,896	54,729

7. EXPENSES

Cost of goods sold		33,877	31,161	33,877	30,995
Distribution expenses		4,882	4,128	4,882	4,105
Sales and marketing expenses		11,416	9,940	11,416	9,781
Administration expenses		3,427	2,510	3,422	2,510
Occupancy expenses		800	608	778	535
Other expenses		476	119	475	118
Impairment loss on loan	*14*	-	-	7	828
		54,878	48,466	54,857	48,872

Profit from ordinary activities before income tax has been arrived at after charging / (crediting) the following items

Depreciation of buildings		57	47	57	47
Depreciation of plant and equipment		928	648	928	638
	18	985	695	985	685
Increase in provisions	*22*	435	150	435	150
Executive share plan expense	*21,23*	15	11	15	11
Employee share bonus plan expense	*21,23*	37	33	37	33
Impairment loss/(reversal) on trade receivables	*14*	220	(251)	220	(251)
Impairment loss/(reversal) on inventories	*15*	556	(62)	556	(62)
(Gain) / loss on disposal of property, plant and equipment		26	(7)	26	(23)

8. PERSONNEL EXPENSES

Wages and salaries		13,747	13,215	13,747	13,160
Other associated personnel expenses		3,489	2,579	3,489	2,572
Contributions to defined contribution superannuation funds	*21a*	1,116	889	1,116	889
Increase in liability for annual leave	*21*	53	79	53	81
Increase/decrease in liability for long service leave	*21*	(168)	33	(168)	33
Equity-settled transactions	*21b*	52	44	52	44
		18,289	16,839	18,289	16,779

		Consolidated		The Company	
In AUD	*Note*	**2009**	**2008**	**2009**	**2008**

9. AUDITORS' REMUNERATION

Audit services					
Auditors of the Company					
KPMG Australia:					
Audit and review of financial reports		52,000	47,000	52,000	47,000
Overseas KPMG Firms:					
Audit and review of financial reports		5,490	5,155	-	-
		57,490	52,155	52,000	47,000
Other services					
Auditors of the Company					
KPMG Australia					
Taxation services		29,770	5,000	29,770	5,000
Overseas KPMG Firms:					
Taxation Services		5,465	3,032	-	-
		35,235	8,032	29,770	5,000

In thousands of AUD

10. NET FINANCING COSTS

Interest income		76	221	76	221
Net financing income		76	221	76	221

11. INCOME TAX EXPENSE

Recognised in the Income Statement					
Current tax expense					
Current year		2,775	2,081	2,775	2,081
Adjustments for prior years		(150)	(16)	(150)	(16)
		2,625	2,065	2,625	2,065
Deferred tax expense					
Origination and reversal of temporary differences	*17*	(186)	(15)	(186)	(15)
Total income tax expense in Income Statement		2,439	2,050	2,439	2,050

In thousands of AUD	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008

11. INCOME TAX EXPENSE (continued)

Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax	8,094	6,766	8,115	6,078
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	2,428	2,030	2,434	1,823
Increase in income tax expense due to:				
Non-deductible expenses	161	36	155	243
Under / (over) provided in prior years	(150)	(16)	(150)	(16)
Income tax expense on pre-tax net profit	2,439	2,050	2,439	2,050
Income tax recognised directly in equity				
Revaluation of property	-	1,153	-	1,153
Total income tax recognised directly in equity	-	1,153	-	1,153

12. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $5,654,710 (2008: $4,715,752) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 8,577,644 (2008: 8,558,047). The calculation of diluted earnings per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $5,670,384 (2008: $4,726,416) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 8,631,610 (2008: 8,610,547).

Weighted average number of ordinary shares

In thousands of shares	Basic 2009	Basic 2008	Diluted 2009	Diluted 2008
Issued ordinary shares at 1 July	8,558	8,549	8,558	8,558
Effect of Employee Share Scheme	20	9	20	20
Effect of Executive Share Plan	-	-	54	52
Weighted average number of ordinary shares at 30 June	8,578	8,558	8,632	8,610

Earnings per share

Basic and diluted earnings per share

In AUD	2009	2008
From continuing operations	0.66	0.55
	0.66	0.55

13. CASH AND CASH EQUIVALENTS

In thousands of AUD	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Bank balances	1,490	1,274	1,490	1,214
Call deposits	2,512	738	2,512	738
Cash and cash equivalents in the Statement of Cash Flows	4,002	2,012	4,002	1,952

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**

14. TRADE AND OTHER RECEIVABLES

Current					
Other receivables and prepayments		109	172	109	172
Trade receivables		11,086	12,475	11,086	12,475
	24	11,195	12,647	11,195	12,647
Non-current					
Loans to controlled entities	*24*	-	-	-	34
		-	-	-	34

Company and Group trade receivables are shown net of provided impairment losses amounting to $249,000 (2008: $172,000) arising from the likely bankruptcy of certain customers. Loans to controlled entities are shown net of impairment losses of $835,000 (2008: $828,000).

15. INVENTORIES

Raw materials and consumables	1,424	2,007	1,424	2,007
Work in progress	110	303	110	303
Finished goods	6,949	5,512	6,949	5,512
	8,483	7,822	8,483	7,822

Finished goods for the Company and Group are shown net of impairment losses amounting to $1,114,000 (2008: $558,000) arising from the likely inability to sell a product range.

16. CURRENT TAX ASSETS AND LIABILITIES

The current tax liability for the consolidated entity and the Company of $756,051 (2008: $413,577) represent the amount of income taxes payable in respect of current and prior periods.

17. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated

	Assets		Liabilities		Net	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Property, plant and equipment	(134)	(175)	1,413	1,407	1,279	1,232
Inventories	(334)	(168)	356	431	22	263
Provisions / accruals	(544)	(575)	-	-	(544)	(575)
Other items	(74)	(51)	-	-	(74)	(51)
Tax (assets) / liabilities	(1,086)	(969)	1,769	1,838	683	869
Set off of tax	1,086	969	(1,086)	(969)	-	-
Net tax (assets) / liabilities	-	-	683	869	683	869

17. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The Company

In thousands of AUD	Assets 2009	Assets 2008	Liabilities 2009	Liabilities 2008	Net 2009	Net 2008
Property, plant and equipment	(134)	(175)	1,413	1,407	1,279	1,232
Inventories	(334)	(168)	356	431	22	263
Provisions / accruals	(544)	(575)	-	-	(544)	(575)
Other items	(74)	(51)	-	-	(74)	(51)
Tax (assets) / liabilities	(1,086)	(969)	1,769	1,838	683	869
Set off of tax	1,086	969	(1,086)	(969)	-	-
Net tax (assets) / liabilities	-	-	683	869	683	869

Movement in temporary differences during the year

In thousands of AUD	Consolidated Balance 1 July 08	Consolidated Recognised in income	Consolidated Recognised in equity	Consolidated Balance 30 June 09	The Company Balance 1 July 08	The Company Recognised in income	The Company Recognised in equity	The Company Balance 30 June 09
Property, plant and equipment	(1,232)	(47)	-	(1,279)	(1,232)	(47)	-	(1,279)
Inventories	(263)	241	-	(22)	(263)	241	-	(22)
Provisions / accruals	575	(31)	-	544	575	(31)	-	544
Other items	51	23	-	74	51	23	-	74
	(869)	186	-	(683)	(869)	186	-	(683)

In thousands of AUD	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08
Property, plant and equipment	(26)	(53)	(1,153)	(1,232)	(26)	(53)	(1,153)	(1,232)
Inventories	(428)	165	-	(263)	(428)	165	-	(263)
Provisions / accruals	597	(22)	-	575	597	(22)	-	575
Other items	126	(75)	-	51	126	(75)	-	51
	269	15	(1,153)	(869)	269	15	(1,153)	(869)

18. PROPERTY, PLANT AND EQUIPMENT

		Consolidated			The Company		
In thousands of AUD	*Note*	Land and buildings (fair value)	Plant and equipment (cost)	Total	Land and buildings (fair value)	Plant and equipment (cost)	Total
Balance at 1 July 2007		3,925	9,558	13,483	3,925	9,440	13,365
Other acquisitions		53	2,386	2,439	53	2,386	2,439
Revaluation		2,977	-	2,977	2,977	-	2,977
Disposals		-	(535)	(535)	-	(424)	(424)
Effect of movements in exchange rates		-	(7)	(7)	-	-	-
Balance at 30 June 2008		6,955	11,402	18,357	6,955	11,402	18,357
Balance at 1 July 2008		6,955	11,402	18,357	6,955	11,402	18,357
Other acquisitions		34	2,917	2,951	34	2,917	2,951
Disposals		-	(379)	(379)	-	(379)	(379)
Balance at 30 June 2009		6,989	13,940	20,929	6,989	13,940	20,929
Depreciation and impairment losses							
Balance at 1 July 2007		153	5,913	6,066	153	5,845	5,998
Depreciation charge for the year		47	648	695	47	638	685
Disposals		-	(317)	(317)	-	(244)	(244)
Effect of movements in exchange rates		-	(5)	(5)	-	-	-
Revaluation		(187)	-	(187)	(187)	-	(187)
Balance at 30 June 2008		13	6,239	6,252	13	6,239	6,252
Balance at 1 July 2008		13	6,239	6,252	13	6,239	6,252
Depreciation charge for the year		57	928	985	57	928	985
Disposals		-	(342)	(342)	-	(342)	(342)
Balance at 30 June 2009		70	6,825	6,895	70	6,825	6,895
Carrying amounts							
At 1 July 2007		3,772	3,645	7,417	3,772	3,595	7,367
At 30 June 2008		6,942	5,163	12,105	6,942	5,163	12,105
At 1 July 2008		6,942	5,163	12,105	6,942	5,163	12,105
At 30 June 2009		6,919	7,115	14,034	6,919	7,115	14,034

An independent valuation of Land and Buildings was carried out in March 2008 by Mr John Vestakis, AAPI, and Mr Adam Bald, GAPI of AON Valuation Services, on the basis of the open market value of the properties concerned in their existing use. Land was valued at $4,680,000 and buildings were valued at $2,275,000. The Directors considered the fair value of Land and Buildings during the current year and determined that the carrying values are appropriate. The carrying amount of the Land and Buildings at cost at 30 June 2009 if not revalued would be $1,431,288.

19. TRADE AND OTHER PAYABLES

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**
Other trade payables and accrued expenses		3,440	4,150	3,440	4,143
Non-trade payables and accrued expenses		1,624	1,223	1,624	1,224
	24	5,064	5,373	5,064	5,367

20. LOANS AND BORROWINGS

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

	Consolidated		The Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Non-current liabilities				
Unsecured government loan at nominal value	40	40	40	40
Fair value adjustment	(40)	(40)	(40)	(40)
Unsecured government loan at fair value	-	-	-	-

Financing facilities

	Consolidated		The Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Standby letters of credit	-	300	-	300
Unsecured bank facility	-	8,000	-	8,000
	-	8,300	-	8,300
Facilities utilised at reporting date				
Standby letters of credit	-	-	-	-
Unsecured bank facility	-	-	-	-
	-	-	-	-
Facilities not utilised at reporting date				
Standby letters of credit	-	300	-	300
Unsecured bank facility	-	8,000	-	8,000
	-	8,300	-	8,300

Financing arrangements

Standby letter of credit

The standby letter of credit facility was a committed facility, reviewed annually. The facility was discontinued during the financial year.

Unsecured bank facility

The unsecured bank facility was reviewed annually. The facility was discontinued during the financial year.

21. EMPLOYEE BENEFITS

Current

	Consolidated		The Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Liability for annual leave	690	637	690	637
Liability for long service leave	337	566	337	566
	1,027	1,203	1,027	1,203
Non Current				
Liability for long-service leave	335	274	335	274
Total employee benefits	1,362	1,477	1,362	1,477

(a) Defined contribution superannuation funds

The consolidated entity makes contributions to defined contribution superannuation funds. The amount recognised as expense was $1,116,261 for the financial year ended 30 June 2009 (2008: $889,234).

(b) Share based payments

In March 2005, the Group established a share option plan that entitles selected senior managers to acquire shares in the entity subject to the successful achievement of performance targets related to improvements in total shareholder returns over a two-year option period. During the year a further grant of options has been offered to these employees. In accordance with the plan these options are exercisable at the market price of the shares at the date of grant.

The options are exercisable if the total shareholder return (measured as share price growth plus dividends paid) over a two-year period from the grant date exceeds ten percent plus CPI per annum.

Once exercised the shares are forfeited if the holder ceases to be an employee of the Group within a further three-year period. The shares issued pursuant to these options are financed by an interest free loan from the holding company repayable within twenty years from the proceeds of dividends declared by the holding company. These loans are of a non-recourse nature. For accounting purposes these 20-year loans are treated as part of the options to purchase shares, until the loan is extinguished at which point the shares are recognised.

The options are offered only to selected senior managers. Details of the options are as follows:

Grant date	Number of options	Number outstanding at balance date AIFRS	Number outstanding at balance date ASX
March 2005	60,000	52,500	-
March 2008	120,000	60,000	60,000
March 2009	85,000	85,000	85,000
Total share options	265,000	197,500	145,000

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

21. EMPLOYEE BENEFITS (continued)

(b) Share based payments (continued)

Grant date	Exercise date	Expiry date	Exercise price	Number of options at beginning of year	Options granted	Options lapsed / forfeited	Options exercised	Number of options at end of year on issue
Consolidated and Company 2009								
Mar 05	Jan 07	Jan 2027	$4.36	52,500	-	-	-	52,500
Feb 07	Jan 09	Jan 2029	$5.48	70,000	-	(70,000)	-	-
Mar 08	Jan 10	Jan 2030	$6.00	70,000	-	(10,000)	-	60,000
Mar 09	Jan 11	Jan 2031	$3.79	-	85,000	-	-	85,000
				192,500	85,000	(80,000)	-	197,500
Weighted average exercise price				$5.36	$3.79			$4.61
Consolidated and Company 2008								
Mar 05	Jan 07	Jan 2027	$4.36	52,500	-	-	-	52,500
Feb 07	Jan 09	Jan 2029	$5.48	55,000	30,000	(15,000)	-	70,000
Mar 08	Jan 10	Jan 2030	$6.00	-	90,000	(20,000)	-	70,000
				107,500	120,000	(35,000)	-	192,500
Weighted average exercise price				$4.93	$5.87			$5.36

The fair value of services received in return for share options granted during the year was $7,412 (2008: $51,120). This amount is amortised over the life of the option and the three-year service period. The estimate of the fair value of the services received is based on a model which includes the length of the option period and the relationship between the market price at the date of the grant of the option and the strike price of the option. This method has been applied consistently.

Employee Expenses

	Consolidated		The Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Share options granted in 2005	5	1	5	1
Share options granted in 2007	3	6	3	6
Share options granted in 2008	6	4	6	4
Share options granted in 2009	1	-	1	-
Expense arising from employee share scheme	37	33	37	33
Total expense recognised as employee costs	52	44	52	44

22. PROVISIONS

In thousands of AUD	Site restoration and safety
Consolidated	
Balance at 1 July 2008	451
Provisions made during the year	435
Provisions used during the year	(87)
Balance at 30 June 2009	799
Current	571
Non-current	228
	799
The Company	
Balance at 1 July 2008	451
Provisions made during the year	435
Provisions used during the year	(87)
Balance at 30 June 2009	799
Current	571
Non-current	228
	799

Site restoration and safety

An initial provision of $360,000 was made during the financial year ended 30 June 2003 and further provisions have made in the intervening years in respect of the consolidated entity's obligation to rectify potential environmental damage and site safety issues at the main site premises in Kilburn. Some expenditure was required in relation to these issues during the financial year ended 30 June 2009 at a cost of $87,000 (2008: $316,000). A further provision of $435,000 (2008: $150,000) was identified during the financial year ended 30 June 2009. These costs will be expended over the financial year ending 30 June 2010 and future periods.

23. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

Consolidated

In thousands of AUD	*Note*	Share capital	Translation reserve	Revaluation reserve	Equity compensation reserve	Retained earnings	Total
Balance at 1 July 2007		3,547	(52)	1,264	16	16,900	21,675
Total recognised income and expense		-	(49)	2,011	-	4,716	6,678
Equity-settled transactions, net of tax	*21b*	33	-	-	11	-	44
Dividends to shareholders		-	-	-	-	(2,395)	(2,395)
Balance at 30 June 2008		3,580	(101)	3,275	27	19,221	26,002

23. CAPITAL AND RESERVES (continued)

Consolidated

In thousands of AUD	*Note*	Share capital	Translation reserve	Revaluation reserve	Equity Compensation Reserve	Retained earnings	Total
Balance at 1 July 2008		3,580	(101)	3,275	27	19,221	26,002
Total recognised income and expense		-	1	-	-	5,655	5,656
Equity-settled transactions, net of tax	*21b*	37	-	-	15	-	52
Dividends to shareholders		-	-	-	-	(2,660)	(2,660)
Balance at 30 June 2009		3,617	(100)	3,275	42	22,216	29,050

The Company

In thousands of AUD	*Note*	Share capital	Revaluation reserve	Equity Compensation Reserve	Retained earnings	Total equity
Balance at 1 July 2007		3,547	1,264	16	17,467	22,294
Total recognised income and expense		-	2,011	-	4,028	6,039
Equity-settled transactions, net of tax	*21b*	33	-	11	-	44
Dividends to shareholders		-	-	-	(2,395)	(2,395)
Balance at 30 June 2008		3,580	3,275	27	19,100	25,982
Balance at 1 July 2008		3,580	3,275	27	19,100	25,982
Total recognised income and expense		-	-	-	5,676	5,676
Equity-settled transactions, net of tax	*21b*	37	-	15	-	52
Dividends to shareholders		-	-	-	(2,660)	(2,660)
Balance at 30 June 2009		3,617	3,275	42	22,116	29,050

Share capital	**The Company Ordinary shares**	
In thousands of shares	**2009**	**2008**
On issue at 1 July	8,565	8,549
Issued under the Employee Share Bonus Plan	26	16
On issue at 30 June – fully paid	8,591	8,565

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

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

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

23. CAPITAL AND RESERVES (continued)

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Revaluation reserve

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

Equity Compensation Reserve

The reserve for own shares represents the value of shares held by an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. This reserve will be reversed against share capital or retained earnings when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

Dividends

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
2009				
Interim 2009 ordinary	17.0	1,461	Fully franked	6 March 2009
Final 2008 ordinary	14.0	1,199	Fully franked	1 September 2008
Total amount		2,660		
2008				
Interim 2008 ordinary	14.0	1,197	Fully franked	7 March 2008
Final 2007 ordinary	14.0	1,198	Fully franked	3 September 2007
Total amount		2,395		

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

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

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
Final ordinary	17.0	1,461	Fully franked	1 September 2009
Total amount		1,461		

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2009 and will be recognised in subsequent financial reports.

23. CAPITAL AND RESERVES (continued)

Dividends

	The Company	
In thousands of AUD	**2009**	**2008**
30% franking credits available to shareholders of Korvest Limited for subsequent financial years	10,862	9,381

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by $629,758 (2008: $513,893).

24. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

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

		Consolidated		Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**
Cash and cash equivalents	*13*	4,002	2,012	4,002	1,952
Trade and other receivables	*14*	11,444	12,647	11,444	12,647
Loan to controlled entity	*14*	-	-	-	34

Impairment losses

The aging of the Group and Company's trade receivables at the reporting date was:

Group

	Gross	Impairment	Gross	Impairment
In thousands of AUD	**2009**	**2009**	**2008**	**2008**
Not past due	6,540	-	8,984	-
Past due 0-30 days	3,398	-	2,700	-
Past due 31-90 days	991	-	667	-
More than 91 days	515	(249)	296	(172)
	11,444	(249)	12,647	(172)

Company

	Gross	Impairment	Gross	Impairment
In thousands of AUD	**2009**	**2009**	**2008**	**2008**
Not past due	6,540	-	8,984	-
Past due 0-30 days	3,398	-	2,700	-
Past due 31-90 days	991	-	667	-
More than 91 days	515	(249)	296	(172)
	11,444	(249)	12,647	(172)

24. FINANCIAL INSTRUMENTS (continued)

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

Group

In thousands of AUD	**2009**	**2008**
Balance at 1 July	(172)	(423)
Amounts written off against allowance	84	-
Impairment loss (recognised) / reversed	(161)	251
Balance at 30 June	(249)	(172)

Company

In thousands of AUD	**2009**	**2008**
Balance at 1 July	(172)	(423)
Amounts written off against allowance	84	-
Impairment loss (recognised) / reversed	(161)	251
Balance at 30 June	(249)	(172)

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 91 days.

The movement in the allowance for impairment in respect of loans to subsidiary during the year was as follows:

Company

In thousands of AUD	**2009**	**2008**
Balance at 1 July	(828)	-
Impairment loss (recognised) / reversed	(7)	(828)
Balance at 30 June	(835)	(828)

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

Liquidity risk

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

Consolidated

	2009			**2008**		
In thousands of AUD	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**Carrying amount**	**Contractual cash flows**	**6 mths or less**
Non-derivative financial liabilities						
Trade and other payables	5,064	(5,064)	(5,064)	5,373	(5,373)	(5,373)
	5,064	(5,064)	(5,064)	5,373	(5,373)	(5,373)

Company

	2009			**2008**		
In thousands of AUD	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**Carrying amount**	**Contractual cash flows**	**6 mths or less**
Non-derivative financial liabilities						
Trade and other payables	5,064	(5,064)	(5,064)	5,367	(5,367)	(5,367)
	5,064	(5,064)	(5,064)	5,367	(5,367)	(5,367)

24. FINANCIAL INSTRUMENTS (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

In thousands of AUD	NZD 30 June 2009	NZD 30 June 2008
Trade receivables	-	-
Trade payables	-	(6)
Gross balance sheet exposure	-	(6)

The Company did not have any material exposure to foreign currency risk.

As a result of the Group's small net exposure to foreign currency movements in the Australian dollar against other currencies will not have a material impact on the Group's profit or equity.

Interest rate risk

Exposure to interest rate risk

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

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

Consolidated

In thousands of AUD	*Note*	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Trade and other receivables	*14*	11,195	11,195	12,475	12,475
Cash and cash equivalents	*13*	4,002	4,002	2,012	2,012
Trade and other payables	*19*	(5,064)	(5,064)	(4,150)	(4,150)
		10,133	10,133	10,337	10,337

The Company

In thousands of AUD	*Note*	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Trade and other receivables	*14*	11,195	11,195	12,475	12,475
Loans to controlled entities	*14*	-	-	34	34
Cash and cash equivalents	*13*	4,002	4,002	1,952	1,952
Trade and other payables	*19*	(5,064)	(5,064)	(4,143)	(4,143)
		10,133	10,133	10,318	10,318

25. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Less than one year	599	639	599	614
Between one and five years	1,692	2,218	1,692	2,218
More than five years	-	184	-	184
	2,291	3,041	2,291	3,016

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

During the financial year ended 30 June 2009, $609,972 was recognised as an expense in the Income Statement in respect of operating leases (2008: $498,824).

26. CAPITAL AND OTHER COMMITMENTS

	Consolidated		The Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Capital expenditure commitments Plant and equipment				
Contracted but not provided for and payable:				
Within one year	241	206	241	206
One year or later and no later than five years	-	-	-	-
Later than five years	-	-	-	-
	241	206	241	206

27. CONSOLIDATED ENTITIES

	Note	Country of Incorporation	Ownership interest	
			2009	**2008**
Ultimate Parent entity				
Hills Industries Limited		Australia	46	46
Subsidiaries				
Korvest NZ Ltd		New Zealand	100	100

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

28. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

		Consolidated		The Company	
In thousands of AUD	*Note*	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities					
Profit for the period		5,655	4,716	5,676	4,028
Adjustments for:					
Depreciation	*18,7*	985	695	985	685
Impairment / (reversal) of trade receivables	*7*	220	(251)	220	(251)
Impairment / (reversal) of inventories	*7*	556	(62)	556	(62)
(Gain) / loss on sale of property, plant and equipment	*7*	26	(7)	26	(23)
Impairment of receivable		-	-	7	828
Equity-settled share-based payment expenses	*21*	52	44	52	44
Add/(less) amounts set aside to provisions:					
- employee benefits		878	821	878	822
- other	*22*	435	150	435	150
Profit before changes in working capital		8,807	6,106	8,835	6,221
(Increase)/decrease in trade and other receivables		1,232	(3,532)	1,258	(3,546)
(Increase)/decrease in inventories		(1,217)	120	(1,217)	(264)
(Decrease)/increase in trade and other payables		(309)	478	(303)	216
(Increase)/decrease in deferred tax assets and liabilities		(186)	(15)	(186)	(15)
(Decrease)/increase in income taxes payable		342	87	342	87
Increase in provisions and employee benefits		(1,079)	(1,066)	(1,079)	(752)
Net cash from operating activities		7,590	2,178	7,650	1,947

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Non-executive directors	**Executive Directors**	**Executives**
Peter W Stancliffe (Chairman) Appointed 1 January 2009	Alexander H W Kachellek (Managing Director)	D M Salvaterra (General Manager, Ezystrut), Ceased employment 11 February 2009
Graham Lloyd Twartz Peter Brodribb	Steven J W McGregor (Finance Director and Company Secretary) Appointed 7 April 2008 as CFO and appointed Finance Director 1 January 2009	C A Hartwig (General Manager, Galvanising & Indax), up until 16 April 2009, (General Manager EzyStrut & Indax) 17 April 2009 to 30 June 2009
David J Simmons (Chairperson) Resigned 31 December 2008	Nicole A Peake (Finance Director), Resigned 8 May 2008	C D Peck (General Manager, Operations)
John A Easling, Resigned April 2008		

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

	Consolidated		The Company	
In AUD	**2009**	**2008**	**2009**	**2008**
Short-term employee benefits	1,449,852	1,208,031	1,449,852	1,208,031
Other long term benefits	116,442	103,330	116,442	103,330
Termination benefits	154,074	-	154,074	-
Equity compensation benefits	11,179	9,345	11,179	9,345
	1,731,547	1,320,706	1,731,547	1,320,706

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report.

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

Other key management personnel transactions with the Company or its controlled entities

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

Options and rights over equity instruments

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

	Held at 1 July 2008 IFRS	Granted as compen-sation	Exercised	Other changes	Held at 30 June 2009 IFRS	Held at 30 June 2009 ASX	ASX Vested and exercised during the year ended 30 June 2009
Directors							
Alexander Kachellek	60,000	30,000	-	(30,000)	60,000	60,000	-
Steven McGregor	-	15,000	-	-	15,000	15,000	-
Executives							
David Salvaterra	40,000	-	-	(25,000)	15,000	-	-
Chris Hartwig	20,000	10,000	-	(10,000)	20,000	20,000	-
Carey Peck	17,500	10,000	-	(7,500)	20,000	20,000	-

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

No options held by key management personnel are vested but not exercisable.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Options and rights over equity instruments granted as compensation (continued)

	Held at 1 July 2007 IFRS	Granted as compen-sation	Exercised	Other changes*	Held at 30 June 2008 IFRS	Held at 30 June 2008 ASX	ASX Vested and exercised during the year ended 30 June 2008
Directors							
Alexander Kachellek	-	60,000	-	-	60,000	60,000	-
Nicole Peake	15,000	15,000	-	(30,000)	-	-	-
Executives							
David Salvaterra	30,000	10,000	-	-	40,000	25,000	-
Chris Hartwig	10,000	10,000	-	-	20,000	20,000	-
Carey Peck	7,500	10,000	-	-	17,500	17,500	-
Steven McGregor	-	-	-	-	-	-	-

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

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

Movements in shares

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

	Held at 1 July 2008	Purchases	Allocated under Employee share plan	Received on exercise of options	Sales	Held at 30 June 2009
Directors						
D. Simmons	500	-		-	(500)	-
P. Stancliffe	-	1,000				1,000
G. Twartz	24,115	5,000		-	-	29,115
P. Brodribb	15,781	-		-	-	15,781
S McGregor	-	500		-	-	500
A. Kachellek	500	29		-	-	529
Executives						
D. Salvaterra	6,128	-	178			6,306
C. Hartwig	-	-	144	-	-	144
C. Peck	-	-	261	-	-	261

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

30. NON-KEY MANAGEMENT PERSONNEL DISCLOSURES

Identity of related parties

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

Other related party transactions

Ultimate Parent Entity

During the year the following material transactions took place with Hills Industries Limited.

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
Sales	257,008	376,436	257,008	376,436
Purchases	942,480	831,697	942,480	822,192
Payment of dividends	1,227,708	1,108,898	1,227,708	1,108,898
Amounts payable at balance date (current)	97,833	60,168	97,833	60,168
Amounts receivable at balance date (current)	31,212	68,984	31,212	68,984

Subsidiaries

Loans are made by the Company to its wholly owned subsidiary. Loans outstanding between the Company and its controlled entities have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2009, no new loans were made to subsidiaries and repayments of $27,839 (2008: $221,640 repayment) were received. At 30 June 2009 an impairment loss of $834,516 (2008: $828,000) had been recognised in relation to the loan to the wholly owned subsidiary. The loan repayment made by the wholly owned subsidiary to the Company was the only transaction between the two entities during the year.

31. SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

1 In the opinion of the directors of Korvest Ltd ('the Company'):

(a) the financial statements and notes including the remuneration disclosures that are contained in the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

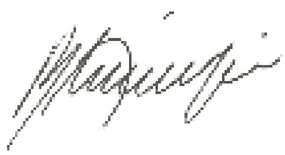
(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

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

2 The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2009 pursuant to Section 295A of the Corporations Act 2001.

Dated at Adelaide this 28th day of August 2009.

Signed in accordance with a resolution of directors:



Peter Stancliffe
Director

KPMG

Independent auditor's report to the members of Korvest Ltd

Report on the financial report

We have audited the accompanying financial report of Korvest Ltd (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Korvest Ltd for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Neil Faulkner
Partner

Adelaide

Dated this the 25th day of August 2009

KPMG

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

To: the directors of Korvest Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

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

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

KPMG

KPMG

Neil Faulkner
Partner

Adelaide

Dated this the [illegible] day of August 2009

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS (AS AT 28 AUGUST 2009)

Substantial shareholders

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

Shareholder	Number
Hills Finance Ltd	3,960,349
Donald Cant Pty Ltd	500,203

Voting rights

Ordinary shares

Refer to note 23 in the financial statements

Options

Refer to note 21 in the financial statements

Distribution of equity security holders

	Number Of Equity Security Holders		
Category	**Total Holders**	**Units**	**% Issued Capital**
1 - 1,000	594	201,644	2.33
1,001 - 5,000	398	1,009,460	11.68
5,001 - 10,000	77	581,298	6.73
10,000 - 100,000	60	1,437,468	16.63
100,000 and over	7	5,413,832	62.63
	1,136	8,643,735	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 22.

Securities Exchange

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

Other information

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

ASX ADDITIONAL INFORMATION (continued)

Twenty largest shareholders

Name	Number of ordinary Shares held	Percentage of capital held
Hills Finance Ltd	3,960,349	45.82
Donald Cant Pty Ltd	500,203	5.79
Cogent Nominees Pty Limited	259,054	3.00
Citicorp Nominees Pty Limited	244,133	2.82
JP Morgan Nominees Australia Limited	228,729	2.65
Angueline Investments Pty Limited	180,000	2.08
Mr John Frederick Bligh	101,040	1.17
Capucin Pty Ltd	91,182	1.05
Mr Benjamin Henderson	68,654	0.79
Ling Nominees Pty Ltd	61,900	0.72
Australian Reward Investment Alliance	58,500	0.68
Rotret Three Pty Ltd	54,108	0.63
Mardie Pty Ltd	50,358	0.58
Howard Securities Pty Ltd	46,885	0.54
Grinding Services Pty Ltd	44,735	0.52
ANZ Nominees Limited	41,770	0.48
LTM Nominees Pty Ltd	40,179	0.46
Mr Ronald Stacy Muggleton & Mrs Norma Muggleton	35,365	0.41
Mr Ric Gros	30,178	0.35
Mrs Sallie Anne Butterfield	29,094	0.34
	6,097,322	70.88

ASX ADDITIONAL INFORMATION (continued)

OFFICES AND OFFICERS

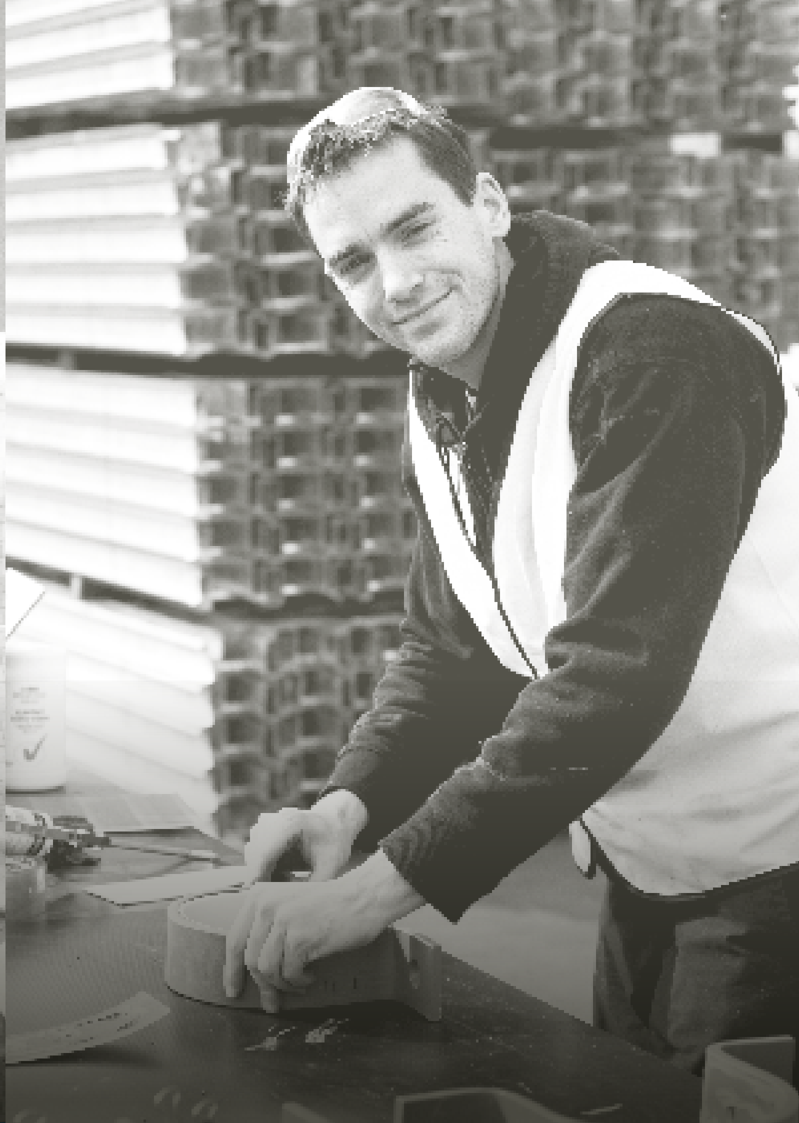
Company Secretary
Steven John William McGregor CA, BA(Acc)

Principal Registered Office
Korvest Ltd
580 Prospect Road
Kilburn, South Australia, 5084
Ph: (08) 8360 4500
Fax: (08) 8360 4599

Locations of Share Registries
Adelaide
Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
Adelaide, South Australia, 5000
Ph: (08) 8236 2300
Fax: (08) 8236 2305

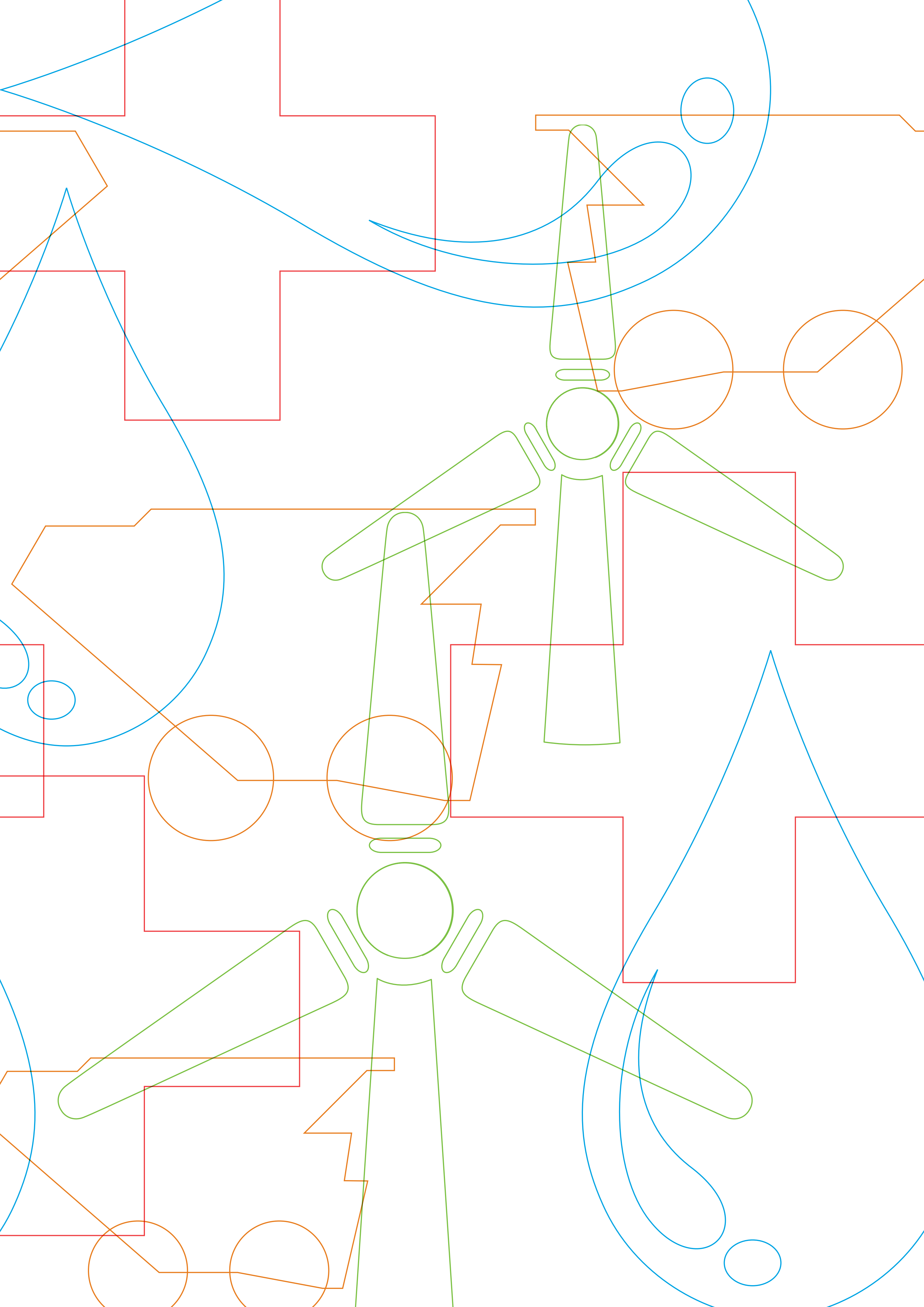
MANY HANDS

“Each Korvest Galvanisers’ employee handles an average of just under one tonne of steel per day”



DELIVERING ON OUR PROMISE

"In 348,390 warehouse stock transactions, the number of widgets Korvest has moved would equal the total population of South Korea (more than 48 million)"



KORVEST LTD

We deliver on our promise

EzyStrut

INDAX

korvest galvanisers