

Appendix 4D

Korvest Ltd
ABN 20 007 698 106

Half-Year Financial Report 31 December 2014

Results for announcement to the market:

\$A'000

Revenues	Down 5.9%	to	32,062
Net profit after tax for the period attributable to members	Down 94.7%	to	124
Dividends	Amount per security	Franked amount per security	
Interim dividend (#)			
- current reporting period	17.0¢		17.0¢
- previous corresponding period	26.0¢		26.0¢
# Interim dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.			
Record date for determining entitlements to the dividend	27 February 2015		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:			
Refer Directors' report on pages 2 to 4 of this financial report.			

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

This half-year financial report should be read in conjunction with the 2014 annual financial report.

Korvest Ltd Directors' Report

The Directors present their report together with the financial report of Korvest Ltd ("the Company") and its subsidiaries ("the Group") for the half-year ended 31 December 2014 and the auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Graeme Ambery Billings BCom, FCA, MAICD
Age 58
Chairman - appointed 18 September 2014
A Director since May 2013
Director G.U.D. Holdings Limited
Director Clover Corporation Limited

Peter Brodribb F.I.E (Aust)
Age 70
Non-Executive Director
A Director since 1984
Appointed Non-Executive Director in January 2005

Gary Nigel Francis BSc. HON. (Civil), MAICD
Age 59
Independent Non-Executive Director
A Director since February 2014
Chairman of Remuneration Committee

Gerard Patrick Hutchinson MBA, MBL, MSc(IS), BEc, MA (research), FCA, FAICD, FAIM
Age 46
Independent Non-Executive Director – appointed 19 November 2014
Chairman of Audit Committee
Director AusGroup Limited

Alexander Henrik Wilhelm Kachellek BSc. CENG, MIET, FAICD
Age 61
Managing Director
A Director since June 2007
Director Austmine Ltd.

Steven John William McGregor BA (Acc), CA, AGIA, ACIS
Age 43
Finance Director
A Director since January 2009
Company Secretary since April 2008

Peter William Stancliffe BE (Civil), FAICD
Age 66
Chairman appointed 1 January 2009, retired 18 September 2014
Independent Non-Executive Director
A Director since January 2009
Former Director Hills Limited
Director Automotive Holdings Group Limited

Result

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

	31 Dec 14	31 Dec 13
<i>In thousands of AUD</i>		
Profit after income tax expense	124	2,338
Net profit attributable to members of the Company	124	2,338

Korvest Ltd
Directors' Report

Other Ratios

	31 Dec 14	31 Dec 13
Net tangible asset (NTA) backing		
Net tangible assets per ordinary share	\$3.17	\$3.90
Profit before tax / revenue	2.6%	9.9%
Profit after tax / equity interests	0.4%	6.5%

Review of Operations

First half trading conditions remain similar to those experienced over the last 18 months. The most significant aspect of the first half result is the impairment of the \$1.721 million of goodwill relating to the Power Step and Titan Technologies businesses. These businesses principally service the mining industry and with the significant slow-down in demand in that sector the results of the businesses have been disappointing. Progress is being made to diversify into other sectors with opportunities progressed to the developmental stage. As a result of the uncertainty surrounding the timing of future projects and recovery of activity in the mining sector and on the basis of an impairment assessment performed during the first half the Board took the decision to impair the goodwill. It should be noted that this adjustment is non-cash and as a result the Board has kept the interim dividend at the level that it would have been had the impairment adjustment not occurred.

Excluding the impact of the goodwill adjustment the underlying business performed in line with previous guidance and this can be summarised as follows:

	\$'000
Net profit after tax (NPAT)	124
Goodwill adjustment	1,721
Impact on Executive Share Plan expense of Goodwill Adjustment	(198)
Underlying NPAT	<u>1,647</u>

This underlying result is 29.6% down on the prior year first half.

Revenue from trading operations for the half-year decreased by 5.9% to \$32.1 million. As mentioned, trading conditions have remained largely unchanged over the past 12-18 months. There are few large projects and the availability of small to medium sized projects remains subdued. Smaller day-to-day trading also remains at low levels resulting in most work being keenly contested.

Within the Industrial Products segment the EzyStrut business experienced variable conditions around the country. In overall terms the business produced a pleasing result in difficult market conditions as a result of continued supply to a large LNG project. However, in a number of regions demand slowed as there was a pause in activity of mid-large sized projects. Investment has continued in the factory with the focus remaining on improving lead times to ensure the customer service level expectations are met. The in-house engineering team has continued to work closely with the EzyStrut sales group to develop new products and improve on the existing ones to broaden the product offering. As mentioned at the AGM, EzyStrut has commenced a strategy of export primarily into the Asia Pacific region to capitalise on its success in the oil and gas markets but this activity is in its early days.

In April 2014 Korvest announced the exit of the Indax handrail and walkway system business. During the first half the focus has been on selling the business assets. At the end of December approximately \$150,000 of inventory remains and all of the plant has been sold or redeployed.

Korvest Ltd Directors' Report

Review of Operations (continued)

The remaining businesses in the Industrial Products segment are Power Step and Titan Technologies. Power Step supplies access systems for large mining equipment. It has been well documented that capital expenditure in the mining industry has decreased significantly and this has adversely impacted on the Power Step results. Plans have progressed to the design and test phase to diversify the business into new markets.

Within the Production segment the Galvanising business experienced reduced demand as the projects that had supported the strong FY14 results were not replaced in the first half with anything comparable as a result of reduced project opportunities in the South Australian market.

Dividends

The Directors announced a fully franked interim dividend of 17.0 cents per share. As outlined previously, the Board kept the interim dividend at the level that it would have been prior to the non-cash impairment adjustment.

The dividend can be taken as cash only as the Dividend Investment and Share Investment Plans have been suspended. The dividend will be paid on 13 March 2015 and the record date is 27 February 2015.

Events Subsequent to Reporting Date

Events subsequent to the reporting date are included in Note 16 of the *Condensed Notes to the Interim Financial Report*.

2015 Guidance

Market conditions remain challenging in the markets serviced by Korvest's businesses. There is uncertainty around the timing of future projects making it difficult to provide second half guidance. As a result Korvest sees little change in the second half market conditions compared to those experienced in the first half.

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

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2014.

Rounding Off

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

Dated at Kilburn this 22 day of January 2015.

Signed in accordance with a resolution of the Directors:



GA Billings
Director



AHW Kachellek
Director

Lead Auditor's Independence Declaration



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

To: the directors of Korvest Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko
Partner

Adelaide

22 January 2015

Korvest Ltd
Interim Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income for
the Half-Year Ended 31 December 2014

<i>In thousands of AUD</i>	Note	31 Dec 14	31 Dec 13
Revenue	6(a)	32,062	34,073
Expenses excluding net financing costs	6(b)	(31,241)	(30,721)
Results from operating activities excluding net financing costs		821	3,352
Financial income		24	21
Financial expenses		-	-
Net financing income		24	21
Profit before income tax expense		845	3,373
Income tax expense		(721)	(1,035)
Net profit for the period		124	2,338
Attributable to:			
Members of the Company		124	2,338
Profit for the period		124	2,338
Total comprehensive income for the period		124	2,338
Basic earnings per share		1.2¢	26.8¢
Diluted earnings per share		1.2¢	26.6¢

The Interim Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 16.

Korvest Ltd
Interim Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 31
December 2014

In thousands of AUD

	Share capital	Equity compensation reserve	Asset revaluation reserve	Profits reserve	Retained earnings	Total
Balance at 1 July 2014	12,764	343	3,585	19,890	-	36,582
Total comprehensive income for the year						
Profit for the period	-	-	-	-	124	124
Total comprehensive income for the year	-	-	-	-	124	124
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	33	(132)	-	-	-	(99)
Dividends to members	-	-	-	(3,246)	-	(3,246)
Total contributions by and distributions to owners of the Company	33	(132)	-	(3,246)	-	(3,345)
Transfer to profits reserve				124	(124)	
Balance at 31 December 2014	12,797	211	3,585	16,768	-	33,361
Balance at 1 July 2013	3,859	199	4,183	27,120	-	35,361
Total comprehensive income for the year						
Profit for the period	-	-	-	-	2,338	2,338
Total comprehensive income for the year	-	-	-	-	2,338	2,338
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	31	67	-	-	-	98
Dividends to members	-	-	-	(1,739)	-	(1,739)
Total contributions by and distributions to owners of the Company	31	67	-	(1,739)	-	(1,641)
Transfers to profits reserve	-	-	-	2,338	(2,338)	-
Balance at 31 December 2013	3,890	266	4,183	27,719	-	36,058

The Interim Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 16.

Korvest Ltd
Interim Condensed Consolidated Statement of Financial Position as at 31 December 2014

<i>In thousands of AUD</i>	Note	31 Dec 14	30 Jun 14
Current Assets			
Cash and cash equivalents		2,509	497
Trade and other receivables		11,031	17,706
Inventories		11,801	11,303
Assets held for sale	10	149	1,452
Total current assets		25,490	30,958
Non-Current Assets			
Property, plant and equipment		16,055	15,912
Deferred tax asset		-	180
Intangible assets and goodwill		30	1,755
Total non-current assets		16,085	17,847
Total assets		41,575	48,805
Current Liabilities			
Trade and other payables		4,896	8,184
Employee benefits		2,207	2,255
Current tax liabilities		89	699
Provisions		54	95
Total current liabilities		7,246	11,233
Non-Current Liabilities			
Deferred tax liabilities		31	-
Employee benefits		604	657
Provisions		333	333
Total non-current liabilities		968	990
Total liabilities		8,214	12,223
Net assets		33,361	36,582
Equity			
Issued capital	12	12,797	12,764
Reserves		20,564	23,818
Total equity attributable to equity holders of the parent		33,361	36,582
Total equity		33,361	36,582

The Interim Condensed Consolidated Statement of Financial Position is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 16.

Korvest Ltd
Interim Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 31 December
2014

In thousands of AUD

	Note	31 Dec 14	31 Dec 13
Cash flows from Operating Activities			
Cash receipts from customers		41,924	37,524
Cash payments paid to suppliers and employees		(35,178)	(32,401)
Interest received		24	21
Income taxes paid		(1,119)	(1,148)
Net cash provided by operating activities		5,651	3,996
Cash flows from Investing Activities			
Proceeds from sale of property, plant and equipment including assets held for sale		261	20
Acquisition of property, plant and equipment		(654)	(803)
Net cash (used in) investing activities		(393)	(783)
Cash flows from Financing Activities			
Repayment of borrowings		-	(30)
Dividends paid	13	(3,246)	(1,739)
Net cash (used in) financing activities		(3,246)	(1,769)
Net increase in cash held		2,012	1,444
Cash at the beginning of the period		497	2,438
Cash at the end of the period		2,509	3,882

The Interim Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 16.

Korvest Ltd – 31 December 2014 Interim Consolidated Financial Report Condensed Notes to the Interim Financial Report

1. Reporting entity

Korvest Ltd (the Company) is a company domiciled in Australia. The interim condensed consolidated financial statements of the Group as at and for the half year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at 580 Prospect Road Kilburn SA 5084 or at www.korvest.com.au.

2. Statement of compliance

The interim condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2014.

This interim financial report was approved by the Board of Directors on 22 January 2015.

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

3. Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2014, except as detailed below.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

AASB 10 *Consolidated Financial Statements* (2011)

AASB 13 *Fair Value Measurement*

AASB 119 *Employee Benefits* (2011)

Annual Improvements to Australian Accounting Standards 2009–2011 Cycle

The adoptions did not have any material impact on the Group's reported results or disclosures.

4. Judgements and Estimates

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

Significant judgments in relation to impairment testing and the likely achievement of performance conditions under the Korvest Performance Rights Plan are disclosed in notes 11(a) and 12 respectively.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2014.

**Korvest Ltd– 31 December 2014 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2014.

	31 Dec 14	31 Dec 13
6. Revenues and Expenses		
<i>In thousands of AUD</i>		
(a) Revenue		
<i>Sales revenue</i>		
Sales of goods	32,062	34,073
Total revenue	32,062	34,073
(b) Expenses		
Costs of goods and services sold	18,430	18,697
Sales and marketing expenses	7,602	7,937
Distribution expenses	2,062	2,627
Administration expenses	1,422	1,446
Other expenses	4	14
Goodwill Impairment (see Note 11)	1,721	-
	31,241	30,721
(c) Depreciation		
Depreciation of buildings	17	40
Depreciation of plant and equipment	794	848
Total depreciation of property, plant and equipment	811	888

Korvest Ltd – 31 December 2014 Interim Consolidated Financial Report Condensed Notes to the Interim Consolidated Financial Report

7. Segment disclosures

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 Group'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, 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.

Information about reportable segments

	Industrial Products		Production		Total	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
\$'000s						
External Revenues	29,505	30,214	2,557	3,859	32,062	34,073
Reportable segment profit before tax	2,523	2,402	491	1,440	3,014	3,842
Reportable segment assets	25,361	26,981	3,602	4,070	28,963	31,051

Reconciliation of reportable segment profit and assets

In thousands of AUD

Profit

Total profit or loss for reportable segments
Unallocated amounts – other corporate expenses
Profit before income tax

	31 Dec 14	31 Dec 13
	3,014	3,842
	(2,169)	(469)
	845	3,373

Assets

Total assets for reportable segments
Other unallocated amounts
Total assets

	31 Dec 14	31 Dec 13
	28,963	31,051
	12,612	16,028
	41,575	47,079

Geographical segments

The Group operates predominantly in Australia.

Customers

Revenue from one customer in the Group's Industrial Products segment represented \$5,635,000 (2013: \$122,000) of the Group's total revenues. No other single customer represented more than 10% of the Group's total revenues.

**Korvest Ltd – 31 December 2014 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

8. Write-down of obsolete inventory

During the six months ended 31 December 2014 the Company did not amend its write-down provision for finished goods inventory (31 December 2013: nil).

9. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2014, the Company acquired assets with a cost of \$654,000 (six months ended 31 December 2013: \$803,000). No assets were acquired through business combinations. Assets with a net book value of \$243,000 were disposed of during the six months ended 31 December 2014 (six months ended 31 December 2013: \$26,000), resulting in an \$18,000 profit on disposal (six months ended 31 December 2013: \$6,000 loss).

Capital commitments

The Group has \$278,000 in capital commitments at 31 December 2014 (31 December 2013: \$366,000).

10. Disposal group held for sale

In April 2014 Korvest advised that the Indax business would be exited and accordingly the assets associated with that business are presented as a disposal group held for sale. Over the course of the first half all plant and equipment has been sold or redeployed within the remaining Korvest business. The inventory has been progressively sold and as at 31 December 2014 the disposal group assets are as follows.

In thousands of AUD

Inventories

31 Dec 14

149

149

11. Intangible assets and goodwill

a. Impairment loss in relation to Power Step and Titan Technologies

During the six months ended 31 December 2014 the Group recognised an impairment of goodwill in relation to the Power Step and Titan Technologies businesses. The carrying amount of the cash generating unit (CGU) was determined to be higher than its recoverable amount and an impairment loss of \$1,721,000 (31 December 2013: \$nil) was recognised. The impairment loss was allocated fully to goodwill and reduced the goodwill to \$nil. The amount has been separately disclosed in Note 6(b).

The value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit. Value in use as at 31 December 2014 was determined similarly to the 30 June 2014 goodwill impairment test and was based on the following key assumptions:

- Discount rate 14.6%
- Terminal growth rate 3.0%
- Sales growth rate (average of next five years) 7.2%

The values assigned to the key assumptions represent Management's assessment of future trends in the industry and are based on historical data from both internal and external sources.

Following the impairment loss relating to the Power Step and Titan Technologies businesses the recoverable amount is equal to the carrying amount.

Other CGU's were not tested for impairment as there were no impairment indicators at 31 December 2014.

12. Share Capital

	31 Dec 14	30 June 14
<i>In thousands of AUD</i>		
Issued and paid-up capital		
10,485,396 (30 June 2014: 10,428,470) ordinary shares fully paid	12,797	12,764

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Employee Share Bonus Plan

The Company made one issue of ordinary shares under the Employee Share Bonus Plan during the period. During the comparative period to 31 December 2013 one issue was made under the Employee Share Bonus Plan. All employees meeting the service criteria were eligible to participate in the issue. The shares are issued at market value for no consideration. Details of the issue are as follows:

Date of issue	Total number of shares issued	Market value of shares issued \$	Shares issued per participating employee	Number of participating executive directors
31 December 2014				
26 September 2014	14,256	87,960	81	-
31 December 2013				
27 September 2013	15,624	83,588	93	-

Shares issued to employees under the Employee Share Bonus Plan are recognised in equity at the fair value of the shares issued being \$33,073 (2013: \$31,429). The fair value has been measured consistently with the previous annual report and takes into account that the shares issued are unable to be sold by employees for a period of 7 years after issue.

Share-based payment – Executive Share Plan

In August 2011 the Company established the Korvest Performance Rights Plan. The Plan is designed to provide long term incentives to eligible senior employees in the Company and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles related to earning 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.

A total of 99,000 Performance Rights were issued in November 2014.

**Korvest Ltd – 31 December 2014 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

12. Share Capital

Share-based payment – Executive Share Plan (continued)

The previous share plan, the Korvest Ltd Executive Share Plan is still operational for employees granted options under that plan. The share option plan entitled selected senior managers to acquire shares in the Company subject to successful achievement of performance targets related to improvements in total shareholder returns.

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.

Fair value of Performance Rights granted

The fair value assessed in accordance with AASB 2 *Share Based Payment* at grant date of Performance Rights granted during the period ended 31 December 2014 was \$3.76 per Performance Right. The fair value at grant date is determined using a Black Scholes valuation methodology that takes into account a number of factors. Those factors have been set out below including details of the model inputs used for the purposes of valuing the Performance Rights in accordance with AASB 2 *Share based Payment* for the period ended 31 December 2014.

- a) Exercise price: \$0.00
- b) Vesting period: 3 years
- c) Grant date (for Accounting Standards): 12 November 2014
- d) Expiry date: 30 June 2017
- e) Share price at grant date: \$5.22
- f) Expected price volatility of the Company's shares: 32%
- g) Expected dividend yield: 10.92%
- h) Risk-free interest rate: 3.34%
- i) Cost of borrowing: 8.49%
- j) Restricted period: 2 years (post vesting)

Total expenses arising from share-based transactions recognised during the period as part of employee benefit expense were as follows:

In thousands of AUD

	31 Dec 14	31 Dec 13
Performance rights issued under Korvest Performance Rights Plan	(133)	66
Options issued under the Korvest Ltd Executive Share Plan	1	1
Shares issued under Employee Share Bonus Plan	33	31
	<u>(99)</u>	<u>98</u>

As at 31 December 2014 the Company has reassessed the likelihood of achieving the performance conditions under the Korvest Performance Rights Plan. As a result a reversal of previously recognised shared based payment expense was recorded.

Dividend and Share Investment Plans

The Dividend Investment Plan and Share Investment Plan remain suspended.

**Korvest Ltd – 31 December 2014 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

13. Dividends

Dividends paid or provided for by the Company in the current period and the previous corresponding period are:

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
31 December 2014				
Final – ordinary	31.0	<u>3,246</u>	Franked	5 September 2014
31 December 2013				
Final – ordinary	20.0	<u>1,739</u>	Franked	6 September 2013
Subsequent events				
Since the end of the half-year, the Directors declared the following dividends:				
Interim – ordinary	17.0	<u>1,787</u>	Franked	13 March 2015

The financial effect of these dividends has not been brought to account in this financial report. It will be recognised in the next reporting period.

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

14. Financial Instruments

Carrying amounts versus fair values

The fair values of all financial assets and liabilities approximate their carrying amounts.

15. Contingent Liabilities and Contingent Assets

There have been no material changes in contingent liabilities or contingent assets since 30 June 2014.

16. Events Subsequent to Reporting Date

No matter or circumstance has occurred subsequent to 31 December 2014 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent years.

Dividends

For dividends declared after 31 December 2014 refer to Note 13.

17. Related Parties

There have been no material changes to arrangements with related parties since 30 June 2014.

Korvest Ltd
Directors' Declaration

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

- 1 the condensed consolidated financial statements and notes set out on pages 6 to 16, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2014 and of its performance, for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Kilburn this 22 day of January 2015.

Signed in accordance with a resolution of the Directors:



GA Billings
Director



AHW Kachellek
Director



Independent auditor's review report to the members of Korvest Ltd

Report on the financial report

We have reviewed the accompanying half-year financial report of Korvest Ltd, which comprises the interim condensed consolidated statement of financial position as at 31 December 2014, interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Korvest Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Korvest Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Paul Cenko

Partner

Adelaide

22 January 2015