

**Appendix 4E**  
**Korvest Ltd**  
**ABN 20 007 698 106**  
**Preliminary Final Report**  
**Financial Year Ended 30 June 2012**

**Results for announcement to the market:**

\$A'000

Revenues from ordinary activities	Up	7.3%	to	72,322
Profit from ordinary activities after tax attributable to members	Up	46.9%	to	6,201
Net profit for the period attributable to members	Up	46.9%	to	6,201
Earnings per share	Up	46.4%	to	71.6¢
<b>Dividends</b>	Amount per security		Franked amount per security	
Final dividend (#) - current reporting period - previous corresponding period	30.0¢ 15.0¢		30.0¢ 15.0¢	
Interim dividend - current reporting period - previous corresponding period	18.0¢ 11.0¢		18.0¢ 11.0¢	
Interim special dividend - current reporting period - previous corresponding period	5.0¢ 0¢		5.0¢ 0¢	
# Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.				
Record date for determining entitlements to the dividend	23 August 2012			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:  Refer attached press release.				

**This financial report is the preliminary final report provided to the Australian Stock Exchange under listing rule 4.3C.**

**Korvest Ltd**  
**Preliminary Statement of Comprehensive Income for the Year Ended 30 June 2012**

	Note	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Revenue	5	<u>72,322</u> <u>72,322</u>	<u>67,384</u> <u>67,384</u>
Expenses, excluding net financing costs	6	<u>(63,733)</u>	<u>(61,363)</u>
Profit before net financing costs and income tax		<u>8,589</u>	<u>6,021</u>
Financial income		148	30
Financial expenses		-	(27)
<b>Net financing costs</b>		<u>148</u>	<u>3</u>
<b>Profit before income tax expense</b>	7	<b>8,737</b>	6,024
Income tax expense		<u>(2,536)</u>	<u>(1,803)</u>
<b>Net profit from continuing operations</b>		<u>6,201</u>	<u>4,221</u>
<b>Profit for the period</b>		<u>6,201</u>	<u>4,221</u>
<b>Other comprehensive income</b>			
Revaluation of property, plant & equipment		-	908
<b>Total comprehensive income for the period</b>		<u>6,201</u>	<u>5,129</u>
Basic earnings per share	10	<b>71.6¢</b>	48.9¢
Diluted earnings per share	10	<b>71.3¢</b>	48.6¢
Dividends per share in respect of the current reporting period		<b>53.0¢</b>	26.0¢

The Preliminary Statement of Comprehensive Income is to be read in conjunction with the discussion and analysis in the attached press release and the Notes to and forming part of the preliminary financial statements set out on pages 6 to 16.

**Korvest Ltd**  
**Preliminary Statement of Changes in Equity for the Year Ended 30 June 2012**

*In thousands of AUD*

	Share capital	Equity compens- ation reserve	Asset revaluation reserve	Retained earnings	Total
Balance at 1 July 2011	3,713	67	4,183	25,255	33,218
<b>Total comprehensive income for the year</b>					
Profit	-	-	-	6,201	6,201
Total other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	6,201	6,201
<b>Transactions with owners of the Company recognised directly in equity</b>					
<b>Contributions by and distributions to owners of the Company</b>					
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

Balance at 1 July 2010	3,662	56	3,275	23,278	30,271
<b>Total comprehensive income for the year</b>					
Profit	-	-	-	4,221	4,221
Other comprehensive income					
Revaluation of Property, Plant & Equipment net of tax	-	-	908	-	908
Total other comprehensive income	-	-	908	-	908
Total comprehensive income for the year	-	-	908	4,221	5,129
<b>Transactions with owners of the Company recognised directly in equity</b>					
<b>Contributions by and distributions to owners of the Company</b>					
Shares issued under the Share Plans	51	11	-	-	62
Dividends to shareholders	-	-	-	(2,244)	(2,244)
Total contributions by and distributions to owners of the Company	51	11	-	(2,244)	(2,182)
Balance at 30 June 2011	3,713	67	4,183	25,255	33,218

The Preliminary Statement of Changes in Equity is to be read in conjunction with the discussion and analysis in the attached press release and the Notes to and forming part of the preliminary financial statements set out on pages 6 to 16.

**Korvest Ltd**  
**Preliminary Statement of Financial Position as at 30 June 2012**

	Note	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
<b>Current Assets</b>			
Cash and cash equivalents		5,170	1,577
Trade and other receivables		14,779	16,025
Inventories		8,683	9,176
Current tax receivable		-	-
Total current assets		<u>28,632</u>	<u>26,778</u>
<b>Non-Current Assets</b>			
Property, plant and equipment		<u>17,381</u>	<u>17,243</u>
Total non-current assets		<u>17,381</u>	<u>17,243</u>
<b>Total assets</b>		<u>46,013</u>	<u>44,021</u>
<b>Current Liabilities</b>			
Trade and other payables		5,078	7,459
Employee benefits		1,314	1,187
Income tax payable		1,428	237
Total current liabilities		<u>7,820</u>	<u>8,883</u>
<b>Non-Current Liabilities</b>			
Employee benefits		647	467
Deferred tax liability		886	1,120
Provisions		333	333
Total non-current liabilities		<u>1,866</u>	<u>1,920</u>
<b>Total liabilities</b>		<u>9,686</u>	<u>10,803</u>
<b>Net assets</b>		<u>36,327</u>	<u>33,218</u>
<b>Equity</b>			
Issued capital		3,783	3,713
Reserves		4,387	4,250
Retained earnings	11	<u>28,157</u>	<u>25,255</u>
Total equity attributable to equity holders of the Company		<u>36,327</u>	<u>33,218</u>

The Preliminary Statement of Financial Position is to be read in conjunction with the discussion and analysis in the attached press release and the Notes to and forming part of the preliminary financial statements set out on pages 6 to 16.

**Korvest Ltd**  
**Preliminary Statement of Cash Flows for the Year Ended 30 June 2012**

		<b><u>Consolidated</u></b>	
	Note	<b><u>2012</u></b> <b><u>\$'000</u></b>	<b><u>2011</u></b> <b><u>\$'000</u></b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts in the course of operations		<b>80,154</b>	68,769
Cash payments in the course of operations		<b>(70,042)</b>	(63,885)
Interest received		<b>148</b>	30
Interest paid		<b>-</b>	(27)
Income taxes paid		<b><u>(1,579)</u></b>	<u>(1,702)</u>
<b>Net cash provided by operating activities</b>		<b><u>8,681</u></b>	<u>3,185</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds on disposal of property, plant and equipment		<b>16</b>	72
Payments for property, plant and equipment		<b><u>(1,823)</u></b>	<u>(2,041)</u>
<b>Net cash (used in) investing activities</b>		<b><u>(1,807)</u></b>	<u>(1,969)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of share capital		<b>18</b>	-
Dividends paid by the Company	12(a)	<b><u>(3,299)</u></b>	<u>(2,244)</u>
<b>Net cash (used in) financing activities</b>		<b><u>(3,281)</u></b>	<u>(2,244)</u>
<b>Net increase/(decrease) in cash held</b>		<b>3,593</b>	(1,028)
<b>Cash and cash equivalents at the beginning of the year</b>		<b><u>1,577</u></b>	<u>2,605</u>
<b>Cash and cash equivalents at the end of the year</b>		<b><u><u>5,170</u></u></b>	<u><u>1,577</u></u>

The Preliminary Statement of Cash Flows is to be read in conjunction with the discussion and analysis in the attached press release and the Notes to and forming part of the preliminary financial statements set out on pages 6 to 16.

## Korvest Ltd

### Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012

#### 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 Company is a for-profit entity and primarily is involved in manufacturing businesses as detailed in Note 4.

#### 2. Basis of preparation

##### (a) Statement of compliance

The preliminary financial statements have been prepared in accordance with the recognition and measurement aspects of Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and Appendix 4E of the Australian Stock Exchange listing rules.

The preliminary financial statements should be read in conjunction with the 2011 annual report, the December 2011 half year report and any announcement by Korvest Ltd or its controlled entities in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The preliminary financial statements were approved by the Board of Directors on 26<sup>th</sup> July 2012.

##### (b) Basis of measurement

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

- land and buildings are measured at fair value

##### (c) Functional and presentation currency

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

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

#### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these preliminary financial statements, and have been applied consistently by the Company.

##### (a) Foreign currency

###### Foreign currency transactions

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

##### (b) Financial instruments

###### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

## Korvest Ltd

### Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012

#### 3. Significant accounting policies (continued)

##### Non-derivative financial instruments (continued)

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

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

##### *Other*

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

##### Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost (effective interest rate method) less any impairment charges.

##### Trade and other payables

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

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

##### Interest-bearing borrowings

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

#### (c) Share capital

##### *Ordinary shares*

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

##### *Dividends*

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

#### (d) Property, plant and equipment

##### Land and Buildings

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

##### Plant and Equipment

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

**Korvest Ltd**

**Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012**

**3. Significant accounting policies (continued)**

**(d) Property, plant and equipment (continued)**

**Subsequent costs**

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

**Depreciation**

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

**(e) Leased assets**

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

Other leases are operating leases and the leased assets are not recognised on the Company's Statement of Financial position.

**(f) Inventories**

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

**(g) Impairment**

**Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

All impairment losses are recognised in profit or loss.

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

**Non-financial assets**

The carrying amounts of the Company'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.



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**Korvest Ltd**

**Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012**

**3. Significant accounting policies (continued)**

**Non-financial assets (continued)**

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

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

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

**(h) Employee benefits**

**Defined contribution superannuation funds**

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

**Long-term benefits**

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

**Short-term benefits**

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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 options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

*Employee Share Bonus Plan*

The Employee Share Bonus Plan allows Company 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.

## Korvest Ltd

### Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012

#### 3. Significant accounting policies (continued)

##### Share-based payment transactions (continued)

###### *Executive Share Plan*

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

##### (i) Provisions

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

##### (j) Revenue

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

##### (k) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings. Interest paid is recognised as it accrues using the effective interest rate method.

##### (l) Operating lease payments

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

##### (m) Income tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

## Korvest Ltd

### Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012

#### 3. Significant accounting policies (continued)

##### (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) 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 2011, and have not been applied in preparing these financial statements. The Standards and Interpretations relevant to the Company that have not been early adopted are:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements – applicable for annual reporting periods on or after 1 July 2013;
- AASB 9 Financial Instruments - applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 2009-11 - Amendments to Australian Accounting Standards arising from AASB 9 - applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 119 Employee Benefits – applicable for annual reporting periods on or after 1 January 2013;
- AASB 13 Fair Value Measurement – applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 – applicable for annual reporting periods beginning on or after 1 January 2013;
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) - applicable for annual reporting periods beginning on or after 1 January 2013; and
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income - applicable for annual reporting periods beginning on or after 1 July 2012.

The Company expects to adopt these standards and interpretations in the 2013 and subsequent financial years, however, the financial impact of adopting the new or amended standards has not yet been determined.

##### (q) Segment reporting

###### *Determination and presentation of operating segments*

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director 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.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

## Korvest Ltd

### Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012

#### 4. Segment Disclosures

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

Industrial Products - includes the manufacture of electrical and cable support systems and steel fabrication. It includes the businesses trading under the EzyStrut and Indax names.

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

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

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

	Industrial Products		Production		Total	
\$'000s	2012	2011	2012	2011	2012	2011
External revenue	66,543	61,799	5,779	5,585	72,322	67,384
Depreciation and amortisation	968	735	417	417	1,385	1,152
Reportable segment profit before tax	7,675	5,430	1,324	664	8,999	6,094
Reportable segment assets	27,886	29,281	4,066	4,221	31,952	33,502
Capital expenditure	1,435	1,691	218	237	1,653	1,928

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Reconciliation of reportable segment profit, assets and other material items		
<b>Profit</b>		
Total profit for reportable segments	8,999	6,094
Unallocated amounts – other corporate expenses	(262)	(70)
Consolidated profit before income tax	<u>8,737</u>	<u>6,024</u>
<b>Assets</b>		
Total assets for reportable segments	31,952	33,502
Other unallocated amounts	<u>14,061</u>	<u>10,519</u>
Consolidated total assets	<u>46,013</u>	<u>44,021</u>
<b>Capital Expenditure</b>		
Capital expenditure – reportable segments	1,653	1,928
Other unallocated amounts	<u>170</u>	<u>113</u>
Total	<u>1,823</u>	<u>2,041</u>
<b>Other material items</b>		
Depreciation – reportable segments	1,385	1,152
Unallocated amounts – other corporate expenses	<u>157</u>	<u>127</u>
Consolidated total	<u>1,542</u>	<u>1,279</u>

#### Geographical segments

The Company operates in Australia.

**Korvest Ltd**  
**Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012**

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
<b>5. Revenue and other income</b>		
<b>Revenue</b>		
Sales of goods	<u>72,322</u>	67,384
	<u><u>72,322</u></u>	<u><u>67,384</u></u>
<b>6. Expenses</b>		
Costs of goods sold	39,805	39,776
Sales and marketing expenses	15,543	13,532
Distribution expenses	6,014	6,207
Administration expenses	2,267	1,807
Other expenses	<u>104</u>	<u>41</u>
Expenses excluding financing costs	<u><u>63,733</u></u>	<u><u>61,363</u></u>
<b>7. Profit before income tax</b>		
<b>Profit before income tax has been arrived at after charging / (crediting) the following items</b>		
Depreciation of buildings	77	58
Depreciation of plant and equipment	<u>1,464</u>	<u>1,221</u>
Total depreciation of property, plant and equipment	<u><u>1,541</u></u>	<u><u>1,279</u></u>
Net impairment gain/(loss) expense including movements in provision for receivables impairment losses	(860)	(318)
Impairment (loss) on inventories	(80)	(146)
Gain/(loss) on disposal of non-current assets:		
Net gain/(loss) on disposal of property, plant and equipment	(104)	(41)
<b>8. Comparison of Half-Year Profit</b>		
Net profit attributable to members of the Company reported for the first half-year	3,719	1,872
Net profit attributable to members of the Company for the second half-year	<u>2,482</u>	<u>2,349</u>
	<u><u>6,201</u></u>	<u><u>4,221</u></u>

**Korvest Ltd**  
**Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012**

	<u>2012</u>	<u>2011</u>
<b>9. Ratios</b>		
<b>(a) Net tangible asset (NTA) backing</b>		
Net tangible assets per ordinary share	<b>\$4.13</b>	\$3.79
<b>(b) Other ratios</b>		
Profit before tax / revenue	<b>12.1%</b>	8.9%
Calculated as profit from ordinary activities before related income tax expense as a percentage of total revenues		
Profit after tax / equity interests	<b>17.1%</b>	12.7%
Calculated as net profit attributable to members of the Company as a percentage of equity attributable to members		
<b>10. Earnings per Share</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share from continuing operations	<b>71.6</b>	48.9
Diluted earnings per share from continuing operations	<b>71.3</b>	48.6
<p>The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of \$6,200,676 (2011: \$4,221,110) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 8,662,730 (2011: 8,624,404).</p> <p>The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of \$6,200,676 (2011: \$4,231,842) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 8,696,195 (2011: 8,710,358).</p>		
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares (basic)	<b>8,662,730</b>	8,624,404
Effect of share options on issue	<b>33,465</b>	85,954
Weighted average number of ordinary shares (diluted) at 30 June	<b><u>8,696,195</u></b>	<u>8,710,358</u>
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b>\$'000</b>	<b>\$'000</b>
<b>11. Retained Earnings</b>		
Balance at the beginning of the year	<b>25,255</b>	23,278
Net profit attributable to members of the Company	<b>6,201</b>	4,221
Dividends recognised during the year	<b><u>(3,299)</u></b>	<u>(2,244)</u>
Balance at the end of the year	<b><u>28,157</u></b>	<u>25,255</u>

**Korvest Ltd**  
**Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012**

**12. Dividends**

(a) Dividends recognised in the current year by the Company are:

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
<b>2011</b>				
Interim – ordinary	11.0	951	Franked	11 March 2011
Final – ordinary	15.0	<u>1,293</u>	Franked	7 September 2010
Total amount		<u><u>2,244</u></u>		
<b>2012</b>				
Interim – ordinary	18.0	1,564	Franked	9 March 2012
Interim - special	5.0	435	Franked	9 March 2012
Final – ordinary	15.0	<u>1,300</u>	Franked	8 September 2011
Total amount		<u><u>3,299</u></u>		

**Subsequent events**

Since the end of the year, the directors declared the following dividend:

Final – ordinary	30.0	2,638	Franked	6 September 2012
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The financial effect of this dividend has not been brought to account in this financial report for the year ended 30 June 2012. The financial effect of the dividend will be recognised in the next year.

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

**The Company**

<b>2012</b>	2011
<b>\$'000</b>	<b>\$'000</b>

**(b) Dividend franking account**

30% franking credits available to shareholders of the Company for subsequent financial years	<b><u>13,484</u></b>	<b><u>11,458</u></b>
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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 liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

**Korvest Ltd**

**Notes to the Preliminary Financial Statements for the Year Ended 30 June 2012**

**13. Events Subsequent to Reporting Date**

- (a) There has not arisen in the interval between the end of the financial 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 Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.
- (b) **Dividends**  
For dividends declared after 30 June 2012 see Note 12. The Dividend Reinvestment Plan remains suspended.

- 1 This report has been prepared in accordance with the recognition and measurement aspects of AASB Standards (including Australian Accounting Interpretations) and other AASB authoritative pronouncements.
- 2 This report, and the accounts upon which the report is based, use the same accounting policies.
- 3 This report gives a true and fair view of the matters disclosed.
- 4 This report is based on financial statements which have been audited.
- 5 The financial statements on which this report is based are not likely to be subject to dispute or qualification.

Dated at Kilburn this 26<sup>th</sup> day of July 2012.

Signed in accordance with a resolution of the Directors.



**Peter Stancliffe**  
Director

**Annual General Meeting**

The 42<sup>nd</sup> Annual General Meeting of Korvest Ltd will be held at The KPMG Boardroom, Level 7, 151 Pirie Street, Adelaide, SA, 5000 on Friday 26<sup>th</sup> October 2012 at 11.30 am.

The Notice of Meeting and Proxy Form will be sent with the Annual Report in September 2012.