ANNUAL REPORT

2013

Korvest Ltd

We deliver on our promise

Korvest Ltd
and controlled entities
ABN 20 007 698 106

Annual Report
30 June 2013

Korvest Ltd
We deliver on our promise

A Market Leading Infrastructure Provider.

Korvest Ltd has a strong track record in providing complete solutions to the Mining, Petrochemical, Data/Communications, Civil Construction, Water and Energy sectors.

WWW.KORVEST.COM.AU

JOHN DICKIE
ENGINEERING MANAGER

STEVE JEFFS
HSEQ MANAGER

CHRIS HARTWIG
GENERAL MANAGER

EzyStrut

EzyStrut manufactures one of the most diverse ranges of cable and pipe support solutions in the industry, suitable for almost any application.

EzyStrut offers the market reliability with 5 warehouses nationally, consistency with stringent quality control, and innovative product designs created after listening to customers and understanding their expectations.

WWW.EZYSTRUT.COM.AU

STEVEN EVANS
GENERAL MANAGER

INDAX

Premium suppliers of gratings, handrails, stanchions, mesh, guarding and other walkway infrastructure. Indax is a business offering fast turnaround on all walkway infrastructure components and fabrications.

WWW.INDAX.COM.AU

STEVEN EVANS
GENERAL MANAGER

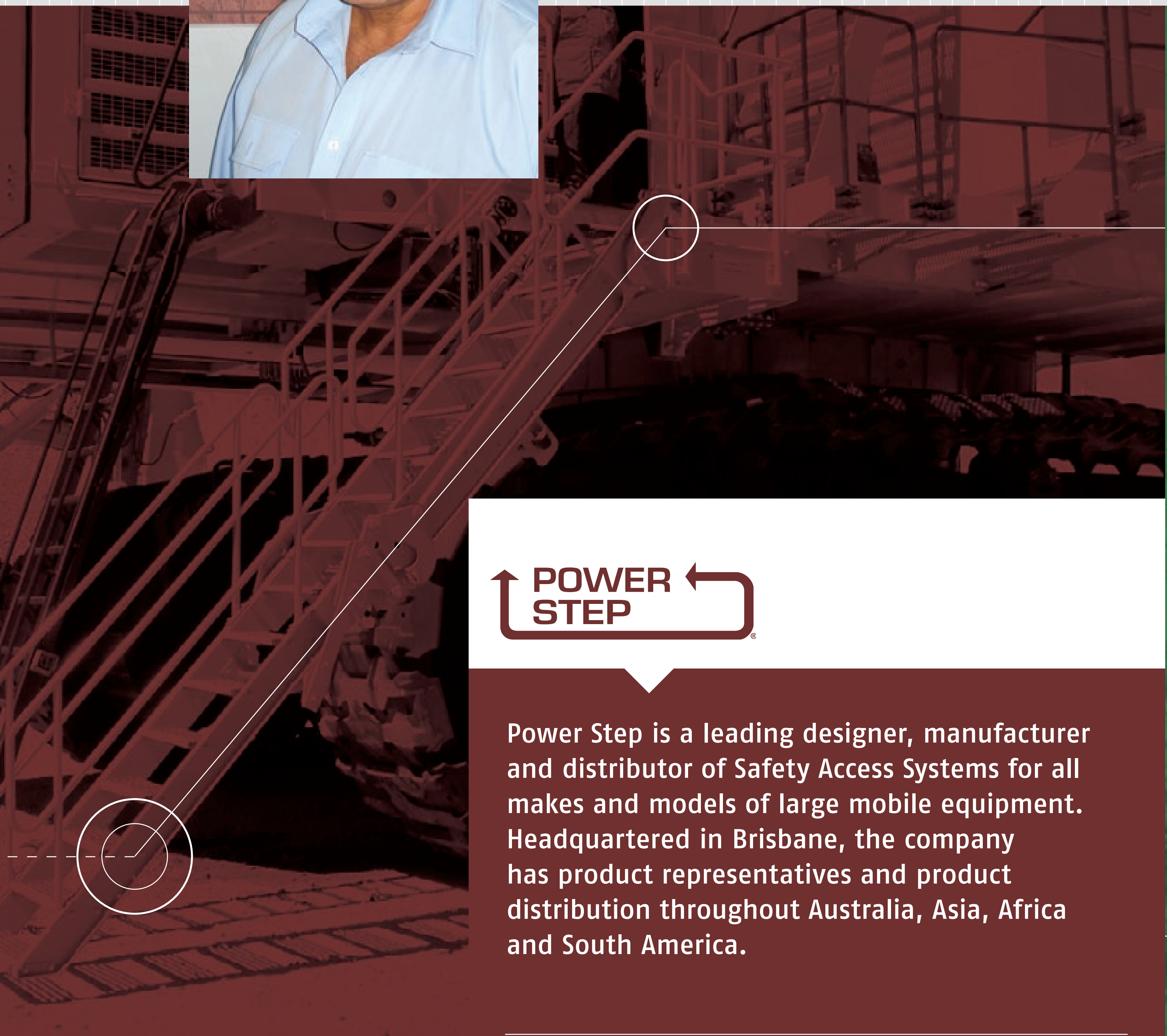
korvest galvanisers

Korvest Galvanisers is a leading and award winning galvaniser with the capability to hot dip galvanise a range of items from large and difficult fabrications to small fasteners, pipe fittings, castings, general brackets and other components.

Korvest Galvanisers finish all work to the AS4680:2006 standard.

WWW.KORVESTGALVANISERS.COM.AU

PAUL ASSAF
GENERAL MANAGER



POWER STEP

Power Step is a leading designer, manufacturer and distributor of Safety Access Systems for all makes and models of large mobile equipment. Headquartered in Brisbane, the company has product representatives and product distribution throughout Australia, Asia, Africa and South America.

WWW.POWERSTEP.COM.AU

PAUL ASSAF
GENERAL MANAGER

TITAN TECHNOLOGIES

Superior Bolting solutions for any industry. Titan Technologies (S.E. Asia) has diverse and extensive expertise and experience in bolting solutions. Recently, Titan has been directly involved with a number of projects in Australia and South East Asia developing bolting solutions and providing expert advice directly or jointly with affiliated Original Equipment Manufacturer product distributors.

WWW.TITANTOOLS.COM.AU

The directors present their report together with the consolidated financial statements of the Group comprising of Korvest Ltd ('the Company') and its subsidiaries for the financial year ended 30 June 2013 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:

PETER W STANCLIFFE
BE (CIVIL) FAICD — AGE 65

Chairman Independent Non-Executive Director

Appointed as a Director and Chairman on 1 January 2009

Director Hills Holdings Limited
Director Automotive Holdings Group Limited

ALEXANDER H W KACHELLEK
BSC.CENG MIET FAICD — AGE 60

Managing Director

A Director since June 2007

Mr Kachellek has experience in a number of industries including Data Communications and Automotive, Lean Operations Consultancy and Manufacturing
Director Austmine Ltd
Director Galvanising Association of Australia

PETER BRODRIBB
F.I.E (AUST) — AGE 68

Non-Independent Non-Executive Director

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

STEVEN J W MCGREGOR
BA (ACC), CA, ACSA, ACIS — AGE 41

Finance Director

Company Secretary since April 2008

Appointed as Finance Director 1 January 2009

GRAEME A BILLINGS
BCOM FCA MAICD — AGE 57

Independent Non-Executive Director

Appointed 3 May 2013

Chairman of Audit Committee
Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years where he was a senior partner in the Assurance practice
Director G.U.D. Holdings Limited
Director Clover Corporation Limited

EDWARD (TED) PRETTY
BA LLB (HONS) — AGE 55

Non-Independent Non-Executive Director

Appointed 3 September 2012

Managing Director, Hills Holdings Limited
Chairman of Audit Committee
Director NextDC Limited

Retired 25 March 2013

GRAHAM L TWARTZ
B.A.(ADEL), DIP ACC (FLINDERS) — AGE 56

Non-Independent Non-Executive Director

A Director since 1999

Chairman of Audit Committee
Former Managing Director, Hills Holdings Limited

Retired 2 September 2012

COMPANY SECRETARY

Mr Steven J W McGregor CA, ACSA, ACIS, 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 the Articles of Association, Peter Stancliffe and Graeme Billings retire from the Board at the forthcoming Annual General Meeting on 25 October 2013. Both 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:

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
DIRECTOR	A	B	A	B	A	B
Mr P.W. Stancliffe	13	13	2	2	1	1
Mr A.H.W. Kachellek	13	13	-	-	-	-
Mr G.L. Twartz	2	2	1	1		
Mr P. Brodribb	13	13	2	2	1	1
Mr S.J.W. McGregor	13	13	-	-	-	-
Mr E Pretty	4	7	-	1	-	-
Mr G Billings	3	3			1	1

A = Number of Board meetings attended

B = Total Number of Board meetings available for attendance

FINANCIAL RESULTS

The revenue from trading activities for the year under review was $61.72m, down 14.7% on the record previous year. Profit after tax was $3.825m, down by 38.3%. For much of the business it has been a difficult year reflecting a sharp contraction in available project work and a general diminution of business confidence. The first half results were underpinned by solid day-to-day trading with no major projects evident. It had been expected that this level of activity would continue through the second half however in the fourth quarter the day-to-day work also slowed significantly.
In February 2013 Korvest acquired Power Step (Australia) Pty Ltd and Titan Technologies (SE Asia) Pty Ltd. These newly acquired businesses did contribute positively to the group result in their four months of trading and like the other Korvest businesses, they experienced difficult trading conditions in the fourth quarter. More detailed discussion on these businesses is contained below in the review of operations.

DIVIDENDS

The directors announced a fully franked final dividend of 20.0 cents per share compared to 30.0 cents per share last year and 26.0 cents at the half year. The full year dividend in relation to the 2013 year will therefore be 46.0 cents per share compared to 53.0 cents per share for the previous year.

The final dividend will be paid on 6th September 2013.

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

DECLARED AND PAID DURING THE YEAR 2013

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
Interim 2013 ordinary	26.0	2,259	Fully franked	13 March 2013
Final 2012 ordinary	30.0	2,604	Fully franked	6 September 2012
Total amount		4,863		

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 for and there are no income tax consequences to the Company.

Final ordinary	20.0	1,763	Fully franked	6 September 2013
Total amount		1,763		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports.

	NOTE	TOTAL AMOUNT $'000
Dividends have been dealt with in the financial report as:		
-Dividends	23	4,863
-Dividends – subsequent to 30 June 2013	23	1,763

STRATEGY AND FUTURE PERFORMANCE

Korvest's businesses service a number of major markets including mining, infrastructure, commercial and industrial. Activity in most of these markets was subdued during the past year and business confidence and trading conditions appear challenging in the short term. However, there are still a number of significant projects, particularly in infrastructure and oil and gas, that are likely to proceed in the short to medium term and these will provide opportunities for all Korvest Group businesses. Korvest's national footprint and strong market position means that it is well placed to take advantage of opportunities as they arise in these markets.

Korvest continues to have a strong balance sheet providing the capacity for further growth by acquisition. Korvest would consider taking on a prudent level of debt to fund suitable acquisitions. In which case, as a guide, Korvest would look to maintain a gearing ratio, measured as net debt/(net debt plus equity), at below 25%.

Korvest has a long history of paying franked dividends. Since July 2012 the Korvest dividend policy has been to distribute 100% of after tax profits. This policy was adopted due to the Group's strong balance sheet, available franking credits and the absence of a sizeable acquisition. The policy remains in place for the 2013 final dividend. With the longer term goal being to grow the business by acquisition the dividend policy will continue to be monitored with these factors in mind. Subject to future growth opportunities and their funding requirements the longer term target dividend payout ratio is in the 65-90% range.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

The principal continuing activities of the Group consist of hot dip galvanising, sheet metal fabrication, walkway fabrication, manufacture of cable and pipe support systems and fittings, design and assembly of access systems for large mobile equipment and sale, repair and rental of high torque tools.

The Group is comprised of the Industrial Products Group which includes the EzyStrut and Indax businesses and the newly acquired Power Step and Titan Technologies businesses and the Production Group which includes the Korvest Galvanisers and Korvest Manufacturing businesses.

INDUSTRIAL PRODUCTS

In the Industrial Products group the EzyStrut cable and pipe support business supplies products to contractors for small industrial developments and also supplies products for major infrastructure developments. In contrast to the 2012 financial year, 2013 was characterised by the lack of significant project work. The demand for EzyStrut product during the year came largely from the day-to-day market however in the fourth quarter demand in this segment of the market slowed. Whilst there are projects still in the pipeline where EzyStrut products will be required, the experience of FY2013 has been that these projects have been delayed or deferred and are now expected to reach the supply stage over the next 1-2 years.

Included in the Industrial Products group is the Indax grating and handrail business. Indax experienced another challenging year. Early in the second half the Queensland fabrication operations were consolidated into the Kilburn workshop after capacity was expanded following a site reorganisation. This change was made to improve the efficiency of the business by better utilising the Kilburn based personnel and manufacturing facilities. Korvest Galvanisers will benefit from the extra work through the galvanising plant. Bringing that critical service within the Korvest group enables customer lead times to be improved. In June the business was further improved with greater focus on efficiencies through lower overheads and emphasis on leaner manufacturing. The results for the Indax business were impacted on by the costs of closing the Queensland facility, the June restructuring and a $265k write off when the RPG Group went into administration.

In February 2013 Korvest purchased the Power Step and Titan Technologies businesses. The two businesses were purchased from the same vendor as a package.

Power Step designs and assembles access systems for large mobile equipment. Power Step principally supplies into the mining industry. In recent years Power Step has developed a number of export markets including to South America and Africa.

Titan Technologies supplies specialised tools in the form of torque wrenches, hydraulic pumps and related accessories. Titan distributes for a number of different manufacturers. Titan also has a range of hire tools and pumps as well as a service and repair facility at Archerfield in Queensland.

PRODUCTION

In the Production group the Galvanising business had an improved year. The overall plant volumes for the main zinc bath increased during the year. With a softening in the Industrial Products segment the volumes contributed by that part of the business decreased during the year. However external customer volumes grew during the year as the level of local projects continued to be strong together with a number of local structural steel fabricators winning projects around Australia and having the work galvanised at the Korvest Adelaide plant.

RISK

During the year the Board and Management conducted a risk review identifying and assessing the risks faced by the business and the controls that are in place to mitigate those risks.

Operational risks identified relate principally to continuity of supply and continuity of production. To ensure continuity of supply Korvest monitors the performance of key suppliers and establishes more than one supply source for key products. For many bought in finished goods the ability for the product to also be manufactured in-house mitigates the risk.

Korvest has an in-house engineering and maintenance department responsible for the continuity of production. Key processes and items of plant are subjected to a robust preventative maintenance programme. This has successfully resulted in very low plant down-time over recent years.

Financial risks faced by the business are typical of those faced by most businesses and centre around management of working capital. In particular trade receivables and inventory levels are constantly reviewed and performance is monitored with key performance indicators on an ongoing basis.

SIGNIFICANT CHANGES

In February 2013 Hills Finance Pty Ltd sold their 48% interest in Korvest. At the time of the sale Hills Holdings Limited (Hills) supplied to Korvest a number of services, the most significant being the provision of information technology infrastructure and administration. Hills have agreed to continue to provide those services under the same terms and conditions for such time as is necessary for Korvest to transition to alternative providers.

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

EVENTS SUBSEQUENT TO REPORTING DATE

At the date of this report there is no matter or circumstance that has arisen since 30 June 2013, that has significantly affected, or may significantly affect:

i. the operations of the Group;

ii. the results of those operations; or

iii. the state of affairs of the Group;

in the financial years subsequent to 30 June 2013.

LIKELY DEVELOPMENTS

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year. This will be done by continuing to drive efficiencies in the manufacturing processes with a focus on process cost reductions and lead time improvements.

There will be a focus in all businesses on new product development and also the introduction of complementary products and services. New markets will also be explored in the recently purchased Power Step and Titan technologies businesses.

Korvest continues to look for growth by acquisition. The types of business that are of interest include those that provide vertical integration with existing Group businesses, those that expand the product or service offering to the Group's existing customer base or those that may be able to benefit from utilising the Group's existing national distribution network.

Operationally Korvest has projects in progress to transition the information technology infrastructure and administration away from Hills as well as to implement a new ERP system for the Korvest group. These projects are expected to be completed during the 2014 year.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

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 and related entities. 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 – AUDITED

PRINCIPLES OF COMPENSATION

Remuneration is referred to as compensation throughout this report.

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel comprise the directors and senior executives of the Group.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

a. the capability and experience of the key management personnel

b. the key management personnel's ability to control performance; and

c. the Group's performance including the Group's earnings.

FIXED COMPENSATION

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee.

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 16 October 2009 and is not to exceed $200,000. At the 2013 AGM shareholders will be asked to approve an increase in the pool to $450,000 to accommodate adjustments to non-executive director fees to bring them in line with market rates and to allow for an increase in the number of independent, non-executive directors to broaden the skill set of the board.

PERFORMANCE LINKED COMPENSATION

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' cash bonus, while the long-term incentive (LTI) is provided as performance rights under the rules of the Korvest Performance Rights Plan.

SHORT-TERM INCENTIVE BONUS

The key performance indicators (KPIs) for the key management personnel are set annually. The KPIs include measures relating to financial and operating performance, safety, strategy and risk measures.

The financial performance objective is earnings before interest and tax (EBIT) compared to budgeted amounts. The KPI's are chosen as they directly align the individual's reward to the KPI's of the Group and to its strategy and performance. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance and delivery in full and on time (DIFOT).

LONG-TERM INCENTIVE BONUS

Performance rights are issued under the Korvest Performance Rights Plan to employees (including key management personnel) as determined by the remuneration committee. Performance rights become vested performance rights if the Group achieves its performance hurdle. If rights become vested performance rights and do not lapse, the holder is able to acquire ordinary shares in the Company for no cash payment.

The performance hurdle relates to growth in basic earnings per share (EPS). EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year vesting period. The % growth is based on a base year which is the year prior to the commencement of the vesting period. The table below sets out the % of rights that vest depending on the level of EPS growth achieved.

COMPOUND ANNUAL EPS GROWTH OVER 3 YR VESTING PERIOD	% OF RIGHTS THAT VEST
Less than 10%	Nil
10%	33.3%
Between 10% - 15%	Pro rata between 33.3 – 100%
15% or greater	100%

The EPS objective was chosen because it is a good indicator of the Group's earning's growth and is aligned to shareholder wealth objectives.

The Company's securities trading policy prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

SERVICE CONTRACTS

It is the Group's policy that service contracts for all key management personnel are unlimited in term but capable of termination by providing 1 to 3 months' notice, and that the Group retains the right to terminate the contract immediately by making payment in lieu of notice. The Group has entered into a service contract with each executive key management person.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements and accrued annual leave and long service leave, as well as any entitlement to incentive payments and superannuation benefits.

SERVICES FROM REMUNERATION CONSULTANTS

The remuneration committee has not engaged the services of any remuneration consultants. The remuneration committee determines the level of remuneration for senior executives of the Group. The members of the remuneration committee use their experience and knowledge to determine appropriate compensation packages for the senior executives.

The remuneration committee consists entirely of non-executive directors.

The Board is satisfied that the remuneration committee is able to make a decision on remuneration levels without undue influence by the members of the KMP about whom the recommendations may relate.

NON-EXECUTIVE DIRECTORS

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 16 October 2009 and is not to exceed $200,000.

The current base fees became effective on 1 March 2012 and are:

Chairman... $60,500

Director $36,300

Since May 2013 the Chairman of the Audit Committee receives a further $10,000 p.a.

Superannuation is added to these fees where appropriate.

Non-executive directors do not receive performance-related compensation.

At the 2013 AGM shareholders will be asked to approve an increase in the directors' fees pool to $450,000. It is intended that the directors' fees will be increased to the following levels to more accurately reflect market rates.

Chairman.. $120,000

Director $60,000

Chairman - Audit Committee $10,000

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the indices set out in the 5 Year Summary on page 29.

REMUNERATION REPORT (CONTINUED)

DIRECTORS AND EXECUTIVE REMUNERATION

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the Group are:

NAME		SHORT TERM		POST EMPLOYMENT	OTHER LONG TERM – LONG SERVICE LEAVE $ *	SHARE BASED PAYMENTS SHARES $	SHARE BASED PAYMENTS OPTIONS & RIGHTS $	TOTAL $	S300A (1)(e)(i) PROPORTION OF REMUNERATION PERFORMANCE RELATED %	S300A (1)(e)(vi) VALUE OF OPTIONS AS PROPORTION OF REMUNERATION %
		SALARY & FEES $	BONUS $	SUPERANNUATION BENEFITS $						
DIRECTORS										
P.W. Stancliffe	2013	60,500	-	5,445	-	-	-	65,945	-	-
Non-executive (Chairman)	2012	56,833	-	5,115	-	-	-	61,948	-	-
G.L. Twartz (retired 2 Sept 2012)	2013	6,050	-	-	-	-	-	6,050	-	-
Non-executive (Director)	2012	34,100	-	-	-	-	-	34,100	-	-
P. Brodribb	2013	36,300	-	3,267	-	-	-	39,567	-	-
Non-executive (Director)	2012	34,100	-	3,069	-	-	-	37,169	-	-
G Billings (appointed 2 May 2013)	2013	7,579	-	682	-	-	-	8,261	-	-
Non-executive (Director)	2012	-	-	-	-	-	-	-	-	-
E Pretty (appointed 2 Sept 2012, retired 25 March 2013)	2013	21,175	-	-	-	-	-	21,175	-	-
Non-executive (Director)	2012	-	-	-	-	-	-	-	-	-
A.H.W. Kachellek	2013	275,006	59,140	27,578	8,800	-	5,635	376,159	15.7	1.5
Executive (Managing Director)	2012	250,005	138,622	33,472	26,033	-	41,168	489,300	28.3	8.4
S.J.W. McGregor	2013	230,005	20,000	22,103	14,077	-	262	286,447	7.0	0.1
Executive (Finance Director)	2012	215,004	5,000	19,350	11,590	-	26,357	277,301	1.8	9.5

* This represents the accounting expense relating to the provision for long service leave. It does not represent cash payments or statutory obligations.

REMUNERATION REPORT (CONTINUED)

DIRECTORS AND EXECUTIVE REMUNERATION (CONTINUED)

NAME		SHORT TERM		POST EMPLOYMENT	OTHER LONG TERM – LONG SERVICE LEAVE $ *	TERMINATION BENEFIT $ (INCL LEAVE ENTITLEMENTS PAID ON TERMINATION)	SHARE BASED PAYMENTS SHARES $	SHARE BASED PAYMENTS OPTIONS & RIGHTS $	TOTAL $	S300A (1)(e)(i) PROPORTION OF REMUNERATION PERFORMANCE RELATED %	S300A (1)(e)(vi) VALUE OF OPTIONS AS PROPORTION OF REMUNERATION %
		SALARY & FEES $	BONUS $	SUPERANNUATION BENEFITS $							
EXECUTIVES / OTHER KMP											
C.A. Hartwig	2013	220,004	63,239	24,237	7,887		990	1,026	317,383	19.9	0.3
General Manager EzyStrut	2012	205,004	106,218	29,199	22,685		996	27,911	392,013	27.1	7.1
S.W. Evans	2013	180,004	49,352	19,523	9,823		990	-	259,692	19.0	-
General Manager Galvanising	2012	161,003	44,188	18,079	2,350		497	10,438	236,555	18.7	4.4
A. P. Ifkovich	2013	173,773	9,823	20,096	(313)	83,660	494	(10,438)	277,095	3.5	(3.8)
General Manager Indax	2012	166,403	-	14,976	313		-	10,438	192,130	-	5.4
P Assaf (since 1 March 2013) [1]	2013	65,333	-	5,880	2,916		-	-	74,129	-	-
General Manager Power Step & Titan Technologies	2012	-	-	-	-		-	-	-	-	-

* This represents the accounting expense relating to the provision for long service leave. It does not represent cash payments or statutory obligations.

1. P Assaf became a member of KMP effective from 1 March 2013 following the acquisition of Power Step and Titan Technologies. This note only contains his remuneration from 1 March 2013.

REMUNERATION REPORT (CONTINUED)

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

Details on performance rights that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	NUMBER OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE ($)	EXPIRY DATE	NUMBER OF PERFORMANCE RIGHTS/OPTIONS VESTED DURING 2013
DIRECTORS					
A Kachellek	25,000	2-Nov-12	4.73	30-Jun-15	-
S McGregor	20,000	2-Nov-12	4.73	30-Jun-15	-
EXECUTIVES					
C Hartwig	15,000	2-Nov-12	4.73	30-Jun-15	-
S Evans	7,500	2-Nov-12	4.73	30-Jun-15	-
A Ifkovich	7,500	2-Nov-12	4.73	30-Jun-15	-

All performance rights have a nil exercise price.

All performance rights expire on the earlier of their expiry date or termination of the individual's employment. The performance rights are exercisable for one year after the conclusion of the vesting period. In addition to the continuing employment service condition, the ability to exercise performance rights is conditional on the Group achieving performance hurdles. Details of the performance criterion are included in the long-term incentives discussion on page 17.

No equity-settled share-based payment transaction terms (including performance rights granted as compensation to key management personnel) have been altered or modified by the Group during the reporting period or the prior period.

EXERCISE OF OPTIONS GRANTED AS COMPENSATION

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

ANALYSIS OF OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

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

	OPTIONS GRANTED		% VESTED IN CURRENT YEAR	% FORFEITED OR LAPSED IN CURRENT YEAR	YEAR IN WHICH GRANT VESTS
	NUMBER	DATE			
DIRECTORS					
A Kachellek	30,000*	Mar-09	-%	-%	30-Jun-11
	35,000	Nov-11	-%	-%	30-Jun-14
	25,000	Nov-12	-%	-%	30-Jun-15
S McGregor	15,000*	Apr-10	-%	-%	30-Jun-11
	25,000	Nov-11	-%	-%	30-Jun-14
	20,000	Nov-12	-%	-%	30-Jun-15
EXECUTIVES					
C Hartwig	10,000*	Mar-09	-%	-%	30-Jun-11
	25,000	Nov-11	-%	-%	30-Jun-14
	15,000	Nov-12	-%	-%	30-Jun-15
S Evans	10,000	Nov-11	-%	-%	30-Jun-14
	7,500	Nov-12	-%	-%	30-Jun-15
A Ifkovich	10,000	Nov-11	-%	100%	30-Jun-14
	7,500	Nov-12	-%	100%	30-Jun-15

* - These options were issued under the previous Korvest Ltd Executive Share Plan. They vested during the year ended 30 June 2011 and were exercised in January 2011. Restricted ordinary shares were issued at an exercise price of $3.79 per share. Under the terms of the previous Korvest Ltd Executive Share Plan upon exercise of the options the individual must pay the exercise price over a maximum term of 20 years. Dividends, after deduction of an amount intended for the participant's 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). As a result of these arrangements, under AASBs, the instruments are treated as options until such time as the associated non-recourse loan is fully repaid. The shares remain restricted from transfer until the completion of a 5 year service period from grant date and until such time as the loan is fully paid.

REMUNERATION REPORT (CONTINUED)

ANALYSIS OF MOVEMENTS IN OPTIONS AND RIGHTS

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each company director and KMP are detailed below.

	VALUE OF RIGHTS/OPTIONS		
	GRANTED IN YEAR $ (A)	EXERCISED IN YEAR $	LAPSED OR FORFEITED IN YEAR $ (B)
DIRECTORS			
A Kachellek	118,357	-	-
S McGregor	94,685	-	-
EXECUTIVES			
C Hartwig	71,014	-	-
S Evans	35,507	-	-
A Ifkovich	35,507	-	66,821

A. The value of performance rights granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2012 to 1 July 2015).

B. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved

Further details regarding options granted to executives under the Executive Share Plan are in Notes 21 and 28 to the financial statements.

ANALYSIS OF BONUSES INCLUDED IN REMUNERATION

With the exception of the Finance Director, executive bonuses are paid based on either Group 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 and therefore Korvest is unable to disclose the % of short term incentives that vested or were forfeited.

The Finance Director's bonus is based on achievement of specified outcomes during the year. For the 2013 year there were two outcomes. One in relation to system implementations and one in relation to acquisitions. Based on the performance during the year 100% of the bonus was paid.

DIRECTORS' INTERESTS

The relevant interest of each director over the shares and rights or options over such instruments issued by the Company 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 ORDINARY SHARES SUBJECT TO NON-RECOURSE LOAN	KORVEST LTD PERFORMANCE RIGHTS
Peter Stancliffe	4,600		-
Alexander Kachellek	1,495	30,000	60,000
Peter Brodribb	15,781		-
Graeme Billings	500		-
Steven McGregor	500	15,000	45,000

NON-AUDIT SERVICES

During the year KPMG, the Group'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 Group; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risk and rewards.

For details of non-audit services fees charged refer to Note 11 to the financial statements.

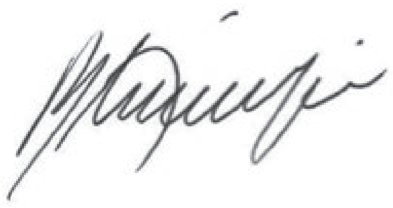
LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 86 and forms part of the Directors' report for the financial year ended 30 June 2013.

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 26th of July 2013 in accordance with a resolution of the directors.



P. W. STANCLIFFE
DIRECTOR

A. H. W. KACHELLEK
DIRECTOR

5 YEAR SUMMARY

		2013	2012	2011	2010	2009
SALES REVENUE	($'000)	61,723	72,322	67,384	55,774	62,892
PROFIT AFTER TAX	($'000)	3,825	6,201	4,221	3,983	5,655
DEPRECIATION/AMORTISATION	($'000)	1,653	1,542	1,279	1,060	985
CASH FLOW FROM OPERATIONS	($'000)	7,524	8,681	3,185	3,864	7,590
PROFIT FROM ORDINARY ACTIVITIES						
- As % of Shareholders' Equity		10.8%	17.10%	12.70%	13.20%	19.50%
- As % of Sales Revenue		6.2%	8.60%	6.30%	7.10%	9.00%
- Per issued share		44.0c	71.4c	48.9c	46.3c	65.8c
DIVIDEND						
- Total amount paid	($'000)	4,863	3,299	2,244	2,921	2,660
- Per issued share		56.0c	38.0c	26.0c	32.0c	34.0c
- Times covered by profit from ordinary activities		0.8	1.9	1.9	1.4	2.1
EARNINGS PER SHARE		44.0c	71.6c	48.9c	46.3	65.9
NUMBER OF EMPLOYEES		217	259	242	221	204
SHAREHOLDERS						
- Number at year end		1,627	1,271	1,247	1,165	1,094
NET ASSETS PER ISSUED ORDINARY SHARE		$4.01	$4.13	$3.79	$3.49	$3.36
NET TANGIBLE ASSETS PER ISSUED ORDINARY SHARE		$3.77	$4.13	$3.79	$3.49	$3.36
SHARE PRICE AS AT 30 JUNE		$5.80	$4.65	$3.57	$4.65	$3.70

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 Group complies with the ASX recommendation of recognising and publishing the respective roles and responsibilities of the Board and senior executives (Recommendation 1.1).

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 Group 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 limited 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 Group. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Group. The Board has the final responsibility for the successful operations of the Group. Without intending to limit this general role of the Board, the specific or principal functions and responsibilities include:

- Acting as an interface between the Group and shareholders;
- Setting the goals of the Group;
- Reviewing the annual progress and performance of the Group in meeting its objectives;
- Providing the overall strategic direction of the Group;
- Determining policies governing the operations of the Group;
- 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 reviews the performance of senior executives regularly via a formal performance management process. 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. The Managing Director's performance is reviewed annually by the Chairman and a review was undertaken during the reporting period.

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. Whilst Hills Finance Pty Ltd was the major shareholder the Company did not comply with all aspects of this Principle. Since the sale of the Hills Finance Pty Ltd shareholding on 19 February 2013 the Company has complied with this Principle. The details are set out 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 Company. Details of the directors' experience, expertise and terms in office are set out on page 10 of this annual report.

BOARD INDEPENDENCE

While Hills Finance Pty Ltd was the major shareholder the non-executive directors Messrs Stancliffe, Twartz and Pretty were non-independent due to their positions as directors at Hills Holdings Limited. Mr P. Brodribb is considered non-independent due to his former position of Managing Director of Korvest.

Since the sale of the Hills Finance Pty Ltd shareholding Mr Stancliffe is now an independent director. Mr Billings is an independent director.

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 while 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

ASX recommendation 2.2 has been complied with since February 2013 when the Hills Finance Pty Ltd major shareholding ceased. Since then the Chairman, Mr P W Stancliffe has been an independent non-executive director. Prior to that he was considered to be non-independent which therefore meant that ASX recommendation 2.2 was not complied with. Mr Stancliffe's considerable experience in the various industries within which the Company operates and the various positions and activities engaged in outside the entity are considered invaluable in his role as Chairman.

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 Company. The Chairman, in conjunction with other directors fulfils the tasks normally delegated to a Nomination Committee.

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's Board informally reviews the operations of the Board and its committees and the performance of its individual directors. 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 2013 the Board met 13 times and the directors' attendance at those meetings is set out on page 5 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 Company 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 Company in relation to its various stakeholders. A copy of the code is available on the website at www.korvest.com.au.

DIVERSITY POLICY

Korvest is committed to creating a diverse workplace that is fair and flexible, promotes personal and professional growth and enables employees to enhance their contribution to Korvest by drawing from their different backgrounds, beliefs and experiences. Korvest has developed a diversity policy, a copy of which can be found on the Korvest website.

The policy provides guidance for the development and implementation of relevant plans, programs and initiatives to recognise and promote gender workforce diversity across all areas of the Korvest business.

The Board is responsible for setting specific gender diversity objectives and a range of metrics designed to measure the achievement of those objectives.

The Board is responsible for assessing, on an annual basis, the objectives and the progress of the achievement against Korvest's gender diversity objectives. In accordance with this policy and the ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 3 years as positions become vacant and appropriately skilled candidates are available.

	OBJECTVITE	ACTUAL	
	%	NUMBER	%
Number of women in senior management positions	25%	0	0%
Number of women in administration/sales positions	35%	21	31%
Number of women employees in the whole organisation	10%	21	10%

The Company has lodged the annual report required under the Workplace Gender Equality Act 2012 and a copy of the report is available on the Korvest website.

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 securities trading policy that specifically precludes directors and officers from buying or selling shares during specified black out periods relative to the announcement of the annual or half-year results or if in possession of price sensitive information not generally available to the public. Employees are not to deal in shares on a short term basis. A copy of the policy is available on the Korvest website and details of directors' individual shareholdings are set out in Note 28 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 Company's financial reports meet high standards of disclosure and provide the information necessary to understand the Company'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 Company'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 two of the three are also independent. The Chairman of the committee is an independent director who is not the Chairman of the Board. The composition of the committee is therefore in accordance with ASX recommendation 4.2. 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 12 of this annual report.

AUDIT PROCESS

The Company'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 Company'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 11 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 Company. 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 Company and takes appropriate action. Similarly, the Company 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 ASX Listing Rules. The Company Secretary is responsible for ensuring that all matters requiring disclosure are duly disclosed.

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 during September each year and posted on the Korvest website; and
- making appropriate disclosure to the market where necessary.

In May 2013 the company held a shareholder information day and site tour at the Kilburn site.

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 Committee oversees the operation of the risk management controls established by the Company. The Company's approach to internal audit is to compile and regularly review and update a risk register. The controls in place to mitigate those identified risks are then the subject of internal audit reviews to analyse their effectiveness.

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 Company.

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 executives' 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 directors. Two of the three members of the Remuneration Committee are independent directors. Details of membership and attendance at committee meetings are set out on page 12 of this annual report.

DIRECTORS' REMUNERATION

The remuneration of non-executive directors is different from that of executives. Executive directors receive a salary, short term incentives and long term incentives in the form of shares or options in accordance with plans approved by shareholders. Further details in respect of executive remuneration are set out on pages 17 to 26 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 Company's activities, the potential liability of directors and the demands placed on them in discharging their responsibilities.

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 the 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 its entire 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 Company. 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 it 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

KORVEST LTD

FOR THE YEAR ENDED 30 JUNE 2013

IN THOUSANDS OF AUD	NOTE	2013	2012
Revenue	7	61,723	72,322
Expenses, excluding net finance costs	8	(56,386)	(63,733)
PROFIT BEFORE FINANCING COSTS		5,337	8,589
Finance income	10	125	148
Finance expenses	10	(5)	-
NET FINANCE INCOME		120	148
PROFIT BEFORE INCOME TAX		5,457	8,737
Income tax expense	12	(1,632)	(2,536)
PROFIT FOR THE YEAR		3,825	6,201
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,825	6,201
ATTRIBUTABLE TO:			
Equity holders of the Company		3,825	6,201
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,825	6,201
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:		CENTS	CENTS
Basic earnings per share from continuing operations	13	44.0	71.6
Diluted earnings per share from continuing operations	13	43.6	71.3

The notes on pages 40 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2013

KORVEST LTD

IN THOUSANDS OF AUD	NOTE	2013	2012
ASSETS			
Cash and cash equivalents	14A	2,438	5,170
Trade and other receivables	15	12,534	14,779
Inventories	16	9,506	8,683
Tax receivable		50	-
TOTAL CURRENT ASSETS		24,528	28,632
Property, plant and equipment	17	17,509	17,381
Intangible assets and goodwill	18	2,114	-
TOTAL NON-CURRENT ASSETS		19,623	17,381
TOTAL ASSETS		44,151	46,013
LIABILITIES			
Trade and other payables	19	5,230	5,078
Loans and borrowings	20	167	-
Employee benefits	21	1,812	1,557
Provisions	22	169	-
Current tax liabilities		-	1,428
TOTAL CURRENT LIABILITIES		7,378	8,063
Employee benefits	21	624	404
Deferred tax liability	12	455	886
Provisions	22	333	333
TOTAL NON-CURRENT LIABILITIES		1,412	1,623
TOTAL LIABILITIES		8,790	9,686
NET ASSETS		35,361	36,327
EQUITY			
Issued capital	23	3,859	3,783
Reserves	23	31,502	4,387
Retained earnings		-	28,157
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		35,361	36,327
TOTAL EQUITY		35,361	36,327

The notes on pages 40 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

KORVEST LTD

IN THOUSANDS OF AUD	NOTE	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		70,640	80,154
Cash paid to suppliers and employees		(60,282)	(70,042)
Cash generated from operations		10,358	10,112
Interest received		125	148
Interest paid		(1)	-
Income taxes paid		(2,958)	(1,579)
NET CASH FROM OPERATING ACTIVITIES	14B	7,524	8,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		29	16
Acquisition of subsidiary, net of cash acquired		(3,938)	-
Acquisition of property, plant and equipment	17	(1,502)	(1,823)
NET CASH FROM INVESTING ACTIVITIES		(5,411)	(1,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		21	18
Payment of finance lease liabilities		(4)	-
Dividends paid	23	(4,862)	(3,299)
NET CASH FROM FINANCING ACTIVITIES		(4,845)	(3,281)
Net increase / (decrease) in cash and cash equivalents		(2,732)	3,593
Cash and cash equivalents at 1 July		5,170	1,577
CASH AND CASH EQUIVALENTS AT 30 JUNE	14A	2,438	5,170

The notes on pages 40 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

KORVEST LTD

IN THOUSANDS OF AUD	SHARE CAPITAL	EQUITY COMPENSATION RESERVE	ASSET REVALUATION RESERVE	PROFITS RESERVE	RETAINED EARNINGS	TOTAL
Balance at 1 July 2012	3,783	204	4,183	-	28,157	36,327
Total comprehensive income for the year						
Profit	-	-	-	-	3,825	3,825
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-		3,825	3,825
TRANSACTIONS WITH OWNERS OF THE COMPANY RECOGNISED DIRECTLY IN EQUITY						
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY						
Shares issued under the Share Plans	76	(5)	-	-	-	71
Dividends to shareholders	-	-	-	-	(4,862)	(4,862)
Total contributions by and distributions to owners of the Company	76	(5)	-	-	(4,862)	(4,791)
Transfer to profits reserve				27,120	(27,120)	-
Balance at 30 June 2013	3,859	199	4,183	27,120	-	35,361
Balance at 1 July 2011	3,713	67	4,183	-	25,255	33,218
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit	-	-	-	-	6,201	6,201
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	6,201	6,201
TRANSACTIONS WITH OWNERS OF THE COMPANY RECOGNISED DIRECTLY IN EQUITY						
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY						
Shares issued under the Share Plans	70	137	-	-	-	207
Dividends to shareholders	-	-	-	-	(3,299)	(3,299)
Total contributions by and distributions to owners of the Company	70	137	-	-	(3,299)	(3,092)
Balance at 30 June 2012	3,783	204	4,183	-	28,157	36,327

The notes on pages 40 to 81 are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Korvest Ltd (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 580 Prospect Road, Kilburn SA 5084. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and is primarily involved in manufacturing businesses as detailed in the segment note.

2. BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 26th July 2013.

(b) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings, which 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. 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 the consolidated financial statements in conformity with IFRS 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3(c) and 15 – Trade and other receivables
- Note 3(g) and 16 – Inventories
- Note 3(j) and 22 – Provisions
- Note 4 – Determination of fair values

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, 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 the Group entities.

(a) BASIS OF CONSOLIDATION

(i) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisitions date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(ii) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

(b) FOREIGN CURRENCY

(i) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss.

(c) FINANCIAL INSTRUMENTS

(i) NON-DERIVATIVE FINANCIAL ASSETS

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or if it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through the profit or loss, held to maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3 (h)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

(ii) NON-DERIVATIVE FINANCIAL LIABILITIES

The Group initially recognises financial liabilities initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and other borrowings, bank overdrafts, and trade and other payables.

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 statement of cash flows.

(iii) SHARE CAPITAL

Ordinary shares

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

(d) PROPERTY, PLANT AND EQUIPMENT

(i) RECOGNITION AND MEASUREMENT

Items of plant and equipment are measured a cost less accumulated depreciation and any accumulated impairment losses. Property is measured at fair value.

Costs includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour,
- Any costs directly attributable to bringing the assets to a working condition for their intended use,
- When the Group has an obligation to remove the assets or restore the site, as estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) RECOGNITION AND MEASUREMENT

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

(iii) DEPRECIATION

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the carrying value of property, plant and equipment less the estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Buildings 40 years
- Plant and equipment 3-12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) LEASES

(i) LEASED ASSETS

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

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(ii) LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the two following criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of the relative fair values. If the Group concludes for a finance lease that it is impractical to separate the payments reliably, then an asset and liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(f) INTANGIBLE ASSETS AND GOODWILL

(i) GOODWILL

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) OTHER INTANGIBLE ASSETS

Other intangible assets that are required by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) AMORTISATION

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

- patents and trademarks 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average cost and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs incurred in 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 estimated costs necessary to make the sale.

(h) IMPAIRMENT

(i) NON-DERIVATIVE FINANCIAL ASSETS

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor or indications that a debtor will enter administration. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(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. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For impairment testing assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

Any impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amounts does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no implement loss had been recognised.

(i) EMPLOYEE BENEFITS

SHORT-TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability 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.

SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3. SIGNIFICANT ACCOUNTING POLICIES (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 and the Performance Rights Plan allow Group employees to acquire shares of the Company. The fair value of options or rights 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/right. The valuation method takes into account the exercise price of the option/right, the life of the option/right, 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/right.

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 an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

OTHER 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 Government bonds at the reporting date which have maturity dates approximating to the terms of the Company's obligations.

(j) 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 risk adjusted future expected cash flows at a pre-tax discount rate that reflects the time value of money. The unwinding of the discount is recognised as a finance cost.

(I) WARRANTIES

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(II) RESTRUCTURING

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(k) REVENUE

SALE OF GOODS

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

(l) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(m) TAX

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at 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 taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

TAX CONSOLIDATION

The Company and the wholly owned Australian subsidiaries set out in Note 27 are part of a tax-consolidated group with Korvest Ltd as the head entity. The implementation date of the tax consolidation system for the tax-consolidated group was 1 March 2013.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are allocated to the Company and recognised using a 'group allocation' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of a member of the tax consolidation group are assumed by the head entity of the tax-consolidated group and are recognised as amounts payable (receivable) to other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the member of the tax consolidated group as an equity contribution from or distribution to the head entity.

(n) GOODS AND SERVICES TAX

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

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

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

(o) EARNINGS PER SHARE

The Company 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) SEGMENT REPORTING

Segment results that are reported to the Group's Managing Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

(q) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early, and continues to assess the impact on the entity.

AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. Land and buildings are valued by an independent valuer every three years. In the intervening years between independent valuations the directors make an assessment of the value of the land and buildings having regard for the most recent independent valuation.

(b) INVENTORIES

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(c) TRADE AND OTHER RECEIVABLES

The fair values of trade and other receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(d) CONTINGENT CONSIDERATION

The fair value of contingent consideration arising in a business combination is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it is discounted to present value.

(e) SHARE-BASED PAYMENT TRANSACTIONS

The fair value of the performance rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of the Company's share prices, adjusted for changes expected due to publicly available information), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(f) OTHER NON-DERIVATIVE FINANCIAL LIABILITIES

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. SEGMENT REPORTING

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

Industrial Products - includes the manufacture of electrical and cable support systems, steel fabrication and access systems. It also includes the sale, hire and repair of high torque tools. It includes the businesses trading under the EzyStrut, Indax, Power Step and Titan Technologies names.

Production – represents the Korvest Galvanising business, which provides hot dip galvanising services. The reportable segment also includes light to medium fabrication of components and machine guarding.

Both reportable segments consist of the aggregation of a number of operating segments in accordance with AASB 8 Operating Segments.

Information regarding the operations of each reportable segment is included below in the manner reported to the chief operating decision maker as defined in AASB 8. Performance is measured based on segment earnings before interest and tax (EBIT). Inter-segment transactions are not recorded as revenue. Instead a cost allocation relating to the transactions is made based on negotiated rates.

	INDUSTRIAL PRODUCTS		PRODUCTION		TOTAL	
IN THOUSANDS OF AUD	2013	2012	2013	2012	2013	2012
External revenue	55,512	66,543	6,211	5,779	61,723	72,322
Depreciation and amortisation	1,102	968	384	417	1,486	1,385
Reportable segment profit before tax	3,811	7,675	1,695	1,324	5,506	8,999
Reportable segment assets	25,985	27,886	4,161	4,066	30,146	31,952
Capital expenditure	580	1,435	230	218	810	1,653

IN THOUSANDS OF AUD	2013	2012
Reconciliation of reportable segment profit, assets and other material items		
PROFIT		
Total profit for reportable segments	5,506	8,999
Unallocated amounts – other corporate expenses	(49)	(262)
Profit before income tax	5,457	8,737
ASSETS		
Total assets for reportable segments	30,146	31,952
Other unallocated amounts	14,005	14,061
Total assets	44,151	46,013
CAPITAL EXPENDITURE		
Capital expenditure – reportable segments	810	1,653
Other unallocated amounts	692	170
Total	1,502	1,823
OTHER MATERIAL ITEMS		
Depreciation – reportable segments	1,486	1,385
Unallocated amounts – other corporate depreciation	166	156
Total	1,652	1,541

GEOGRAPHICAL SEGMENTS

The Group operates predominately in Australia.

CUSTOMERS

The Group does not derive 10% or more of its revenue from any single customer.

6. ACQUISITION OF SUBSIDIARIES

On 28 February 2013 the Group purchased 100% of the issued capital of Power Step (Australia) Pty Ltd (Power Step) and Titan Technologies (SE Asia) Pty Ltd (Titan). Power Step designs and assembles access systems for large mobile equipment. Titan sells, hires and services high torque wrenches and hydraulic tensioning tools. The businesses were sold as a package by the same vendor.

The acquisition is expected to provide an increased reach into the mining and resources market. In addition it will also provide access to overseas markets that the Group has previously not had exposure in.

In the four months to 30 June 2013 businesses contributed revenue of $1,995,000 and profit of $116,000 to the Group's results. If the acquisition had occurred on 1 July 2012, management estimates that consolidated revenues would have been $68.6 million and consolidated profit for the year would have been $4,225,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2012.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

CONSIDERATION TRANSFERRED

IN THOUSANDS OF AUD	2013
Cash	3,646
Deferred consideration	461
Contingent consideration	500
	4,607

DEFERRED CONSIDERATION

Under the sale agreement 5% of the consideration is payable six months after completion and a further 5% is payable 12 months after completion.

CONTINGENT CONSIDERATION

At the time of the acquisition transaction Titan's distributorship agreement with Titan Technologies International Inc (TTI Inc), a US based tool manufacturer, had lapsed. $500,000 of the agreed consideration is payable on the execution of an agreement between Titan and TTI Inc whereby Titan is appointed as an authorised dealer of TTI Inc on terms satisfactory to Korvest. The Group has included the $500,000 as contingent consideration.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

IN THOUSANDS OF AUD	NOTE	2013
Plant and equipment	17	385
Intangible assets	18	44
Inventories		1,803
Trade receivables		845
Other debtors and prepayments		38
Current tax asset		94
Deferred tax asset		488
Cash and cash equivalents		(293)
Loans and borrowings		(171)
Trade and other payables		(280)
Provisions (employee entitlements and warranty)	22	(418)
		2,535

All of the trade receivables are expected to be collectible.

GOODWILL

Goodwill was recognised as a result of the acquisition as follows.

Total consideration transferred	4,606
Fair value of identifiable net assets	2,535
	2,071

The goodwill is attributable mainly to the skills and technical talent of the Power Step work force and the benefits to the Korvest Group of expanding into markets that Korvest currently does not have exposure to. None of the goodwill recognised is expected to be deductible for tax purposes.

ACQUISITION-RELATED COSTS

The Group incurred acquisition-related costs of $62,500 related to external legal fees and due diligence costs. These costs have been included in 'administration expenses' in the Group's profit or loss (see Note 8).

7. REVENUE AND OTHER INCOME

IN THOUSANDS OF AUD	2013	2012
REVENUE		
Sales of goods	61,723	72,322
	61,723	72,322

8. EXPENSES

IN THOUSANDS OF AUD	NOTE	2013	2012
Cost of goods sold		33,908	39,805
Distribution expenses		5,215	6,014
Sales, marketing and warehousing expenses		15,106	15,543
Administration expenses		2,090	2,267
Other expenses		67	104
		56,386	63,733
PROFIT BEFORE INCOME TAX HAS BEEN ARRIVED AT AFTER CHARGING / (CREDITING) THE FOLLOWING ITEMS			
Depreciation of buildings		78	77
Depreciation of plant and equipment		1,574	1,464
	17	1,652	1,541
Increase / (decrease) in provisions	22	(58)	-
Executive share plan expense	21	11	137
Employee share bonus plan expense	21	55	52
Impairment loss/(reversal) on trade receivables		411	860
Impairment loss/(reversal) on inventories		(167)	80
Loss on disposal of property, plant and equipment		78	104
Research and development expense		23	20

9. EMPLOYEE BENEFIT EXPENSES

Wages and salaries		16,703	17,458
Other associated personnel expenses		2,358	2,379
Contributions to defined contribution superannuation funds	21	1,397	1,376
Termination benefits		258	72
Increase / (decrease) in liability for annual leave	21	(32)	104
Increase in liability for long service leave	21	316	203
Equity-settled share-based payments	21	66	188
		21,066	21,780

10. FINANCE INCOME AND FINANCE COSTS

IN THOUSANDS OF AUD	2013	2012
RECOGNISED IN PROFIT OR LOSS		
Interest income on bank deposits held	125	148
Interest expense from bank overdrafts	(5)	-
Net financing income recognised in profit or loss	120	148

11. AUDITORS' REMUNERATION

IN AUD		
AUDIT SERVICES		
Auditors of the Group		
KPMG Australia:		
Audit and review of financial statements	70,300	67,000
	70,300	67,000
OTHER SERVICES		
Auditors of the Group		
KPMG Australia		
In relation to other taxation, consulting and due diligence services	35,402	13,908
	35,402	13,908

12. TAXES

IN THOUSANDS OF AUD		
TAX RECOGNISED IN PROFIT OR LOSS		
CURRENT TAX EXPENSE		
Current year	1,569	2,943
Adjustments for prior years	5	(173)
	1,574	2,770
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	58	(234)
Total income tax expense in Statement of profit and loss and comprehensive income	1,632	2,536

12. TAXES (CONTINUED)

IN THOUSANDS OF AUD	2013	2012
NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT		
Profit before tax	5,456	8,737
Income tax using the domestic corporation tax rate of 30% (2012: 30%)	1,639	2,621
Increase in income tax expense due to:		
Non-deductible expenses	(12)	88
Under / (over) provided in prior years	5	(173)
Income tax expense on pre-tax net profit	1,632	2,536

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
IN THOUSANDS OF AUD	2013	2012	2013	2012	2013	2012
Property, plant and equipment	-	-	1,825	1,871	1,825	1,871
Inventories	(542)	(347)	324	322	(218)	(25)
Provisions / accruals	(917)	(688)	-	-	(917)	(688)
Other items	(157)	(276)	-	4	(157)	(272)
Tax loss carried forward	(78)	-	-	-	(78)	-
Tax (assets) / liabilities	(1,694)	(1,311)	2,149	2,197	455	886
Set off of tax	1,694	1,311	(1,694)	(1,311)	-	-
Net tax (assets) / liabilities	-	-	455	886	455	886

MOVEMENT IN DEFERRED TAX BALANCES DURING THE YEAR

IN THOUSANDS OF AUD	BALANCE 30 JUNE 12	RECOGNISED IN PROFIT	ACQUIRED IN BUSINESS COMBINATIONS	BALANCE 30 JUNE 13
Property, plant and equipment	(1,871)	46	-	(1,825)
Inventories	25	(107)	299	217
Provisions / accruals	688	101	128	917
Other items	272	(114)	-	158
Tax loss carried forward	-	19	59	78
	(886)	(55)	486	(455)

IN THOUSANDS OF AUD	BALANCE 30 JUNE 11	RECOGNISED IN PROFIT	BALANCE 30 JUNE 12
Property, plant and equipment	(1,845)	(26)	(1,871)
Inventories	(23)	48	25
Provisions / accruals	602	86	688
Other items	146	126	272
	(1,120)	234	(886)

13. EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2013 was based on the net profit attributable to ordinary shareholders of $3,824,810 (2012: $6,200,676) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 8,693,760 (2012: 8,662,730). The calculation of diluted earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $3,824,810 (2012: $6,200,676) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 8,772,279 (2012: 8,696,195).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

IN THOUSANDS OF SHARES	2013	2012
Issued ordinary shares at 1 July	8,680	8,640
Effect of shares issued during year	14	23
Weighted average number of ordinary shares at 30 June	8,694	8,663

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

Weighted average number of ordinary shares (basic)	8,694	8,663
Effect of Executive Share Plan	78	33
Weighted average number of ordinary shares at 30 June	8,772	8,696

13. EARNINGS PER SHARE (CONTINUED)

IN AUD CENTS	2013	2012
BASIC AND DILUTED EARNINGS PER SHARE		
Basic earnings per share from continuing operations	44.0	71.6
Diluted earnings per share from continuing operations	43.6	71.3

14A. CASH AND CASH EQUIVALENTS

IN THOUSANDS OF AUD	2013	2012
Bank balances	483	589
Call deposits	1,955	4,581
Cash and cash equivalents in the statement of cash flows	2,438	5,170

The Group had an undrawn overdraft facility of $0.75 million as at 30 June 2013.

14B. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

IN THOUSANDS OF AUD	NOTES	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		3,825	6,201
Adjustments for:			
Depreciation	17,8	1,653	1,541
Impairment of trade receivables	8	411	860
Impairment of inventories	8	(167)	80
Loss on sale of property, plant and equipment	8	78	104
Equity-settled share-based payment expenses	21	50	189
		5,850	8,975
(Increase)/decrease in trade and other receivables		2,716	386
(Increase)/decrease in inventories		1,146	413
(Decrease)/increase in trade and other payables		(1,088)	(2,381)
(Decrease)/increase in deferred tax liabilities		57	(234)
(Decrease)/increase in income taxes payable		(1,383)	1,191
(Decrease)/Increase in provisions and employee benefits		226	331
Net cash from operating activities		7,524	8,681

15. TRADE AND OTHER RECEIVABLES

IN THOUSANDS OF AUD	NOTES	2013	2012
CURRENT			
Other receivables and prepayments		174	109
Trade receivables		12,360	14,670
	24	12,534	14,779

Trade receivables are shown net of provided impairment losses amounting to $525,000 (2012: $918,000).

16. INVENTORIES

IN THOUSANDS OF AUD	2013	2012
Raw materials and consumables	538	536
Work in progress	194	80
Finished goods	8,774	8,246
	9,506	8,683

Finished goods are shown net of impairment losses amounting to $991,000 (2012: $1,158,000) arising from the likely inability to sell a product range.

17. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS (FAIR VALUE)	PLANT AND EQUIPMENT (COST)	TOTAL
Balance at 1 July 2011	8,100	18,019	26,119
Other acquisitions	-	1,823	1,823
Disposals	-	(538)	(538)
Balance at 30 June 2012	8,100	19,304	27,404
Balance at 1 July 2012	8,100	19,304	27,404
Acquisitions through business combinations	-	865	865
Other acquisitions	69	1,433	1,502
Disposals	-	(3,474)	(3,474)
Balance at 30 June 2013	8,169	18,128	26,297
DEPRECIATION AND IMPAIRMENT LOSSES			
Balance at 1 July 2011	-	8,876	8,876
Depreciation charge for the year	77	1,464	1,541
Disposals	-	(394)	(394)
Balance at 30 June 2012	77	9,946	10,023
Balance at 1 July 2012	77	9,946	10,023
Acquisitions through business combinations	-	480	480
Depreciation charge for the year	78	1,574	1,652
Disposals	-	(3,367)	(3,367)
Balance at 30 June 2013	155	8,633	8,788
CARRYING AMOUNTS			
At 1 July 2011	8,100	9,143	17,243
At 30 June 2012	8,023	9,358	17,381
At 30 June 2013	8,014	9,495	17,509

An independent valuation of Land and Buildings was carried out in May 2011 by Mr Jeffrey Millar, AAPI of AON Valuation Services, on the basis of the open market value of the properties concerned in their highest and best use. Land was valued at $5,000,000 and buildings were valued at $3,100,000. A capitalisation rate of 9.25% (2012: 9.25%) was used in arriving at the valuation. The carrying amount of the Land and Buildings at cost at 30 June 2013 if not revalued would be $1,115,000.

18. INTANGIBLE ASSETS AND GOODWILL

IN THOUSANDS OF AUD	GOODWILL	TRADEMARKS	TOTAL
COST			
Balance at 1 July 2012	-	-	-
Acquisitions through business combinations	2,071	44	2,115
Balance at 30 June 2013	2,071	44	2,115
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES			
Balance at 1 July 2012	-	-	-
Amortisation for the year	-	1	1
Balance at 30 June 2013	-	1	1
CARRYING AMOUNTS			
At 1 July 2011	-	-	-
At 30 June 2012	-	-	-
At 30 June 2013	2,071	43	2,114

IMPAIRMENT TESTING FOR CASH GENERATING UNITS CONTAINING GOODWILL

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows.

IN THOUSANDS OF AUD	2013	2012
Power Step and Titan Technologies	2,071	-

19. TRADE AND OTHER PAYABLES

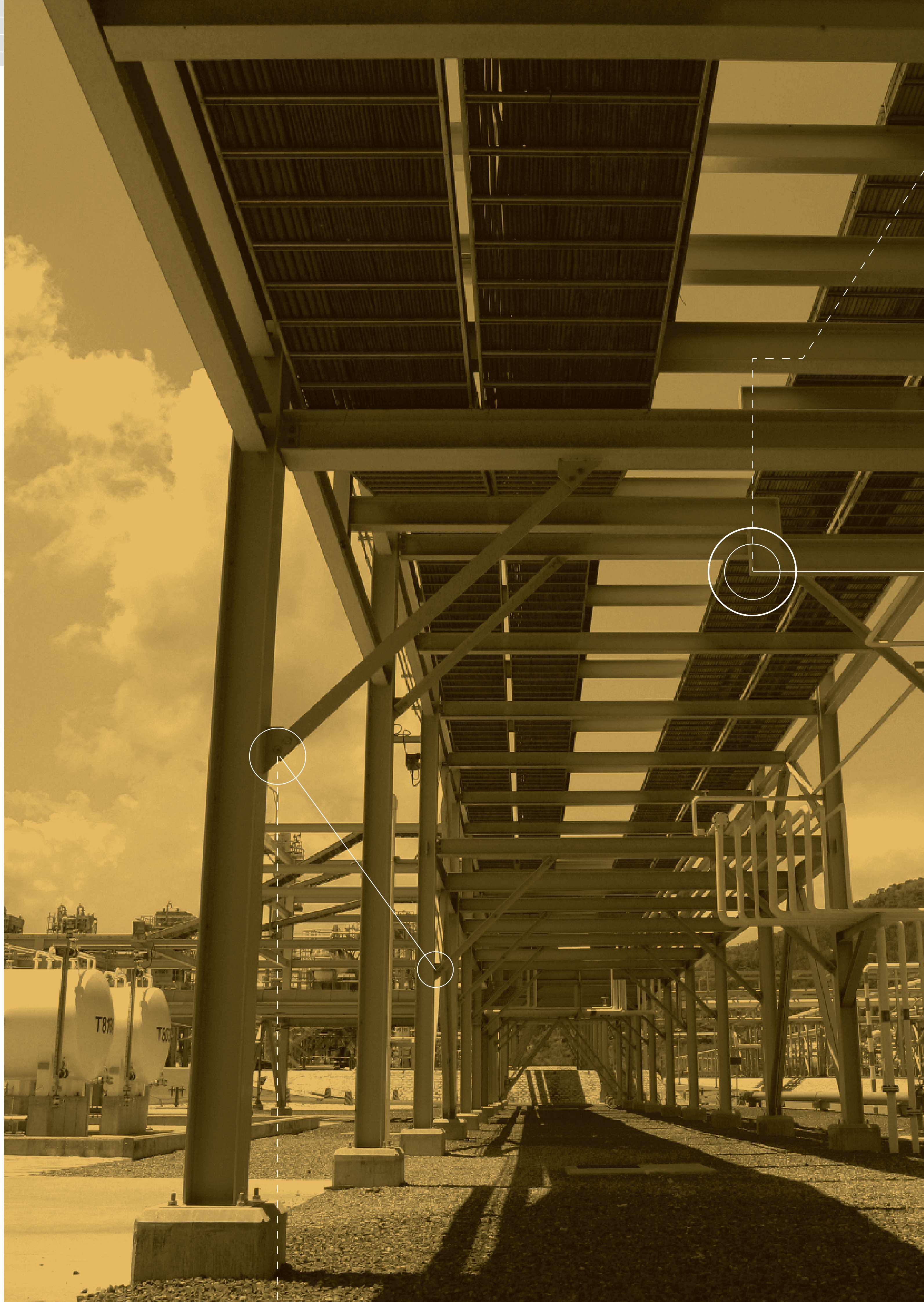
IN THOUSANDS OF AUD	NOTE	2013	2012
Other trade payables and accrued expenses		2,883	3,541
Non-trade payables and accrued expenses		1,847	1,537
Contingent consideration		500	-
	24	5,230	5,078

20. LOANS AND BORROWINGS

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

IN THOUSANDS OF AUD	2013	2012
CURRENT LIABILITIES		
Unsecured loan	156	-
Finance lease liabilities	11	-
	167	-
NON-CURRENT LIABILITIES		
Unsecured government loan at nominal value	40	40
Fair value adjustment	(40)	(40)
Unsecured government loan at fair value	-	-

	FUTURE MINIMUM LEASE PAYMENTS		INTEREST		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
IN THOUSANDS OF AUD	2013	2012	2013	2012	2013	2012
Less than one year	11	-	-	-	11	-
Between one and five years	-	-	-	-	-	-
More than five years	-	-	-	-	-	-
	11	-	-	-	11	-



21. EMPLOYEE BENEFITS

IN THOUSANDS OF AUD	2013	2012
Liability for annual leave	1,085	994
Liability for long service leave	727	563
	1,812	1,557
NON CURRENT		
Liability for long-service leave	624	404
Total employee benefits	2,436	1,961

(a) DEFINED CONTRIBUTION SUPERANNUATION FUNDS

The Group makes contributions to defined contribution superannuation funds. The amount recognised as an expense was $1,397,167 for the financial year ended 30 June 2013 (2012: $1,376,066).

(b) SHARE BASED PAYMENTS (EQUITY-SETTLED)

EXECUTIVE SHARE PLAN (ESP) – DISCONTINUED

In March 2005, the Group established a share option plan that entitled selected senior executives 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. The plan was discontinued in 2010 with no new issues made under the plan since that time. The plan remains in operation for those employees granted options under that plan prior to 2010.

The options were exercisable if the total shareholder return (measured as share price growth plus dividends paid) over a two-year period from the grant date exceeded ten per cent 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 Company repayable within twenty years from the proceeds of dividends declared by the Company. These loans are of a non-recourse nature. For accounting purposes these 20-year loans are treated as part of the options to purchase shares, until the loan is extinguished at which point the shares are recognised.

The options were offered only to selected senior executives. Details of the options are below:

KORVEST PERFORMANCE RIGHTS PLAN (KPRP)

In August 2011 the Company established a performance rights plan to replace the ESP. In November 2011 the first performance rights were granted under the plan. A further issue was granted in November 2012. The plan is designed to provide long term incentives to eligible senior employees of the Group and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles related to earnings per share (EPS).

Under the plan, eligible employees are offered Performance Rights, which enables the employee to acquire one fully paid ordinary share in the Company for no monetary consideration, once the Performance Rights vest. The conditions attached to the Performance Rights are measured over the three year period commencing at the beginning of the financial year in which the Performance Rights are granted. If the performance conditions at the end of the three year period are met, in whole or in part, all or the relevant percentage of the Performance Rights will vest.

GRANT DATE	PLAN	NUMBER OF OPTIONS / RIGHTS INITIALLY GRANTED	NUMBER OUTSTANDING AT BALANCE DATE AASBS	NUMBER OUTSTANDING AT BALANCE DATE ASX
March 2005	ESP	60,000	45,000	-
March 2009	ESP	85,000	60,000	-
November 2011	KPRP	120,000	110,000	110,000
November 2012	KPRP	80,500	73,000	73,000
Total share options / performance rights		345,500	288,000	183,000

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.

MEASUREMENT OF FAIR VALUES

The fair value of the rights granted through the KPRP was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic share price volatility over the twelve months prior to grant date.

The inputs used in the measurement of the fair value at grant date of the KPRP were as follows.

	2013	2012
Fair value at grant date	$4.73	$3.13
Share price at grant date	$6.40	$4.15
Exercise price	-	-
Share price volatility	35.4%	50.1%
Dividend yield	8.28%	6.27%
Risk free interest rate (based on government bonds)	3.11%	4.01%
Life of options	3 yrs	3 yrs

21. EMPLOYEE BENEFITS (CONTINUED)

RECONCILIATION OF OUTSTANDING SHARE OPTIONS/RIGHTS

GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS/RIGHTS AT BEGINNING OF YEAR	RIGHTS GRANTED	LAPSED	FORFEITED	EXERCISED	NUMBER OF OPTIONS AT END OF YEAR ON ISSUE	EXERCISABLE AT 30 JUNE 2013
2013										
PREVIOUS PLAN										
Mar-05	Jan-07	Jan-27	$4.36	52,500	-	-	-	(7,500)	45,000	-
Mar-09	Jan-11	Jan-31	$3.79	45,000	-	-	-	-	45,000	-
Apr-10	Jan-11	Jan-31	$3.79	15,000	-	-	-	-	15,000	-
				112,500	-	-	-	(7,500)	105,000	-
Weighted average exercise price				$4.06					$4.03	
CURRENT PLAN										
Nov 11	Jul 14	Jul 2014	-	120,000	-	-	(10,000)	-	110,000	-
Nov 12	Jul 15	Jul 2015	-	-	80,500	-	(7,500)	-	73,000	-
				120,000	80,500	-	(17,500)	-	183,000	-
Weighted average exercise price					$Nil				$Nil	
2012										
PREVIOUS PLAN										
Mar 05	Jan 07	Jan 2027	$4.36	52,500	-	-	-	-	52,500	-
Mar 09	Jan 11	Jan 2031	$3.79	50,000	-	-	(5,000)	-	45,000	-
Apr 10	Jan 11	Jan 2031	$3.79	15,000	-	-	-	-	15,000	-
				117,500	-	-	(5,000)	-	112,500	-
Weighted average exercise price				$4.04			$3.79		$4.06	
CURRENT PLAN										
Nov 11	Jul 14	Jul 2014	$Nil	-	120,000	-	-		120,000	-
				-	120,000	-	-	-	120,000	-
Weighted average exercise price					$Nil				$Nil	

21. EMPLOYEE BENEFITS (CONTINUED)

EXPENSE RECOGNISED IN PROFIT OR LOSS

Equity-settled share-based payment transactions

IN THOUSANDS OF AUD	2013	2012
Share options granted in 2007	-	2
Share options granted in 2008	19	8
Share options granted in 2009	1	1
Performance rights granted in FY 2012	(9)	126
Performance rights granted in FY 2013	-	-
Expense arising from employee share scheme	55	52
Total expense recognised for equity-settled share-based payment	66	189

22. PROVISIONS

IN THOUSANDS OF AUD	SITE RESTORATION	WARRANTIES
Balance at 1 July 2012	333	-
Assumed in a business combination		227
Provisions made during the year	-	30
Provisions reduced during the year	-	(88)
Provisions used during the year	-	-
Balance at 30 June 2013	333	169
Current	-	169
Non-current	333	-
	333	169

SITE RESTORATION AND SAFETY

A provision of $360,000 was initially made during the financial year ended 30 June 2003 in respect of the Company's obligation to rectify potential environmental damage at the main site premises in Kilburn. The provision is reassessed annually and is now based on an estimate of the current day cost to rectify the site. It has been assumed that the rectification would occur in 10 years. Provisions are determined by discounting risk adjusted future expected cash flows at a pre-tax discount rate that reflects the time value of money. A discount rate of 6.5% and an inflation rate of 3.0% have been used for the calculation.

WARRANTIES

Power Step assemblies are sold with a warranty period of 12 months from installation date or 18 months from invoice date, whichever occurs first. The provision is based on estimates made from historical warranty data associated with similar products. The entire warranty provision has been treated as current.

23. CAPITAL AND RESERVES

	ORDINARY SHARES	
IN THOUSANDS OF AUD	2013	2012
On issue at 1 July	8,680	8,640
Issued under the Employee Share Bonus Plan	22	35
Issued under the Executive Share Plan	8	5
On issue at 30 June – fully paid	8,710	8,680

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.

REVALUATION RESERVE

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

PROFITS RESERVE

The profits reserve represents current year and accumulated profits transferred to a reserve to preserve the characteristic as a profit and not appropriate against prior year accumulated losses. Such profits are available to enable payment of franked dividends in the future.

EQUITY COMPENSATION RESERVE

The Equity compensation reserve represents the accumulated expense recognised for share-based payments granted by the Company to date. 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 Company's own equity instruments.

23. CAPITAL AND RESERVES (CONTINUED)

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
2013				
Interim 2013 ordinary	26.0	2,259	Fully franked	13 March 2013
Final 2012 ordinary	30.0	2,604	Fully franked	6 September 2012
Total amount		4,863		
2012				
Interim 2012 ordinary	18.0	1,564	Fully franked	9 March 2012
Interim 2012 special	5.0	435	Fully franked	9 March 2012
Final 2011 ordinary	15.0	1,300	Fully franked	8 September 2011
Total amount		3,299		

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	20.0	1,763	Fully franked	6 September 2013
Total amount		1,763		

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2013 and will be recognised in subsequent financial reports.

DIVIDEND FRANKING ACCOUNT

IN THOUSANDS OF AUD	2013	2012
30% franking credits available to shareholders of Korvest Ltd for subsequent financial years	12,841	13,484

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 being able 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 $755,560 (2012: $1,130,516).

24. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

OVERVIEW

The Group has 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 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.

EXPOSURE TO CREDIT RISK

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

IN THOUSANDS OF AUD	NOTE	2013	2012
Cash and cash equivalents	14A	2,438	5,170
Trade and other receivables	15	12,534	14,779

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

There is an established 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 in some trade references when applicable and available. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval. These limits are subject to on-going review. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

24. FINANCIAL INSTRUMENTS (CONTINUED)

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

The Group establishes an allowance for impairment that represents its 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.

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by geographic region was as follows

IN THOUSANDS OF AUD	2013	2012
Australia	12,357	14,779
South America	11	-
Africa	117	-
South East Asia	49	-
	12,534	14,779

Impairment losses

The ageing of the trade and other receivables at the reporting date that were not impaired was as follows:

	GROSS	GROSS
Not past due nor impaired	7,094	8,551
Past due 0-30 days	3,957	4,255
Past due 31-90 days	1,206	1,680
More than 91 days	277	293
	12,534	14,779

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

Balance at 1 July	(918)	(499)
Amounts written off against allowance	646	427
Impairment loss (recognised) / reversed	(253)	(846)
Balance at 30 June	(525)	(918)

During the year a project based customer was placed into administration which resulted in an impairment loss of $265,000. The goods were sold to the customer under a retention of title clause. Legal processes were used to recover the debt however this proved to be unsuccessful. A portion of the 30 June 2013 impairment loss relates to an entity from within the Hastie Group that was placed into administration in May 2012. The remainder of the impairment loss at 30 June 2013 relates to a number of customers where an assessment has been made that the amounts are likely to be uncollectable.

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.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Cash and cash equivalents

The Group held cash and cash equivalents of $2,438,000 at 30 June 2013 (2012: $5,170,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with major Australian banks.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

In addition, the Group maintains the following lines of credit:

- $0.75 million overdraft facility that is unsecured.

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

IN THOUSANDS OF AUD	CARRYING AMOUNT	2013 CONTRACTUAL CASH FLOWS	6 MTHS OR LESS	6 – 12 MNTHS	CARRYING AMOUNT	2012 CONTRACTUAL CASH FLOWS	6 MTHS OR LESS
NON-DERIVATIVE FINANCIAL LIABILITIES							
Trade and other payables	4,730	(4,730)	(4,500)	(230)	5,078	(5,078)	(5,078)
Unsecured Loans	156	(156)	-	(156)	-	-	-
Contingent consideration	500	(500)	(500)	-	-	-	-
Finance Lease	11	(11)	(6)	(5)	-	-	-
	5,397	(5,397)	(5,006)	(391)	5,078	(5,078)	(5,078)

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

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the Australian dollar (AUD). The currency in which these transactions primarily are denominated is US dollars (USD).

24. FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to currency risk

The Group did not have any material exposure to foreign currency risk and as a result movements in the Australian dollar against other currencies will not have a material impact on the Group's profit or equity.

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.

Exposure to interest rate risk

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

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 objectives when managing capital (net debt and equity) are to safeguard its ability to continue as a going concern, so that it 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.

During the year the Group was not subject to externally imposed capital requirements.

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

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

FAIR VALUES VS CARRYING VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

IN THOUSANDS OF AUD	NOTE	CARRYING AMOUNT 2013	FAIR VALUE 2013	CARRYING AMOUNT 2012	FAIR VALUE 2012
Trade and other receivables	15	12,534	12,534	14,779	14,779
Cash and cash equivalents	14A	2,438	2,438	5,170	5,170
Trade and other payables	19	(5,230)	(5,230)	(5,078)	(5,078)
Loans and borrowings	20	(167)	(167)	-	-
		9,575	9,575	14,871	14,871

25. OPERATING LEASES

LEASES AS LESSEE

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

IN THOUSANDS OF AUD	2013	2012
Less than one year	829	796
Between one and five years	1,602	1,496
More than five years	-	80
	2,431	2,372

The Group 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 or similar each year.

During the financial year ended 30 June 2013, $844,918 was recognised as an expense in the Statement of profit and loss and comprehensive income in respect of operating leases (2012: $836,535).

26. CAPITAL AND OTHER COMMITMENTS

IN THOUSANDS OF AUD	2013	2012
CAPITAL EXPENDITURE COMMITMENTS		
PLANT AND EQUIPMENT		
Contracted but not provided for and payable:		
Within one year	156	61
One year or later and no later than five years	-	-
Later than five years	-	-
	156	61

27. GROUP ENTITIES

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2013 %	OWNERSHIP INTEREST 2012 %
Power Step (Australia) Pty Ltd	Australia	100	-
Power Step (Chile) SpA	Chile	100	-
Titan Technologies (SE Asia) Pty Ltd	Australia	100	-

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Non-executive Directors

- Peter Stancliffe (Chairman)
- Peter Brodribb
- Graeme Billings (Appointed 3 May 2013)
- Ted Pretty (Appointed 3 Sep 2012, Retired 25 March 2013)
- Graham Twartz (Retired 2 Sep 2012)

Executive Directors

- Alexander Kachellek (Managing Director)
- Steven McGregor (Finance Director and Company Secretary)

Executives

- Chris Hartwig (General Manager, EzyStrut)
- Steven Evans (General Manager Galvanising)
- Andrew Ifkovich (General Manager, Indax) (ceased 17 June 2013)
- Paul Assaf (General Manager Power Step & Titan Technologies) Commenced 1 March 2013 as KMP.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

IN AUD	2013	2012
Short-term employee benefits	1,476,823	1,416,481
Post employment benefits	129,812	123,261
Termination benefits	83,660	-
Long term benefits	43,190	62,971
Equity compensation benefits	(1,041)	117,805
	1,732,444	1,720,518

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. 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 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 GROUP

From time to time, key management personnel of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group 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 2012 IFRS	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES *	HELD AT 30 JUNE 2013	HELD AT 30 JUNE 2013 ASX	VESTED DURING THE YEAR	ASX VESTED AND EXERCISED DURING THE YEAR ENDED 30 JUNE 2013
DIRECTORS								
A Kachellek	65,000	25,000	-	-	90,000	60,000	-	-
S McGregor	40,000	20,000	-	-	60,000	45,000	-	-
								-
EXECUTIVES								-
C Hartwig	35,000	15,000	-	-	50,000	40,000	-	-
S Evans	10,000	7,500			27,500	27,500	-	-
A Ifkovich	10,000	7,500		(17,500)	-	-	-	-
P Assaf	-	-	-	-	-	-	-	-

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

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

28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

	HELD AT 1 JULY 2011 IFRS	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES *	HELD AT 30 JUNE 2012	HELD AT 30 JUNE 2012 ASX	VESTED DURING THE YEAR	ASX VESTED AND EXERCISED DURING THE YEAR ENDED 30 JUNE 2012
DIRECTORS								
A Kachellek	30,000	35,000	-	-	65,000	35,000	-	-
S McGregor	15,000	25,000	-	-	40,000	25,000	-	-
								-
EXECUTIVES								
C Hartwig	10,000	25,000	-	-	35,000	25,000	-	-
S Evans	-	10,000	-	-	10,000	10,000	-	-
A Ifkovich	-	10,000	-	-	10,000	10,000	-	-

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

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

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 2012	PURCHASES	ALLOCATED UNDER EMPLOYEE SHARE PLAN	SALES	HELD AT 30 JUNE 2013	SHARES HELD SUBJECT TO NON-RECOURSE LOAN
DIRECTORS						
P. Stancliffe	1,000	3,600	-	-	4,600	
G. Billings *	N/A	500	-	-	500	
P. Brodribb	15,781	5,000	-	-	20,781	
S. McGregor	500	-	-	-	500	15,000
A. Kachellek	2,258	-	-	-	2,258	30,000
G. Twartz *	29,115	-	-	-	N/A	
T Pretty *	N/A	1,000	-	-	N/A	
EXECUTIVES						
C. Hartwig	782	-	149	-	931	10,000
S. Evans	123	-	149	-	272	
P Assaf *	N/A	-	-	-	-	-
A Ifkovich *	-	-	71	-	N/A	

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.

* Shareholding has been noted as N/A where the person was not a member of KMP at that date. Purchase and sale transaction have only been recorded where they occurred whilst the person was a member of KMP.

28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

	HELD AT 1 JULY 2011	PURCHASES	ALLOCATED UNDER EMPLOYEE SHARE PLAN	SALES	HELD AT 30 JUNE 2012	SHARES HELD SUBJECT TO NON-RECOURSE LOAN
DIRECTORS						
P. Stancliffe	1,000	-	-	-	1,000	
G. Twartz	29,115	-	-	-	29,115	
P. Brodribb	15,781	-	-	-	15,781	
S. McGregor	500	-	-	-	500	15,000
A. Kachellek	1,258	1,000	-	-	2,258	30,000
EXECUTIVES						
C. Hartwig	529	-	253	-	782	10,000
S. Evans	-	-	123	-	123	
A Ifkovich	-	-	-	-	-	

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.

29. RELATED PARTY DISCLOSURES

IDENTITY OF RELATED PARTIES

The Company has a related party with its key management personnel (see Note 28) and for the period up until 19 February 2013 with Hills Holdings Limited as its ultimate parent entity.

OTHER RELATED PARTY TRANSACTIONS

ULTIMATE PARENT ENTITY

For the period until 19 February 2013 the following material transactions took place with Hills Holdings Limited under normal commercial terms and conditions.

IN AUD ($)	2013	2012
Sales	106,571	101,758
Purchases	643,837	1,095,663
Payment of dividends	1,263,104	1,599,933
Amounts payable at reporting date (current)	N/A	101,490
Amounts receivable at reporting date (current)	N/A	30,450

30. 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 nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group in subsequent financial periods.

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2013 the parent entity of the Group was Korvest Ltd.

IN THOUSANDS OF AUD	2013	2012
RESULT OF PARENT ENTITY		
Profit for the period	3,730	6,201
Other comprehensive income	-	-
Total comprehensive income for the period	3,730	6,201
FINANCIAL POSITION OF PARENT ENTITY AT YEAR END		
Current assets	21,918	28,632
Total Assets	43,664	46,013
Current liabilities	6,240	7,820
Total Liabilities	8,398	9,686
Total equity of the parent entity comprising of:		
Share capital	3,859	3,783
Reserves	31,407	4,387
Retained earnings	-	28,157
TOTAL EQUITY	35,266	36,327

GUARANTEES ENTERED INTO BY THE COMPANY

Bank guarantees given by the Company in favour of customers amounted to $394,000 (2012: $489,000).

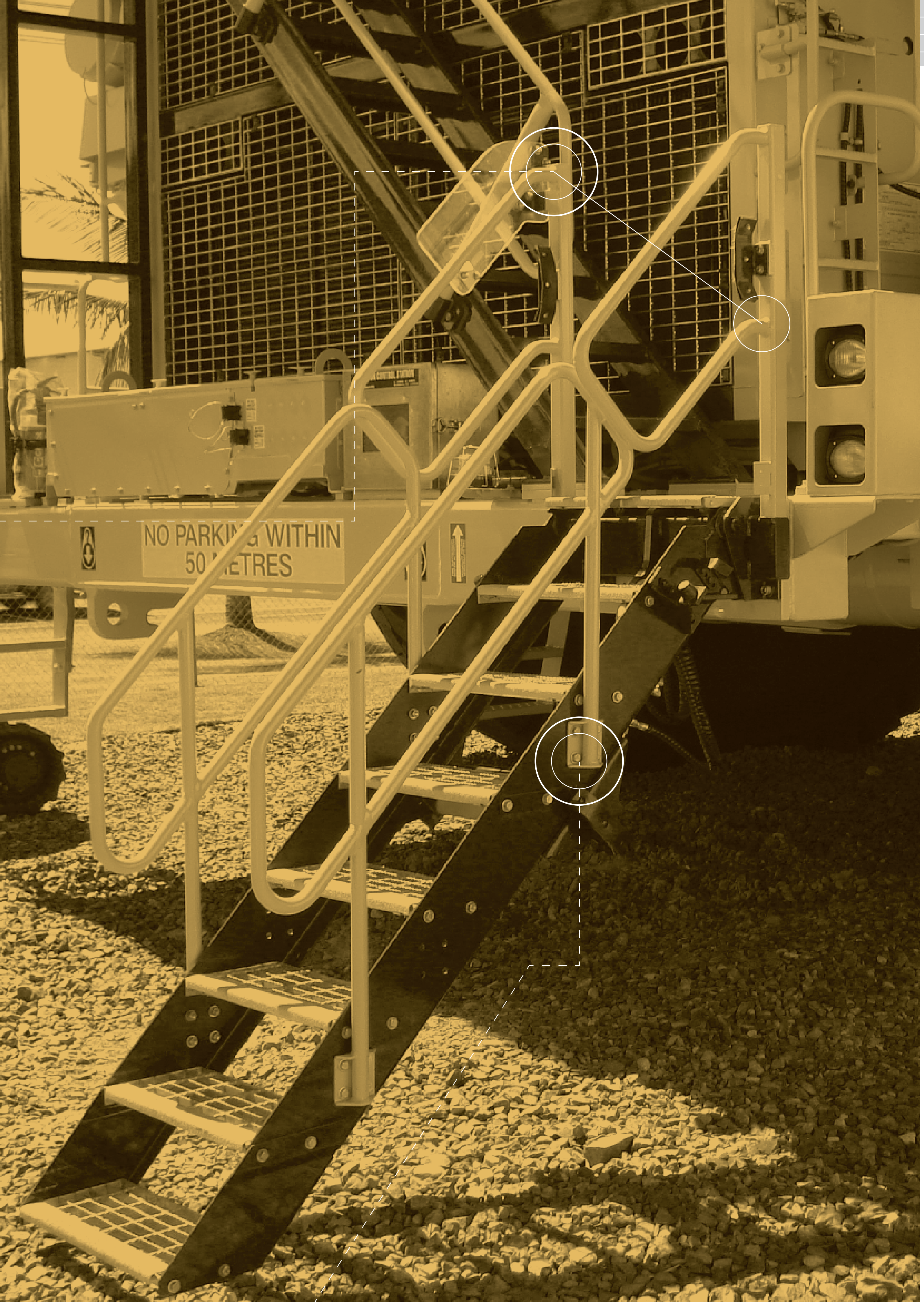
The Group's bankers have provided an overdraft facility that is interchangeable between the Australian Group entities. The Company has guaranteed the subsidiaries' debt under this facility.

CONTINGENT LIABILITIES OF THE COMPANY

The Company does not have any contingent liabilities other than the guarantees disclosed above.

PARENT ENTITY CAPITAL COMMITMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 30 June 2013, the Company had contractual commitments for the acquisition of property, plant and equipment totalling $156,000 (2012: $61,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.



DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2013

KORVEST LTD

1. In the opinion of the Directors of Korvest Ltd (the Company):

   a. the consolidated financial statements and notes that are set out on pages 36 to 81 and the Remuneration report in the Directors' report, set out on pages 17 to 26, are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

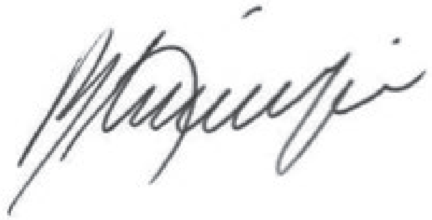
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.

3. The Directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 26th day of July 2013.

Signed in accordance with a resolution of directors:



PETER STANCLIFFE
DIRECTOR

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 consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group, comprising the Company and the entities it controlled at the 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a) the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its 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 the Group is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 17 to 26 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

26 July 2013

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 2013 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

Paul Cenko
Partner

Adelaide

26 July 2013

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 25 JULY 2013)

SUBSTANTIAL SHAREHOLDERS

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

SHAREHOLDER	NUMBER
Citicorp Nominees Pty Limited	1,192,501
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	1,054,669
Donald Cant Pty Ltd	521,844

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	819	317,446	3.60
1,001 - 5,000	590	1,544,544	17.52
5,001 - 10,000	129	941,347	10.68
10,001 - 100,000	80	1,985,849	22.53
100,001 and over	9	4,025,675	45.67
	1,627	8,814,861	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 72.

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.

ON MARKET BUY BACK

There is no current on-market buy back.

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Citicorp Nominees Pty Limited	1,192,501	13.53
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	1,054,669	11.96
Donald Cant Pty Ltd	521,844	5.92
HSBC Custody Nominees (Australia) Limited	401,010	4.55
De Bruin Nominees Pty Ltd <De Bruin Super Fund A/C>	200,000	2.27
AMP Life Limited	187,668	2.13
Gotterdamerung Pty Limited <Gotterdamerung Family A/C>	181,428	2.06
J P Morgan Nominees Australia Limited	149,223	1.69
BNP Paribas Noms Pty Ltd <Drp>	137,332	1.56
Brazil Farming Pty Ltd	93,000	1.06
Mr John Frederick Bligh	73,420	0.83
Otterpaw Pty Ltd <Penguin A/C>	73,000	0.83
Angueline Investments Pty Limited <Angueline A/C>	68,700	0.78
National Nominees Limited	53,644	0.61
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	53,118	0.60
Mardie Pty Ltd	50,358	0.57
WA Andrews (Medical) Pty Ltd <WSA Superannuation Fund A/C>	48,650	0.55
Brazil Farming Pty Ltd	47,727	0.54
Rotret Three Pty Ltd	44,108	0.50
Mrs Susan Beatrice Andrews	43,650	0.50
	4,675,050	53.04

OFFICES AND OFFICERS

COMPANY SECRETARY

Steven John William McGregor BA(Acc), CA, ACSA, ACIS

PRINCIPAL REGISTERED OFFICE

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580 Prospect Road
Kilburn, South Australia, 5084

Ph: (08) 8360 4500
Fax: (08) 8360 4599

LOCATIONS OF SHARE REGISTRIES

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www.indax.com.au

www.korvestgalvanisers.com.au

www.powerstep.com.au

www.titantools.com.au

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