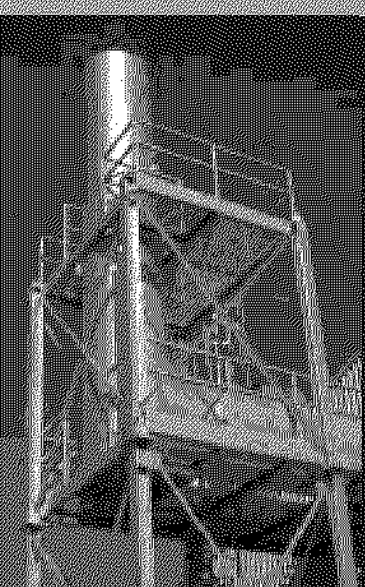




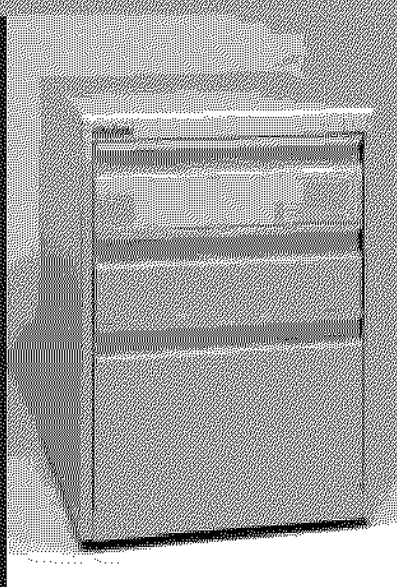
Korvest Ltd.

ANNUAL REPORT 2003

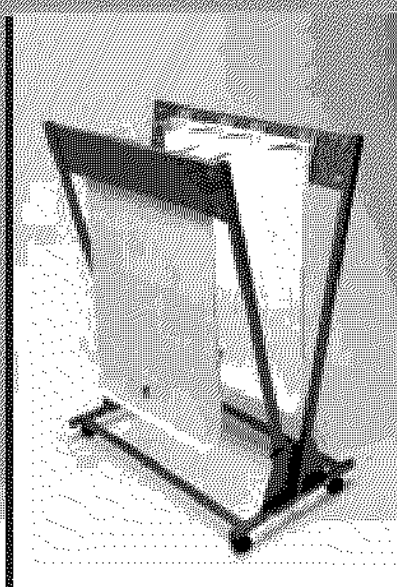
**EXPANDED
STRUCTURE**



**MOBILE PEDESTAL
FILING CABINET**



**EXPANDED
PLAN FILE**



**ROBOTIC WELDING
EZY STRUT LADDER**



ANNUAL GENERAL MEETING

The Thirty Third Annual General Meeting of Shareholders of Korvest Ltd will be held on the 14th floor, 115 Grenfell Street, Adelaide, South Australia 5000 on Friday, 24th October, 2003 at 11:30 a.m. Notice of the Meeting and a Proxy Form are enclosed with this Report.

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CORPORATE INFORMATION

Directors: David James Simmons, BA (Acc), FCPA (Chairman)
 Peter Brodribb, FIE (Aust) FAICD (Managing Director)
 Graham Lloyd Twartz, BA (Adel), Dip Acc (Flinders), Chairman Audit Committee
 Andre Jude D'Souza, BBus (Acc), FCPA

Secretary: Andre Jude D'Souza, BBus (Acc), FCPA

Auditors: KPMG
 Chartered Accountants

Solicitors: Piper Alderman

Bankers: ANZ Banking Group

Registered Office: 580 Prospect Road
 Kilburn, South Australia 5084
 Telephone: (08) 8360 4500

Internet Address: www.korvest.com.au

Share Registry: Computershare Investor Services Pty Limited
 Level 5
 115 Grenfell Street,
 Adelaide, S.A. 5000
 Telephone: (08) 8236 2300

FINANCIAL CALENDAR

31st July, 2003	Preliminary announcement of results for 2003 financial year
29th August, 2003	Books closing date for 2003 final dividend
12th September, 2003	Final dividend payable
24th October, 2003	Annual General Meeting
January, 2004	Announcement of results for half year ending December 2003
March, 2004	Books closing date for 2004 interim dividend
March, 2004	Interim dividend payable
30th June, 2004	End of company's 2004 financial year

(Please note that timing of events may be subject to change)

SHAREHOLDER INFORMATION

Shareholdings (Compiled at 15th August, 2003)

(a) Voting Rights

The company's issued shares are of one class and confer on the holders the right to one vote for each share held.

(b) Spread of shareholdings

SHARES HELD	No. OF SHAREHOLDERS
1 - 1,000	434
1,001 - 5,000	370
5,001 - 10,000	62
10,001 - 100,000	50
100,001 and over	3
	<u>919</u>

The number of shareholders holding less than a marketable parcel at 15th August 2003 was 199.

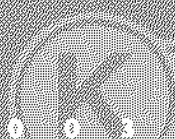
(c) Substantial shareholders:

NAME	SHARES HELD	% OF TOTAL ISSUED SHARES
Hills Finance Pty Ltd	3,756,779	45.99%
NRMA Nominees Pty. Limited	1,272,304	15.57%

(d) The twenty largest shareholders are:

Hills Finance Pty Ltd	3,756,779	45.99%
NRMA Nominees Pty. Limited	1,272,304	15.57%
Donald Cant Pty. Ltd.	365,371	4.47%
John Frederick Bligh	100,000	1.22%
Sylvastate Limited	70,000	0.86%
Ling Nominees Pty Ltd	61,900	0.76%
Mr Ben Henderson	60,108	0.74%
Howard Securities Pty Ltd	60,000	0.73%
LTM Nominees Pty. Ltd.	54,179	0.66%
Rotret Three Pty. Ltd.	54,108	0.66%
Rotret Two Pty. Ltd.	54,108	0.66%
Mardie Pty. Ltd.	50,358	0.62%
Balgowan Nominees Pty. Ltd.	42,365	0.52%
Bentmont Pty Ltd	37,916	0.46%
AJR Solutions Pty Ltd	35,501	0.43%
Peter Brodribb	35,312	0.43%
Mervyn Richard Turner	27,000	0.33%
Trindal Pty Ltd	25,918	0.32%
Betanco Pty	25,188	0.31%
John Thomas Underwood & Lillian Dawn Underwood	23,000	0.28%
	<u>6,211,415</u>	<u>76.03%</u>

(e) The Company's ordinary shares are listed on the Australian Stock Exchange.



FIVE YEAR SUMMARY

		2003	2002	2001	2000	1999
Sales Revenue	(\$'000)	38,325	33,024	31,438	30,539	28,380
Profit from ordinary activities after tax	(\$'000)	2,179	1,466	1,349	1,300	1,217
Depreciation/Amortisation	(\$'000)	920	762	961	1,135	1,080
Interest						
- Amount paid	(\$'000)	204	250	265	215	180
- Times covered by operating profit		10.7	5.9	5.0	6.1	6.8
Cash flow from operations	(\$'000)	3,532	1,897	2,049	1,736	2,396
Profit from ordinary activities						
- As % of Shareholders' Equity		19.2%	15.9%	15.9%	16.5%	18.2%
- As % of Sales Revenue		5.7%	4.4%	4.3%	4.3%	4.3%
- Per issued share		27.3c	19.1c	17.9c	17.7c	16.8c
Dividend						
- Total amount	(\$'000)	1,009	772	759	742	948
- Per issued share		12.5c	10c	10c	10c	13c
- Times covered by profit from ordinary activities		2.2	1.9	1.8	1.8	1.3
Number of employees		254	214	213	208	191
Shareholders						
- Equity in total assets		49%	44%	45%	41%	40%
- Number at year end		913	858	821	811	765
Net assets per issued ordinary share		\$1.39	\$1.19	\$1.11	\$1.05	\$0.92

DIRECTORS' REPORT

FINANCIAL RESULTS

Your Directors have pleasure in presenting their report of the operations of the Company together with the Financial Statements of Korvest Ltd, for the year ended 30th June 2003 and the Auditors report thereon.

The improvement in operating profit after tax was very pleasing and reflected the strength of the Australian economy, particularly in the non-residential and engineering construction segments. Sales revenue for the full year was \$38.3m, up 16.1% on the previous year, and the profit after tax was up 48.6% to \$2.18m. Trading in the second half continued the trend from the prior half. Sales increased 2.3% to \$19.5m when compared to the first half. The corresponding profit after tax however fell by 3% to \$1.07m and was attributed to the costs associated with the integration and expansion of the Vertiplan business.

Vertiplan was acquired from Total Office Interiors Pty Ltd at the beginning of April 2003. This business manufactures a range of office storage furniture as well as vertical plan storage cabinets and accessories. The manufacturing facility is located in the Melbourne suburb of Bayswater. The Vertiplan products will complement and extend our existing Elite Built range of office storage systems, and consolidate Elite Built's position in this market segment.

DIVIDENDS

The Directors announced an increased fully franked final dividend of 6.5 cents per share compared to 5.0 cents per share last year, making the total annual dividend 12.5 cents per share. This dividend can be taken as cash, re-invested in Korvest shares at a 5% discount or received as bonus shares at a 5% discount, or any combination of the above. The dividend will be paid on the 12th September 2003. The record date is 29th August 2003.

The balance in the franking account is \$3,714,766 (30%). Korvest Ltd believes that it will be able to continue the payment of fully franked dividends at the 30% rate for some time to come.

DIRECTORS' PARTICULARS

The Directors in office at the date of this report are set out below:-

David James Simmons

Peter Brodribb

Graham Lloyd Twartz

Andre Jude D'Souza

Their interests and shareholdings appear on page 8. Any benefits received during the year are disclosed under Note 21 forming part of the Financial Statements. Since the end of the previous financial year no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors included in Note 21 to the accounts) because of a contract made by the Company, or a related body corporate, with the Director or with a firm of which a Director is a member, or with any entity in which the Director has a substantial financial interest.

RE-ELECTIONS

In accordance with our Articles of Association David James Simmons and Andre Jude D'Souza retire from the Board at the forthcoming Annual General Meeting on 24th October 2003. Each is eligible for re-election at that meeting and offer themselves accordingly.

REVIEW OF OPERATIONS

INDUSTRIAL PRODUCTS

Sales were \$23.8m, an increase of 18.1% on last year, and profit before tax was up 56.7% to \$3.5m. The improvement was attributable to a number of factors. Non-residential and engineering construction activity was buoyant during the year. Improved manufacturing techniques have maintained a low cost base for the Ezy-Strut products. New products, expanded warehousing and distribution facilities, and success on several major projects all contributed to the improvement. A new range of Ezy-Strut ET3 and ET5 galvanised cable trays has been introduced and sales are gaining momentum. These products target the smaller electrical contractors who purchase through electrical wholesalers. Korvest Galvanising achieved satisfactory results and benefited from an increased focus on customer service levels and processing efficiencies.

DIRECTORS' REPORT

STORAGE SYSTEMS

Sales of \$14.5m for the year were 16.1% above last year and the resultant profit of \$134k was up 20.7%. Whilst sales increased, margins remained under pressure due to the competitive market conditions. Significant changes to Elite Built's management structure were made during the year. These changes, coupled with the increase in product range through the acquisition of Vertiplan, should see improved results this year.

CURRENT YEAR TO DATE

We will continue to focus on cost reductions through vertical integration, expand our distribution capabilities and achieve an even higher level of customer service. These initiatives should underwrite further improvement in the current financial year. A combination of a stable economic environment in Australia and the strong non-residential and engineering construction segments will assist Korvest to grow both sales and profit. Satisfactory full year results should be achieved

ADDITIONAL STATUTORY INFORMATION

Activities

The principal continuing activities of the Company consist of:

- Hot Dip Galvanising, sheet metal fabrication, manufacture of Ezy-Strut cable and pipe support systems and fittings
- Manufacture and distribution of Elite-Built office filing and storage systems

Results

The operating profit after income tax of the Company for the year was \$2,178,515 (2002: \$1,465,830).

Financial Instruments Disclosure

The Company's activities expose it to interest rate fluctuations and credit, liquidity and cash flow risks from its operations. The Board has established policies and procedures in each of these areas to manage these exposures.

Dividends

The 2002 final dividend of \$388,259 (5.0 cents per share) referred to in the Directors' Report dated 30th August 2002 was paid on the 27th September 2002. Details of dividends in respect of the latest year are as follows:

	2003 \$	2002 \$
A fully franked interim ordinary dividend of 6.0 cents per share paid on 4th April 2003	478,478	384,208
A fully franked final ordinary dividend of 6.5 cents per share declared by Directors	531,021	388,259
Total dividends in respect of the year	<u>1,009,499</u>	<u>772,467</u>

Significant Changes

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

DIRECTORS' REPORT

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:-

	Directors' Meetings		Audit Committee Meetings	
	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held
Mr D.J. Simmons	12	12	2	2
Mr P. Brodribb	12	12	—	—
Mr G. L. Twartz	12	12	2	2
Mr. A. J. D'Souza	12	12	—	—

Matters Subsequent to the End of the Financial Year

At the date of this report there is no matter or circumstance that has arisen since 30th June, 2003 that has significantly affected, or may significantly affect:

- (i) the operations of the Company;
 - (ii) the results of those operations; or
 - (iii) the state of affairs of the Company;
- in the financial years subsequent to 30th June 2003.

Likely Developments

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

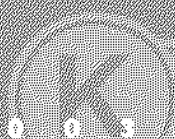
Directors and Officers Liability Insurance

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

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

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

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



DIRECTORS' REPORT

Information on Directors

Relevant Interest of Each Director in the Share Capital of:

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

Korvest Ltd. Ordinary Shares	Hills Industries Limited Ordinary Shares	Hills Industries Limited Shares Options
---------------------------------	---	--

David James Simmons B.A. (Accounting), F.C.P.A.

Age 49, a Director since 1994.

Managing Director, Hills Industries Limited.

Director, Orrcon Limited.

Director, Fielders Australia Pty Ltd.

500

105,703

140,000

Peter Brodribb F.I.E. (Aust), F.A.I.C.D.

Age 58, Managing Director since 1987.

Appointed Alternate Director in 1984.

35,312

6,277

–

Graham Lloyd Twartz BA (Adel), Dip Acc (Flinders)

Age 46, a Director since November 1999.

Director, Hills Industries Limited.

Director, Orrcon Limited.

Director, Fielders Australia Pty Ltd.

500

34,825

75,000

Andre Jude D'Souza B.Bus (Accountancy), F.C.P.A.

Age 42, a Director since July 2000.

2,531

–

–

Share Options

At 30th June 2003, there were no options on issue to acquire shares in the Company.

DIRECTORS' REPORT

Directors' and Senior Executives' Emoluments

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the Company. Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the four named officers of the Company receiving the highest emolument are:

	Base Emoluments \$	Incentive Earnings \$	Termination Payments \$	Other Benefits \$	Total \$
DIRECTORS					
P. Brodrigg	138,939	57,983	–	40,140	237,062
A. J. D'Souza	128,122	–	–	30,026	158,148
D. J. Simmons	14,700	–	–	–	14,700
G. L. Twartz	14,700	–	–	–	14,700
EXECUTIVES					
D. M. Salvaterra <i>General Manager, Ezy-Strut</i>	83,048	153,101	–	42,220	278,369
T. K. Threlfall <i>General Manager, Elite Built</i>	93,715	–	–	28,838	122,553
G. J. Francou <i>General Manager, Korvest Galvanisers</i>	75,197	10,340	–	28,207	113,744
V. Valkov <i>General Manager, Korvest Manufacturing</i>	70,138	–	–	26,668	96,806

Environment

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

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

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

Signed at Adelaide this 29th day of August 2003 in accordance with a resolution of the Directors.

D. J. SIMMONS, Director

P. BRODRIGB, Director

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

Responsibilities

The Board of Directors is responsible for the effective corporate governance of the entity through:

- specifying and monitoring compliance with appropriate internal controls and risk management procedures;
- the adoption of an annual budget and the continuous review of financial performance;
- appointing and monitoring the performance of the Managing Director;
- the setting of strategic direction;
- the review of business plans;
- the approval of major capital expenditure.

The Managing Director assists the Board to discharge all its responsibilities and is responsible to the Board for the implementation of its decisions and the day to day management of the Company.

Board of Directors

The Board consists of two Non-Executive Directors, a Managing Director and one Executive Director. Profiles of the Directors and details of attendances at Board and Board committee meetings are set out in the Directors' Report. The position of Chairman is held by a Non-Executive Director. All Directors must retire on or before their 72nd birthday. Board composition is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. Potential Board candidates may be put forward for consideration by the Board. The Board then may appoint the suitable candidate (if any) who must stand for election at the next general meeting of shareholders. The fees payable to Non-Executive Directors are determined within the aggregate amount approved by shareholders in general meeting.

Directors may, subject to approval from the Chairman, seek independent professional advice at the Company's cost. Such approval shall not be unreasonably withheld.

Committees

To ensure the effective carrying out of the Board's corporate governance responsibilities, an Audit Committee was established.

The Audit Committee's role is documented in a Charter adopted by the Committee. In accordance with this charter, all members must be non-executive directors. The Audit Committee comprises DJ Simmons and GL Twartz. The Company's external auditors are also invited to attend. Its primary responsibilities are:

- overseeing of compliance with statutory responsibilities relating to financial disclosure;
- monitoring corporate risk assessment and the internal controls instituted;
- review the annual audit strategy with the external auditors;
- review of the findings and reports of the external auditors;
- review of the half yearly and annual Australian Stock Exchange releases with management and the external auditors and financial statements immediately before their submission to the Board;
- review of the nature and impact of any changes in accounting policies during the year and provide a recommendation to the Board on their adoption;
- examination of any other matters referred to it by the Board;
- monitoring the establishment of appropriate ethical standards; and
- review the nomination and performance of the auditor. The external auditors were appointed on 27th October 1994. The lead audit engagement partner was last rotated in 1998 and is being rotated off during 2005.

Continuous Disclosure

The Board has established continuous disclosure controls throughout the Company that are designed to protect the Company's interests, to ensure that the Board is aware of all material issues, to ensure that legislative obligations of disclosure are met and to ensure that risks in the business are identified and action taken to minimise those risks. The Australian Stock Exchange has prescribed ten principles that would promote credibility and transparency in our capital markets. All listed entities must state the extent to which they do not meet these principles. The required date for Korvest to do so is for the year ending June 2004 and thereafter. The Board is currently reviewing these principles.

Risk Management

The Company enters into interest rates swaps from time to time with the objective of reducing the exposure to changes in interest rates on floating rate medium and long term debt. Details are set out in Note 25.

Other

The Board is committed to ensure compliance with all regulatory requirements and community expectations in respect of its corporate conduct.

The Board has in place appropriate policies and management controls in areas such as occupational health and safety, discrimination, fair trading, product liability and environmental management.

Share Trading

The Board has in place a Share Trading Policy. Without prior approval, Directors and Officers are precluded from dealing in the Company's securities forty five days prior to the Company's profit announcements plus the day of the announcement to the Australian Stock Exchange.

**STATEMENT OF FINANCIAL PERFORMANCE FOR
YEAR ENDED 30TH JUNE 2003**

	Notes	2003 \$	2002 \$
Revenues from ordinary activities	2 (a)	38,574,179	33,143,562
Expenses from ordinary activities, excluding borrowing costs expense	2 (b)	(35,335,464)	(30,818,946)
Borrowing cost expense		(203,757)	(250,108)
Profit from ordinary activities before income tax		3,034,958	2,074,508
Income tax attributable to ordinary activities	4(a)	(856,443)	(608,678)
Profit from ordinary activities after income tax / Net profit attributable to members of the parent entity	18	2,178,515	1,465,830
Basic earnings per share		27.3c	19.1c
Diluted earnings per share		27.3c	19.1c
Dividend per share		12.5c	10.0c

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2003

	Notes	2003 \$	2002 \$
Current Assets			
Cash		1,063,338	675,451
Receivables	6	7,858,135	7,093,056
Inventories	7	4,185,550	3,378,304
Other	8	114,699	35,270
Total Current Assets		13,221,722	11,182,081
Non-Current Assets			
Property, plant and equipment	9	9,034,015	8,863,242
Deferred tax assets	4(d)	814,437	649,572
Total Non-Current Assets		9,848,452	9,512,814
Total Assets		23,070,174	20,694,895
Current Liabilities			
Accounts Payable	10	6,487,895	5,097,195
Interest bearing liabilities	11	—	—
Provisions excluding tax liabilities	12	897,430	1,335,871
Tax liabilities	4(b)	432,747	360,110
Total Current Liabilities		7,818,072	6,793,176
Non-Current Liabilities			
Interest bearing liabilities	13	3,040,000	4,140,000
Provisions excluding tax liabilities	14	485,985	318,835
Deferred tax liabilities	4(c)	353,415	234,877
Total Non-Current Liabilities		3,879,400	4,693,712
Total Liabilities		11,697,472	11,486,888
Net Assets		11,372,702	9,208,007
Shareholders' Equity			
Share capital	16	2,786,251	2,326,074
Reserves	17	1,501,694	1,501,694
Retained profits	18	7,084,757	5,380,239
Total Shareholders' Equity		11,372,702	9,208,007

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30TH JUNE 2003

	Notes	2003 \$	2002 \$
Cash flows from operating activities			
Cash receipts in the course of operations		41,085,499	35,115,079
Cash payments in the course of operations		(36,590,694)	(32,598,402)
Income taxes paid	4(b)	(830,133)	(386,461)
Interest received	2	70,982	17,342
Interest paid		(203,757)	(250,108)
Net cash provided by operating activities	23(b)	3,531,897	1,897,450
Cash flow from investing activities			
Proceeds from sale of plant and equipment	2	99,361	28,796
Payment for acquisition of business		(715,848)	–
Payment for plant and equipment		(1,025,444)	(1,014,267)
Net cash (used) in investing activities		(1,641,931)	(985,471)
Cash flows from financing activities			
Proceeds from issue of shares	16	460,177	30,409
Dividends paid	16	(862,256)	(765,492)
Repayments of borrowings		(1,100,000)	–
Net cash provided by (used in) financing activities		(1,502,079)	(735,083)
Net increase/(decrease) in cash held		387,887	176,896
Cash at the beginning of the financial year	23(a)	675,451	498,555
Cash at the end of the financial year	23(a)	1,063,338	675,451

The accompanying notes form part of these financial statements.

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FINANCIAL STATEMENT NOTES

**NOTES TO AND FORMING PART
OF THE FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2003**

Note 1: Summary of Significant

Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report which has been drawn up in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Except for freehold land and buildings which are at valuation (unless otherwise noted), the financial statements are prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the previous year, except as otherwise stated.

(b) Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

Land and Buildings

The entity has applied AASB 1041, Revaluation of Non-Current Assets for the first time from 1st July 2000. Accordingly, land and buildings are stated in the financial statements at fair value and the Directors have deemed the fair value to be equal to the carrying value as at 1st July 2000.

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

Other Non-Current Assets

The entity has continued to adopt the cost basis for plant and equipment.

(c) 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%.

(d) Receivables

Trade debtors are carried at amounts due and are normally collected within 60 days.

(e) Inventories

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

(f) Accounts Payable

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

(g) Borrowings

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

(h) Income Tax

The company adopts the principles of tax effect accounting and net cumulative timing differences are reflected in the deferred income tax and future tax benefit accounts at the corporate tax rate at which they are expected to reverse of 30% (2002: 30%).

(i) Provisions

Employee Benefits and Retiring Allowances

The financial statements reflect the estimated liability at balance date for all employees' leave entitlements. All entitlements which have accrued during the year have been charged against operating profit. The provision has been calculated based on current wage and salary rates and includes related on costs. Contributions made by the company to the employee contributory superannuation fund and other industry superannuation funds are charged against operating profit.

Doubtful Debts

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

(j) Revenue recognition

Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to outside entities. Sales revenue is recognised when the goods are provided, or when the fee in respect of services provided is receivable.

Interest income

Interest income is recognised as it accrues.

FINANCIAL STATEMENT NOTES

(k) **Employee Share Plan**

Shares issued to employees as part of the Employee Share Bonus Plan are recorded in contributed equity at fair value of consideration received if any.

(l) **Changes in Accounting Policies**

The entity has applied AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' for the first time from 1 July 2002. Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously final dividends

were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year. There was no impact on the net profit for the reporting period to 30 June 2003 as a result of this change.

Note 2: Revenue and Expense from ordinary activities

(a) **Revenue from operating activities**

	2003 \$	2002 \$
Sales revenue	38,324,605	33,023,738
Interest received from other persons	70,982	17,342
Other	79,231	73,686
Revenue from outside operating activities		
Proceeds on sale of non-current assets	99,361	28,796
	38,574,179	33,143,562

(b) **Expenses**

Cost of goods sold	25,086,232	21,892,604
Distribution	2,870,000	3,033,000
Marketing	6,224,000	4,971,000
Occupancy	202,000	205,000
Administration	873,000	703,000
Other	80,232	14,342
	35,335,464	30,818,946

Note 3: Profit from ordinary activities

The profit from ordinary activities includes as expenses:

Depreciation - plant and equipment	830,355	675,000
- buildings	90,084	86,516
Bad debts written off	35,653	101,209
Operating lease rental expense	170,331	146,348
Provisions for:		
Doubtful debts	305,000	92,600
Employee entitlements	811,120	652,560
Inventory obsolescence	21,000	(10,000)
Other	100,000	-
Write down of plant & equipment	304,000	-
Profits on sale of non-current assets	19,129	454

FINANCIAL STATEMENT NOTES

Note 4: Income Tax

	2003 \$	2002 \$
(a) Profit from ordinary activities before tax	3,034,958	2,074,508
Prima facie tax payable at 30% (2002: 30%)	910,487	622,352
Increase (decrease) in income tax expense due to:		
Depreciation on buildings	3,582	3,582
Sundry items	(41,621)	(34,955)
(Over)/Under provision for previous year	(16,005)	17,699
Income tax expense attributable to profit from ordinary activities	856,443	608,678
Income tax expense attributable to profit from ordinary activities is made up of:		
Current income tax provision	918,775	709,968
Deferred income tax provision	118,538	(37,146)
Future income tax benefits	(164,865)	(81,843)
(Over)/Under provision for previous year	(16,005)	17,699
	856,443	608,678
(b) Provision for current income tax		
Movements during the year were as follows:		
Balance at beginning of year	360,110	18,904
Income tax paid	(830,133)	(386,461)
(Over)/Under provision for previous year	(16,005)	17,699
Current year's income tax provision on ordinary activities	918,775	709,968
	432,747	360,110
(c) The provision for deferred income tax relates to timing differences on the following items:		
- consumable stock	199,385	197,270
- depreciation	154,030	37,607
	353,415	234,877
(d) The future income tax benefit relates to timing differences on the following items:		
- employee entitlements	415,025	379,934
- doubtful debts	149,280	57,780
- inventory obsolescence	6,300	-
- sundry items	243,832	211,858
	814,437	649,572

FINANCIAL STATEMENT NOTES

Note 5: Related Party Transactions

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

The transactions comprised

(i) transactions between the companies in the ordinary course of business on normal terms and conditions

- sales

- purchases

(ii) the payment of dividends

(iii) amounts payable at balance date (current)

(iv) amounts receivable at balance date (current)

2003
\$

2002
\$

745,043

699,800

650,467

531,143

392,746

350,314

41,185

45,572

131,629

119,478

Directors' shareholdings

The relevant interest of each Director in the share capital of the company at year end:

P. Brodribb

35,312

34,674

D.J. Simmons

500

500

G.L. Twartz

500

500

A.J. D'Souza

2,531

1,893

Ultimate Parent Entity

The immediate parent entity of Korvest Ltd is Hills Finance Pty Ltd, a company incorporated in South Australia. The ultimate parent entity of Korvest Ltd is Hills Industries Limited, a company incorporated in South Australia.

Note 6: Current Assets – Receivables

Trade debtors

8,355,735

7,285,656

(Less) provision for doubtful debts

(497,600)

(192,600)

7,858,135

7,093,056

Note 7: Current Assets - Inventories

Raw materials and stores (at cost)

1,844,603

1,744,489

Work in progress (at cost)

47,855

69,761

Finished goods (at cost)

2,314,092

1,564,054

(Less) provision for obsolescence

(21,000)

–

4,185,550

3,378,304

Note 8: Current Assets – Other

Prepayments

74,026

35,270

Other

40,673

–

114,699

35,270

FINANCIAL STATEMENT NOTES

	2003 \$	2002 \$
Note 9: Non-Current Assets -		
Property, Plant and Equipment		
Freehold land		
- at fair value	1,870,000	1,870,000
<u>Reconciliation</u>		
Carrying amount at the beginning of the year	1,870,000	1,870,000
Carrying amount at the end of year	1,870,000	1,870,000
Buildings		
- at fair value	3,347,008	3,437,092
<u>Reconciliation</u>		
Carrying amount at the beginning of the year	3,437,092	3,095,620
Additions	-	427,988
Depreciation	(90,084)	(86,516)
Carrying amount at the end of year	3,347,008	3,437,092
Plant and equipment		
- at cost	11,120,885	10,337,017
(Less) accumulated depreciation	(7,566,027)	(7,003,650)
	3,554,858	3,333,367
<u>Reconciliation</u>		
Carrying amount at the beginning of the year	3,333,367	3,293,437
Additions	986,078	586,279
Additions through acquisition of business	450,000	-
Transfers from capital work in progress	-	156,993
Disposals	(80,232)	(28,342)
Write down to recoverable amount	(304,000)	-
Depreciation	(830,355)	(675,000)
Carrying amount at the end of year	3,554,858	3,333,367
Capital works in progress		
- at cost	262,149	222,783
<u>Reconciliation</u>		
Carrying amount at the beginning of the year	222,783	379,776
Additions	39,336	-
Transfers	-	(156,993)
Carrying amount at the end of year	262,149	222,783
Written down value of property, plant and equipment	9,034,015	8,863,242

An independent valuation of Land & Buildings was carried out in 2000 by Mr.N.Satchell, AAPI, B.App.Sc (Val), and is on the basis of the open market value of the properties concerned in their existing use. Land was valued at \$1,870,000 and buildings were valued at \$3,175,000. The Directors are of the opinion that this basis provides a reasonable estimate of fair value at 30th June 2003.

FINANCIAL STATEMENT NOTES

	2003 \$	2002 \$
Note 10: Current Liabilities - Accounts Payable		
Trade creditors	4,172,509	3,633,492
Other creditors and accruals	2,315,386	1,463,703
	6,487,895	5,097,195
Note 11: Current Liabilities – Interest bearing liabilities		
Unsecured		
Bank overdraft	–	–
	–	–
Note 12: Current Liabilities - Provisions excluding tax liabilities		
Dividends	–	388,259
Employee Entitlements	897,430	947,612
	897,430	1,335,871
Note 13: Non-Current Liabilities - Interest bearing liabilities		
Unsecured		
Bank loans	3,000,000	4,100,000
Other loans	40,000	40,000
	3,040,000	4,140,000
Note 14: Non-Current Liabilities – Provisions excluding tax liabilities		
Employee entitlements	485,985	318,835
	485,985	318,835
Note 15: Employee Entitlements		
Aggregate employee entitlements, including on costs		
Current	897,430	947,612
Non-Current	485,985	318,835
	1,383,415	1,266,447

Superannuation plans

The company participates in a number of superannuation funds. Lump sum benefits are provided under these funds for member employees or their dependents on retirement, resignation, disablement or death and a percentage of each member's salary is contributed by the company and (optionally) by the member. The company's obligation to contribute is legally enforceable but (where applicable) subject to a right to terminate without detriment to members' then existing accumulated benefits. Being accumulation type funds, actuarial assessments are not required. The assets of the funds are sufficient to satisfy all benefits that would have been vested in the event of termination of the funds or in the event of voluntary or compulsory termination of the employment of each employee.

FINANCIAL STATEMENT NOTES

Note 16: Share Capital, Franked Dividends and Earnings Per Share

(a) Issued and paid up

8,169,556 (2002: 7,765,176) ordinary shares, fully paid.

On 20th September 2002 the Company made an allotment of 64,400 ordinary shares, and on 28th March 2003, another allotment of 39,984 ordinary shares. These shares were issued pursuant to the Company's Employee Share Bonus Plan approved by shareholders at the Annual General Meeting held on 8th November 1996.

On 27th September 2002, the Company also issued 145,057 ordinary shares under a dividend investment plan and a share investment plan at an issue price of \$1.42 per share, and another issue on 4th April 2003 of 154,939 ordinary shares at an issue price of \$1.67 per share. Under the dividend investment plan, participating shareholders elected to apply their dividend in whole or in part to purchase ordinary shares at the issue price per share. Under the share investment plan, participating shareholders elected to forgo the dividend in whole or in part and to substitute shares issued out of the capital account.

– Number of shares issued under the dividend investment plan – 297,064

– Number of shares issued under the share investment plan – 2,932

(b) Dividends

The amounts paid or declared by way of dividend by the company are:

(1) an interim ordinary fully franked dividend of 6.0 cents per share

(2002: 5.0 cents) was paid on 4th April 2003

(2) a final ordinary fully franked dividend of 6.5 cents per share

(2002: 5.0 cents) was declared by the Directors in July 2003.

In accordance with Australian Accounting Standards AASB 1044, "Provisions, Contingent liabilities and Contingent assets", dividends declared after 30th June 2003 cannot be shown in the accounts other than by way of a note.

(3) The franking account balance from franking credits already in existence or which will arise in the following period and after deducting franking credits to be used in payment of the above dividends franked at 30%

(2002: 30%)

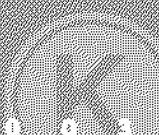
(4) **Change in measurement of dividend franking account**

From 1 July 2002 the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after-tax profits. The change in the basis of measurement does not change the value of the franking credits or tax offsets to shareholders who may be entitled to franking credit benefits. Had the balance of the franking account (including comparative at June 2002) been measured under the legislation existing at 30 June 2002 to represent after tax profits able to be distributed as fully franked dividends at the current tax rate, the amounts would have been those shown below. The amount of retained profits that could be distributed as franked dividends using franking credits already in existence or which will arise from income tax payments after deducting franking credits to be used in the payment of the final dividend.

	2003 \$	2002 \$
	2,786,251	2,326,074
	478,478	384,208
	531,021	388,259
	1,009,499	772,467
	3,714,766	3,203,812
	8,136,766	7,691,281

FINANCIAL STATEMENT NOTES

	2003 \$	2002 \$
(c) Dividend distribution		
Final dividend declared in July 2002 and provided for in the June 2002 accounts and paid in September 2002	388,259	—
Over provision in respect of final dividend paid in September 2002	(1,954)	—
Interim dividend declared in January 2003 and paid in April 2003	478,478	—
Over provision in respect of interim dividend paid in April 2003	(2,527)	—
Final dividend declared in July 2001 and provided for in the June 2001 accounts and paid in September 2001	—	381,284
Interim dividend declared in January 2002 and paid in April 2002	—	384,208
	862,256	765,492
(d) Provision for dividend reconciliation		
Balance at beginning of year	388,259	381,284
Amount declared	478,478	772,467
Amount paid	(862,256)	(765,492)
Under (Over) provision	(4,481)	—
Balance at end of year	—	388,259
(e) Earnings per share		
(1) Weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share	7,972,023	7,691,281
(2) There has been no		
– conversion to, calls of, or subscriptions for ordinary shares; or		
– issues of potential ordinary shares;		
since the reporting date and before the completion of these financial statements		
(3) The profit used to calculate the basic and diluted earnings per share is:	2,178,515	1,465,876
Note 17: Reserves		
Composition		
(i) Asset revaluation	1,501,694	1,501,694
Asset revaluation reserve account		
Balance at beginning of year	1,501,694	1,501,694
Balance at end of year	1,501,694	1,501,694
The asset revaluation reserve includes the net revaluation increments and decrements arising from the valuation of non-current assets in accordance with AASB 1041. Refer accounting policy note 1.		
Note 18: Retained Profits		
Retained profits at the beginning of the year	5,380,239	4,686,876
Net profit attributable to members of the parent entity	2,178,515	1,465,830
Dividends paid	(862,256)	(772,467)
Net effect due to changes in accounting policy (see note 1(i))	388,259	—
Retained profits at the end of the year	7,084,757	5,380,239



FINANCIAL STATEMENT NOTES

Note 19: Commitments for Expenditure

Operating leases

Future operating lease rental commitments of property:

Not later than one year

Later than one year but not later than five years

Capital Expenditure

Contracted but not provided for:

Not later than one year

The entity leases property under operating leases expiring from three to five years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Note 20: Auditors' Remuneration

Amounts received or due and receivable by the auditors for:

(a) Auditing the accounts

(b) Other services

Note 21: Directors and Remuneration of Directors and Executives

The following persons held office as director of Korvest Ltd. during the year

Peter Brodribb

David James Simmons

Graham Lloyd Twartz

Andre Jude D'Souza

Directors' remuneration

Total income paid or payable, or otherwise made available to all directors of Korvest Ltd.

Number of directors (including Executive Directors) of Korvest Ltd. whose remuneration was within the following bands:

\$10,000 – \$19,999

\$140,000 – \$149,999

\$150,000 – \$159,999

\$200,000 – \$209,999

\$230,000 – \$239,999

Executives' Remuneration

Amounts received or due and receivable by executives of Korvest Ltd. whose income exceeded \$100,000

Number of executives (excluding Executive Directors) of Korvest Ltd. whose remuneration was within the following bands:

\$110,000 – \$119,999

\$120,000 – \$129,999

\$180,000 – \$189,999

\$270,000 – \$279,999

	2003 \$	2002 \$
	211,500	41,000
	476,200	82,000
	<u>687,700</u>	<u>123,000</u>
	30,000	142,000
	<u>30,000</u>	<u>142,000</u>
	27,640	27,230
	5,400	14,656
	<u>424,610</u>	<u>448,032</u>
	2	2
	–	1
	1	–
	–	1
	1	–
	<u>514,666</u>	<u>421,283</u>
	1	1
	1	1
	–	1
	<u>1</u>	<u>–</u>

FINANCIAL STATEMENT NOTES

Note 22: Segmental Information

	Industrial Products \$	Storage Systems \$	Unallocated \$	Consolidated \$
2003				
External Revenue	23,797,187	14,527,420	249,572	38,574,179
Result	3,504,257	134,136	(603,435)	3,034,958
Profit from ordinary activities before income tax	3,504,257	134,136	(603,435)	3,034,958
Income Tax expense	–	–	(856,443)	(856,443)
Net profit	3,504,257	134,136	(1,459,878)	2,178,515
Depreciation	491,856	302,119	126,464	920,439
Non-cash expenses other than Depreciation	19,448	341,286	521,968	882,702
<u>Assets</u>				
Segment assets	9,996,108	6,314,177	6,759,889	23,070,174
<u>Liabilities</u>				
Segment liabilities	4,655,960	2,873,215	4,168,297	11,697,472
Acquisition of non-current assets	739,158	680,936	55,350	1,475,444

2002

External Revenue	20,146,060	12,877,678	119,824	33,143,562
Result	2,235,543	110,841	(271,876)	2,074,508
Profit from ordinary activities before income tax	2,235,543	110,841	(271,876)	2,074,508
Income Tax expense	–	–	(608,678)	(608,678)
Net profit	2,235,543	110,841	(880,554)	1,465,830
Depreciation	424,000	228,000	109,516	761,516
Non-cash expenses other than Depreciation	80,209	31,000	92,600	203,809
<u>Assets</u>				
Segment assets	9,407,304	4,479,000	6,808,591	20,694,895
<u>Liabilities</u>				
Segment liabilities	3,727,189	2,403,895	5,355,804	11,486,888
Acquisition of non-current assets	282,825	446,333	14,114	743,272

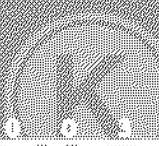
Business segments

The entity comprises the following main business segments based on the Company's management reporting system:

- Industrial Products :- Manufacture of electrical cable support systems, steel fabrication, and associated metal treatment.
- Storage Systems :- Manufacture of filing cabinets and other storage systems.

Geographical segments

The entity operates solely in Australia.



FINANCIAL STATEMENT NOTES

Notes	2003 \$	2002 \$
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Note 23: Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:-

Cash	1,063,338	675,451
------	-----------	---------

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

Profit from ordinary activities after income tax	2,178,515	1,465,830
Add/(Less) items classified as investing/financing activities:		
(Profit)/Loss on sale of plant and equipment	3 (19,129)	(454)
Add Purchase of inventory on acquisition	265,848	–
Add/(Less) non cash items:		
Depreciation	3 920,439	761,516
Write down of plant	3 304,000	–
Amounts set aside to provisions	3 1,172,773	735,160

Net cash provided by operating activities before change in assets and liabilities

Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:		
(Increase)/Decrease in receivables	3,6 (1,105,732)	(1,275,997)
(Increase)/Decrease in inventories	7 (828,246)	74,084
(Increase)/Decrease in other current assets	8 (79,429)	(28,928)
(Decrease)/Increase in accounts payable	10 1,390,700	478,758
(Decrease)/Increase in provisions	12,14 (694,152)	(528,833)
(Decrease)/Increase in income taxes payable	4(b) 72,637	341,206
(Decrease)/Increase in deferred tax payable	4(c) 118,538	(37,147)
(Increase)/Decrease in deferred tax assets	4(d) (164,865)	(87,745)
Net cash provided by operating activities	3,531,897	1,897,450

FINANCIAL STATEMENT NOTES

Note 24: Financing Arrangements

Bill Acceptance Facility:

The Company has available a bill acceptance facility of \$5,000,000 (2002: 5,000,000). As at the end of the financial year \$3,000,000 (2002: \$4,100,000) of this facility was in use, leaving an amount of \$2,000,000 (2002: \$900,000) unutilised. This facility is subject to annual review.

The Company also has available a special bill acceptance facility of \$2,500,000 (2002: 2,500,000). As at the end of the financial year nil amount (2002: \$nil) of this facility was in use, leaving an amount of \$2,500,000 (2002: \$2,500,000) unutilised. This facility is subject to annual review.

Bank Overdraft:

The Company has available a bank overdraft facility of \$500,000 (2002: \$500,000). As at the end of the financial year nil amount (2002: \$ nil) of this facility was in use, leaving an amount of \$500,000 (2002: \$500,000) unutilised. The overdraft is payable on demand and is subject to annual review.

Note 25: Financial Instruments Disclosure

Interest Rate Risk

The Company has in place an interest rate swap agreement over its long term borrowing facility. This enables these borrowings to be raised at floating rates and swapped into fixed rates. The interest rate swap which was for a term of two years at a rate of 5.49% (2002: 6.60%), The swap agreement matures on 30 July 2004.

Interest Rate Risk Exposures

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Fixed interest maturing on:				Non-interest bearing	Total
		Floating	Less than 1 year	1 to 5 years	More than 5 years		
		\$	\$	\$	\$	\$	\$
2003							
Financial assets							
Cash		1,052,308	–	–	–	11,030	1,063,338
Receivables	6	–	–	–	–	7,858,135	7,858,135
		<u>1,052,308</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,869,165</u>	<u>8,921,473</u>
Weighted average interest rate		–	–	–	–	–	–
Financial liabilities							
Employee provision	15	1,383,415	–	–	–	–	1,383,415
Borrowings	13	–	–	3,040,000	–	–	3,040,000
Accounts payable	10	–	–	–	–	6,487,895	6,487,895
Dividends payable	12	–	–	–	–	–	–
		<u>1,383,415</u>	<u>–</u>	<u>3,040,000</u>	<u>–</u>	<u>6,487,895</u>	<u>10,911,310</u>
Interest rate swaps							
(notional principal amount)		(3,000,000)	–	3,000,000	–	–	–
Weighted average interest rate		3.76%	–	4.98%	–	–	–

FINANCIAL STATEMENT NOTES

Fixed interest maturing on:

	Note	Floating \$	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Non-interest bearing \$	Total \$
2002							
Financial assets							
Cash		–	–	–	–	675,451	675,451
Receivables	6	–	–	–	–	7,093,056	7,093,056
		–	–	–	–	7,768,507	7,768,507
Weighted average interest rate		–	–	–	–	–	–
Financial liabilities							
Employee provision	15	1,266,447	–	–	–	–	1,266,447
Borrowings	13	–	–	4,140,000	–	–	4,140,000
Accounts payable	10	–	–	–	–	5,097,195	5,097,195
Dividends payable	12	–	–	–	–	388,259	388,259
		1,266,447	–	4,140,000	–	5,485,454	10,891,901
Interest rate swaps (notional principal amount)		(3,000,000)	–	3,000,000	–	–	–
Weighted average interest rate		–	–	4.65%	–	–	–

Net Fair Value of Financial Assets and Liabilities:

All on-balance sheet financial assets and liabilities are carried at their fair values.

The valuation of interest rate swaps reflects the estimated amounts which the Company expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at the current market rates as at the reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The net fair value of the interest rate swaps as at 30 June 2003 is \$23,975 (2002: \$4,900).

DIRECTORS' DECLARATION

In the opinion of the directors of Korvest Ltd.

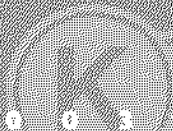
- (a) the financial statement and notes, set out on pages 12 to 28, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with 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.

Signed in accordance with a resolution of directors,

D. J. SIMMONS, Director

P. BRODRIBB, Director

Dated at Adelaide, this 29th day of August, 2003.



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KORVEST LTD

Scope

The financial report and directors' responsibility.

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Korvest Ltd (the "Company"), for the year ended 30 June 2003.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Korvest Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2003 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

Gary Savage,
Partner

Dated at Adelaide this 29th day of August, 2003

ORGANISATION STRUCTURE

CHAIRMAN - David Simmons

MANAGING DIRECTOR - Peter Brodribb

FINANCE DIRECTOR - Andre D'Souza

HUMAN RESOURCES MANAGER - Steve Simon

Galvanising

GENERAL MANAGER - Gary Francou

MARKETING MANAGER - Peter Freeth

PRODUCTION MANAGER - Chris Brown

Manufacturing

GENERAL MANAGER - Valentin Valkov

Ezy-Strut

GENERAL MANAGER - David Salvaterra

STATE SALES MANAGER (N.S.W.) - Alex Hamilton

STATE SALES MANAGER (Vic) - Matt Soccio

STATE SALES MANAGER (Qld) - Gerard Hegerty

STATE SALES MANAGER (W.A.) - Peter Lander

Elite-Built Australia

GENERAL MANAGER - Tim Threlfall

PRODUCT DEVELOPMENT &
ENGINEERING MANAGER - John Burne

LOGISTICS MANAGER - Phillip Price

PRODUCTION MANAGER – Greg Lavars

PRODUCTION MANAGER – Les Walter

STATE SALES MANAGER (N.S.W.) - Neil Hennessy

STATE SALES MANAGER (Vic) - Adam Perkin

STATE SALES MANAGER (Qld) - Andy Laycock

STATE SALES MANAGER (SA/NT/W.A.) - Brett Kent

Employee Statistics

NUMBER AT YEAR END - 254



