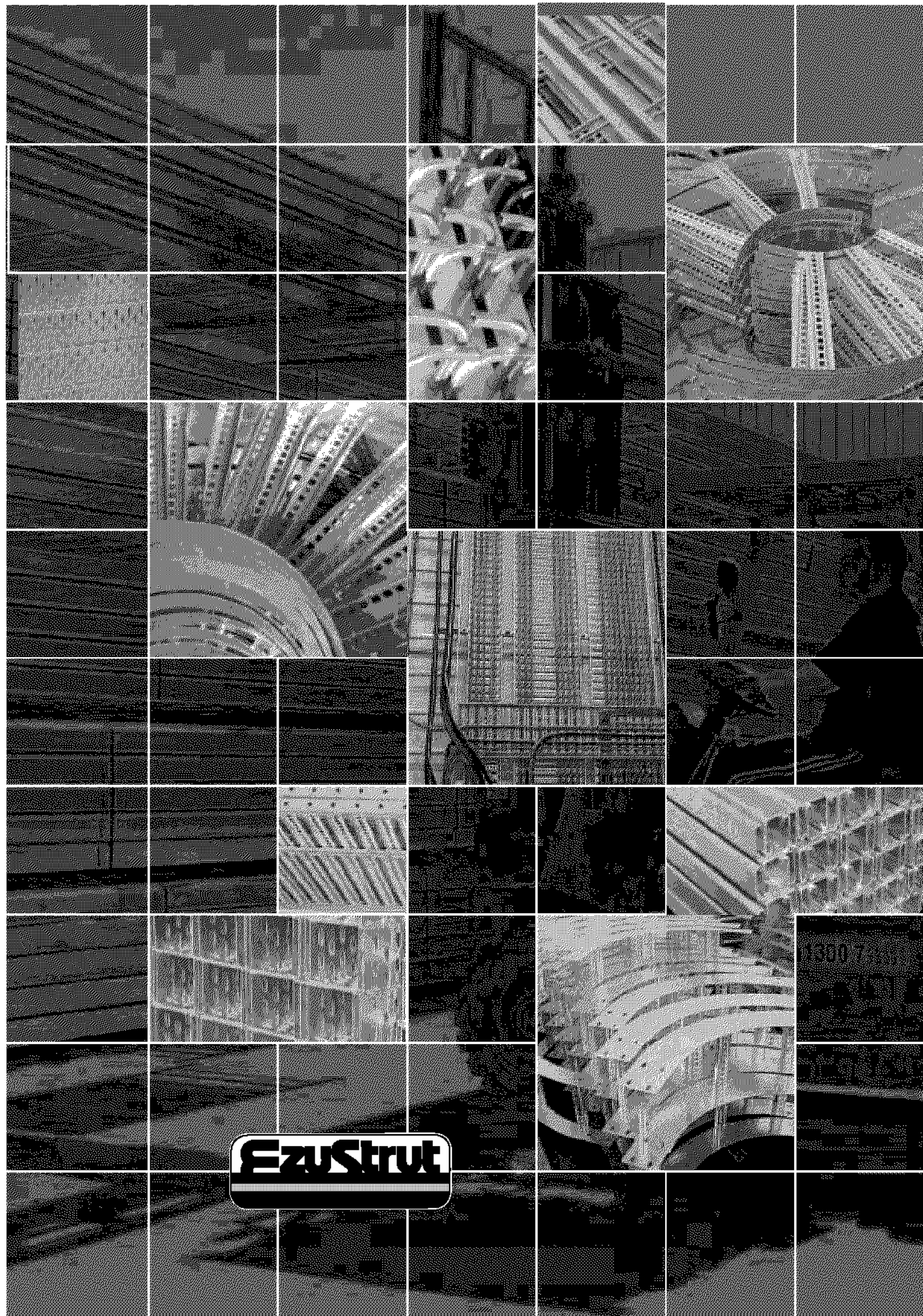


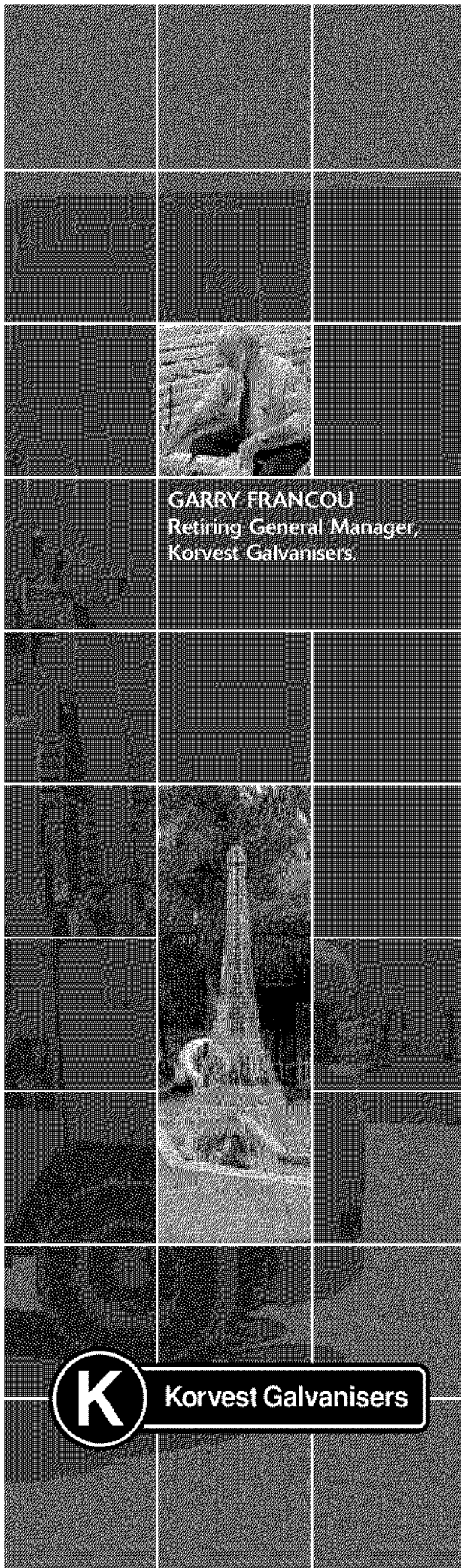
Korvest Ltd.

Annual Report

2014



EzuStrut



GARRY FRANCOU
Retiring General Manager,
Korvest Galvanisers.

ANNUAL GENERAL MEETING

The Thirty Fourth Annual General Meeting of Shareholders of Korvest Ltd will be held on the 14th floor, 115 Grenfell Street, Adelaide, South Australia 5000 on Friday, 22 October, 2004 at 11:30 a.m. Notice of the Meeting and a Proxy Form are enclosed with this Report.

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Korvest Management



(L- R) David Simmons (Chairman), Andre D'Souza (Finance Director), Peter Brodribb (Managing Director), Graham Twartz (Director), David Salvaterra (General Manager Ezy-Strut), Graham Clement (General Manager Korvest Galvanisers).



SHAREHOLDER INFORMATION

Shareholdings (Compiled at 16th August, 2004)

(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	507
1,001 - 5,000	386
5,001 - 10,000	66
10,001 - 100,000	56
100,001 and over	4
	<u>1019</u>

The number of shareholders holding less than a marketable parcel at 16th August 2004 was 155.

(c) Substantial shareholders:

NAME	SHARES HELD	% OF TOTAL ISSUED SHARES
Hills Finance Pty Ltd	3,960,349	46.74%
IAG Nominees Pty Limited	772,304	9.12%

(d) The twenty largest shareholders are:

Hills Finance Pty Ltd	3,960,349	46.74%
IAG Nominees Pty Limited	772,304	9.12%
Donald Cant Pty Ltd	374,471	4.42%
RBC Global Services Australia Nominees Pty Limited	307,003	3.62%
Mr John Frederick Bligh	112,840	1.33%
Mr Ben Henderson	64,054	0.76%
Ling Nominees Pty Ltd	61,900	0.73%
Rotret Three Pty Ltd	54,108	0.64%
Rotret Two Pty Ltd	54,108	0.64%
Mardie Pty Ltd	50,358	0.59%
Tower Trust Limited	47,460	0.56%
LTM Nominees Pty Ltd	44,179	0.52%
Howard Securities Pty Ltd	43,205	0.51%
Balgowan Nominees Pty Ltd	42,365	0.50%
Bentmont Pty Ltd	37,916	0.45%
AIR Solutions Pty Ltd	37,426	0.44%
HSBC International Trustee SGP Ltd	30,000	0.35%
Trindal Pty Ltd	27,323	0.32%
Aristotle Pty Ltd	27,000	0.32%
EMSDA Nominees Pty Ltd	26,356	0.31%
	<u>6,174,725</u>	<u>72.88%</u>

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

FIVE YEAR SUMMARY

		2004	2003	2002	2001	2000
Sales Revenue	(\$'000)	43,107	38,325	33,024	31,438	30,539
Profit from ordinary activities after tax excluding profit on sale of business	(\$'000)	2,727	2,179	1,466	1,349	1,300
Depreciation/Amortisation	(\$'000)	1,279	920	762	961	1,135
Interest						
– Amount paid	(\$'000)	184	204	250	265	215
– Times covered by operating profit		14.8	10.7	5.9	5.0	6.1
Cash flow from operations	(\$'000)	4,752	3,532	1,897	2,049	1,736
Profit from ordinary activities						
– As % of Shareholders' Equity		17.2%	19.2%	15.9%	15.9%	16.5%
– As % of Sales Revenue		6.3%	5.7%	4.4%	4.3%	4.3%
– Per issued share		32.7c	27.3c	19.1c	17.9c	17.7c
Dividend						
– Total amount	(\$'000)	1,429	1,009	772	759	742
– Per issued share		17.0c	12.5c	10c	10c	10c
– Times covered by profit from ordinary activities		1.9	2.2	1.9	1.8	1.8
Number of employees		158	254	214	213	208
Shareholders						
– Equity in total assets		66%	49%	44%	45%	41%
– Number at year end		1000	913	858	821	811
Net assets per issued ordinary share		\$1.87	\$1.39	\$1.19	\$1.11	\$1.05

DIRECTORS' REPORT

FINANCIAL RESULTS

Revenue for the year under review was \$49.9m up 29.3% on last year and profit after tax was \$3.5m up 59.9%. The final results include revenue of \$6.52m and an after tax profit of \$0.76m realised on the sale of the Elite Built business which occurred in the last quarter of the financial year.

The improvement in profit after tax from continuing operations was pleasing and reflected the strength of the Australian economy, particularly in the non-residential and engineering construction sectors. Revenue from continuing operations was \$28.5m up 18.7% on the previous year and profit after tax was \$2.8m up 35.8%.

As mentioned earlier, the Elite Built storage systems business was sold in the last quarter of the current financial year. This decision was taken in view of the lack of synergy with the other operations of Korvest and the continued poor financial performance of this business.

As a result of the sale of the Elite Built business, Korvest has been able to retire all its bank borrowings as at the end of June 2004. The company is now well placed to pursue growth opportunities in profitable market segments. Initially the focus will be on growing the Ezy-Strut business by diversifying the operation into adjunct markets. A process has also commenced to review opportunities which suit Korvest's manufacturing and distribution capabilities with the intention of replacing the Elite Built revenues over time.

Peter Brodribb, who has been Managing Director of Korvest since 1987 has announced his intention to retire from the company in December 2004. Peter has been an excellent contributor to the success of Korvest over a long period of time. The Board extends its sincere thanks to Peter for his efforts and wishes him all the best for the future. An announcement in relation to Peter's replacement is expected within the next 2-3 months.

DIVIDENDS

The Directors announced an increased fully franked final dividend of 9.0 cents per share compared to 6.5 cents per

share last year. The full year dividend in relation to the 2004 year will be 17.0 cents per share compared to 12.5 cents per share for the previous year. As a result of the cash that was generated following the sale of the Elite Built business, it has been decided to suspend the dividend and share investment plans. The final dividend will be paid on the 3rd September 2004.

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 Graham Lloyd Twartz retire from the Board at the forthcoming Annual General Meeting on 22 October 2004. Each is eligible for re-election at that meeting and offer themselves accordingly.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

INDUSTRIAL PRODUCTS

The industrial products group is comprised of Ezy-Strut and Korvest Galvanisers.

Ezy-Strut revenues continued to grow due to a very buoyant non-residential construction industry. A number of large projects were secured in mining and related areas which assisted the full year's results. A distribution operation was established in New Zealand during the course of the financial year. This facility will enable Ezy-Strut to gain momentum in the New Zealand market. Ezy-Strut also increased its distribution network with electrical wholesalers which is starting to reap rewards.

Ezy-Strut was particularly pleased to secure a major contract to supply Stainless Steel and Aluminium cable support systems to the high profile Liquefied Natural Gas (LNG) project in Darwin. This is a \$2.3 billion dollar onshore gas processing facility being developed by Bechtel. We will continue to pursue contracts of this type where we can demonstrate that our integrated model, which allows us to control every process from raw material to final supply, provides us with a significant competitive advantage.

Further efforts were put into refining the manufacturing processes at the Adelaide plant. We are very much committed to making Ezy-Strut a vertically integrated business and will continue to invest in new plant and systems to improve our productivity and reduce our cost base.

The Korvest Galvanising business performed quite well with throughputs in line with the previous year. Korvest Galvanisers will continue to focus on processing efficiencies and improving customer service levels.

CURRENT YEAR TO DATE

It is expected that the non-residential construction industry will remain strong, particularly in the areas that Korvest operates in. On this basis we expect to achieve acceptable results for the 12 months to June 2005.

ADDITIONAL STATUTORY INFORMATION

Activities

The principal continuing activities of the consolidated entity consist of Hot Dip Galvanising, sheet metal fabrication, manufacture of Ezy-Strut cable and pipe support systems and fittings.

Results

The operating profit after income tax of the consolidated entity for the year was \$3,483,555 (2003: \$2,178,515).

Financial Instruments Disclosure

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

Dividends

The 2003 final dividend of \$531,021 (6.5 cents per share) referred to in the Directors' Report dated 29th August 2003 was paid on the 12th September 2003. Details of dividends in respect of the current year are as follows:

	2004 \$	2003 \$
A fully franked interim ordinary dividend of 8.0 cents per share paid	665,288	478,478
A fully franked final ordinary dividend of 9.0 cents per share declared by Directors	762,538	531,021
Total dividends in respect of the year	1,427,826	1,009,499

Significant Changes

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

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		Remuneration Committee Meetings	
	Number of Meetings attended	Number of Meetings Held	Number of Meetings attended	Number of Meetings Held	Number of Meetings attended	Number of Meetings Held
Mr D.J. Simmons	12	12	2	2	2	2
Mr P. Brodribb	12	12	-	-	-	-
Mr G. L. Twartz	12	12	2	2	2	2
Mr. A. J. D'Souza	12	12	-	-	-	-

Matters Subsequent to the End of the Financial Year

The Board has established a steering committee to achieve the transition to International Financial Reporting Standards (IFRS) reporting beginning with the half year ending 31 December 2005. The consolidated entity's approach consists of three phases comprising of (a) the assessment and planning phase, (b) the design phase, and (c) the implementation phase. The phases cover identifying the key differences in accounting policies and disclosures, information requirements, staff training and identifying potential financial impacts as at the transition date and for subsequent reporting periods. The consolidated entity expects the exercise to be completed by 30 June 2005.

At the date of this report there is no matter or circumstance, other than that above, that has arisen since 30th June 2004, that has significantly affected, or may significantly affect:

- (i) the operations of the consolidated entity;
- (ii) the results of those operations; or
- (iii) the state of affairs of the consolidated entity;

in the financial years subsequent to 30th June 2004.

Likely Developments

In the opinion of the Directors it would prejudice the interests of your consolidated entity if the Directors' Report

was to refer to any additional information as to likely developments in the operations of the consolidated entity, including the expected results of those operations in subsequent financial years. Such information has therefore not been included in this report.

Directors and Officers 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

The directors of the Company at any time during or since the financial year are:	Relevant Interest of Each Director in the Share Capital of:		
	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 50, a Director since 1994. Managing Director, Hills Industries Limited. Chairman, Orrcon Limited. Chairman, Fielders Australia Pty Ltd.	500	167,469	160,000
Peter Brodribb F.I.E. (Aust), F.A.I.C.D. Age 59, Managing Director since 1987. Appointed Alternate Director in 1984.	15,659	6,665	—
Graham Lloyd Twartz BA (Adel), Dip Acc (Flinders) Age 47, a Director since November 1999. Director, Hills Industries Limited. Director, Orrcon Limited. Director, Fielders Australia Pty Ltd.	10,000	70,698	100,000
Andre Jude D'Souza B.Bus (Acct), F.C.P.A. Age 43, a Director since July 2000.	2,878	—	—

Share Options

At 30th June 2004, there were no options on issue to acquire shares in the consolidated entity.

Remuneration of specified directors and specified executives

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity. Refer to Note 21 for remuneration details of each director and specified executives of the Company.

Environment

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

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

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

Signed at Adelaide this 26th day of August 2004 in accordance with a resolution of the Directors.

D. J. SIMMONS, Director

P. BRODRIBB, Director

CORPORATE GOVERNANCE STATEMENT

for year ended 30 June 2004

This statement sets out the consolidated Korvest's commitment to business practices and corporate governance. It summarises the main policies and procedures that Korvest has in place.

ASX Principles of Good Corporate Governance

In March 2003 the Australian Stock Exchange published corporate governance guidelines. Korvest has always had policies in place to ensure good business practices. The ASX recommendations first applied to Korvest for the financial year ended 30 June 2004 and the extent of compliance is required to be reported on in this annual report.

The Board has undertaken a detailed review of the ASX recommendations and determined that Korvest already complied with some recommendations.

Where Korvest considers that a recommendation is not appropriate to its particular circumstances, it has the flexibility not to adopt it, as long as it explains why it has chosen not to adopt it.

The Board has been monitoring the CLERP 9 legislation, particularly those provisions relating to financial reporting, corporate governance and the consolidated entity's relationship with its external auditors.

Commitment to ethical business practices

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

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

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

Commitment to good corporate governance

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

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

Board composition

The company constitution allows for a maximum of ten directors. The company Board currently comprises four directors, two being non-executive directors plus the Managing Director and the Finance Director. The directors come from a variety of business and professional backgrounds and bring to the Board a range of skills and experience relevant to the consolidated entity. Details of the directors' experience, expertise and terms in office are set out on page 8 of this annual report.

Board independence

The two non-executive directors are non-independent. The two directors that are non-independent, Mr D J Simmons and Mr G L Twartz, are considered non-independent primarily due to their positions as directors at Hills Industries Limited which holds a major interest in Korvest.

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

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

CORPORATE GOVERNANCE STATEMENT

for year ended 30 June 2004

The role of Chairman

The Chairman, Mr D J Simmons, whilst non-executive, is a non-independent director. This is not in accordance with ASX recommendation 2.2 but is considered appropriate given that Hills Industries Limited holds 47% of the shares in the company. Mr Simmons' considerable experience in the various industries within which the consolidated entity operates and the various positions and activities engaged in outside the entity are considered invaluable in his role as Chairman.

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

Nomination Committee

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

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

Board operations

During 2004 the board met 12 times and the directors' attendance at those meetings is set out on page 7 of this annual report. The directors receive a comprehensive board pack, which includes financial statements and executive reports. The Chairman and the Managing Director communicate regularly between board meetings. Senior executives attend and present to board and committee meetings on particular issues when required.

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

Board committees

As set out in more detail below, the Board reviews its governance structures, including Board committees, to regularly assess their effectiveness and efficiency.

Each committee operates in accordance with a Board approved charter. Details of committee membership, its meetings and attendance at those meetings are set out on page 7 of this annual report.

Board performance

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

Directors' remuneration

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

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

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

Retirement benefits

Directors receive their statutory superannuation entitlements only.

CORPORATE GOVERNANCE STATEMENT

for year ended 30 June 2004

Contracts with directors

Details of transactions between directors and the consolidated entity are set out in Note 21 of this annual report.

Indemnity and insurance of directors

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

Commitment to financial integrity

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

Audit Committee

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

The committee consists of two directors, both of whom are non-executive and non-independent. The Chairman of the committee is a non-independent director who is not the Chairman of the Board. The composition of the committee is not in accordance with ASX recommendation 4.3 but is considered appropriate by the directors for a small,

established public company. The Managing Director, Finance Director and external and internal auditors are invited to attend the committee meetings. Details of membership and attendance at committee meetings are set out on page 7 of this annual report.

The Audit Committee is responsible for reviewing the financial accounts and other financial information distributed externally, monitoring the adequacy of risk management and internal control systems and monitoring procedures in place to ensure compliance with statutory responsibilities.

Audit process

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

Auditor independence

The Board has in place policies for ensuring the quality and independence of the consolidated entity's external auditor. The majority of fees paid to the external audit firm for work other than the audit of the accounts was for taxation services. Details of the amounts paid for both audit and non-audit services are set out in Note 20 of this annual report. The board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Risk management and oversight

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

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

CORPORATE GOVERNANCE STATEMENT

for year ended 30 June 2004

Commitment to responsible executive remuneration

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

The Remuneration Committee sets policies for directors' and senior officers' remuneration, makes specific recommendations to the Board on the remuneration of directors and senior officers and undertakes a detailed review of the performance of the Managing Director at least annually. The committee consists of two non-independent directors. Details of membership and attendance at committee meetings are set out on page 7 of this annual report.

Commitment to shareholders

Market disclosure

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

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

The Board has established continuous disclosure controls throughout the consolidated entity that include senior executives providing regular sign-off concerning matters that require disclosure to the ASX.

Share dealings by directors and officers

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

The Board has adopted a share dealing policy that specifically precludes directors and officers from buying or selling shares within 45 days prior to the announcement of the annual or half-year results, the day of and the day after the announcements and if in possession of price sensitive information not generally available to the public. A copy of

the policy is available on the Korvest website and details of directors' individual shareholdings are set out in Note 21 of this annual report.

Commitment to other stakeholders

The Board recognises its obligations to its various stakeholders and that it is always responsible and accountable for its actions and their consequences.

Commitment to its staff

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

Korvest encourages its staff to become shareholders and share in the success of the consolidated entity. The current employee share plan offers all permanent staff with more than six months continuous service ordinary shares in Korvest after a qualifying period.

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

Commitment to the environment

Korvest cares about the environment and recognises that protection of it is an integral and fundamental part of its business. Korvest has an environmental management system in place and management assists staff to understand and implement the relevant aspects of this system in their day-to-day work.

Environmental compliance is monitored with relevant issues being reported through management to the board.

Commitment to the community

The Board believes that Korvest has a responsibility to the Australian community. Korvest aspires to be a good corporate citizen through the effective provision of quality products and services, through the taxes it pays, the employment and training it provides its staff, the involvement of its staff in professional, educational and community organisations and through the donations it makes to various charities.

Korvest is justifiably proud of its reputation as a dependable Australian entity.

STATEMENTS OF FINANCIAL PERFORMANCE

for year ended 30 June 2004

	Notes	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenues from ordinary activities	2 (a)	49,880,858	38,574,179	49,708,258	38,574,179
Expenses from ordinary activities, excluding borrowing costs expense	2 (b)	(44,494,343)	(35,335,464)	(44,215,202)	(35,335,464)
Borrowing cost expense		(184,075)	(203,757)	(184,075)	(203,757)
Profit from ordinary activities before income tax		5,202,440	3,034,958	5,308,981	3,034,958
Income tax attributable to ordinary activities	4(a)	(1,718,885)	(856,443)	(1,718,885)	(856,443)
Profit from ordinary activities after income tax / Net profit attributable to members of the parent entity	18	3,483,555	2,178,515	3,590,096	2,178,515
Basic earnings per share		41.8c	27.3c		
Diluted earnings per share		41.8c	27.3c		
Dividend per share		17.0c	12.5c		
Basic earnings per share excluding profit after tax on sale of business of \$757,099		32.7c	27.3c		
Diluted earnings per share excluding profit after tax on sale of business of \$757,099		32.7c	27.3c		

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2004

	Notes	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Current Assets					
Cash		7,898,166	1,063,338	7,763,759	1,063,338
Receivables	6	6,158,057	7,858,135	6,598,025	7,858,135
Inventories	7	3,146,225	4,185,550	2,979,813	4,185,550
Other	8	62,749	114,699	57,095	114,699
Total Current Assets		17,265,197	13,221,722	17,398,692	13,221,722
Non-Current Assets					
Property, plant and equipment	9	5,919,183	9,034,015	5,837,728	9,034,015
Investments	10	–	–	1	–
Deferred tax assets	4(d)	881,352	814,437	881,352	814,437
Total Non-Current Assets		6,800,535	9,848,452	6,719,081	9,848,452
Total Assets		24,065,732	23,070,174	24,117,773	23,070,174
Current Liabilities					
Accounts Payable	11	5,776,459	6,487,895	5,721,959	6,487,895
Provisions excluding tax liabilities	12	803,107	897,430	803,107	897,430
Tax liabilities	4(b)	1,020,840	432,747	1,020,840	432,747
Total Current Liabilities		7,600,406	7,818,072	7,545,906	7,818,072
Non-Current Liabilities					
Interest bearing liabilities	13	–	3,000,000	–	3,000,000
Non-interest bearing liabilities		40,000	40,000	40,000	40,000
Provisions excluding tax liabilities	14	416,517	485,985	416,517	485,985
Deferred tax liabilities	4(c)	200,241	353,415	200,241	353,415
Total Non-Current Liabilities		656,758	3,879,400	656,758	3,879,400
Total Liabilities		8,257,164	11,697,472	8,202,664	11,697,472
Net Assets		15,808,568	11,372,702	15,915,109	11,372,702
Shareholders' Equity					
Share capital	16	3,415,371	2,786,251	3,415,371	2,786,251
Reserves	17	3,014,728	1,501,694	3,014,728	1,501,694
Retained profits	18	9,378,469	7,084,757	9,485,010	7,084,757
Total Shareholders' Equity		15,808,568	11,372,702	15,915,109	11,372,702

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

for year ended 30 June 2004

	Notes	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Cash flows from operating activities					
Cash receipts in the course of operations		49,170,442	41,085,499	49,073,352	41,085,499
Cash payments in the course of operations		(42,887,398)	(36,590,694)	(42,501,541)	(36,590,694)
Income taxes paid	4(b)	(1,474,881)	(830,133)	(1,474,881)	(830,133)
Interest received	2	128,082	70,982	128,082	70,982
Interest paid		(184,075)	(203,757)	(184,075)	(203,757)
Net cash provided by operating activities	23(b)	4,752,170	3,531,897	5,040,937	3,531,897
Cash flow from investing activities					
Proceeds from sale of plant and equipment	2	58,654	99,361	58,654	99,361
Payment for plant and equipment		(933,450)	(1,025,444)	(840,720)	(1,025,444)
Proceeds on disposal of business	2	6,518,177	–	6,518,177	–
Payment for acquisition of business		–	(715,848)	–	(715,848)
Net cash provided by (used in) investing activities		5,643,381	(1,641,931)	5,736,111	(1,641,931)
Cash flows from financing activities					
Proceeds from issue of shares	16	629,120	460,177	629,120	460,177
Dividends paid	16	(1,189,843)	(862,256)	(1,189,843)	(862,256)
Loan to controlled entity	6	–	–	(515,904)	–
Repayment of borrowings		(3,000,000)	(1,100,000)	(3,000,000)	(1,100,000)
Net cash provided by (used in) financing activities		(3,560,723)	(1,502,079)	(4,076,627)	(1,502,079)
Net increase/(decrease) in cash held		6,834,828	387,887	6,700,421	387,887
Cash at the beginning of the financial year	23(a)	1,063,338	675,451	1,063,338	675,451
Cash at the end of the financial year	23(a)	7,898,166	1,063,338	7,763,759	1,063,338

The accompanying notes form part of these financial statements.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

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

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%. The rates are consistent with the prior year.

(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 consolidated entity 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% (2003: 30%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

(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 at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the reporting date including 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 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 to outside entities. Sales revenue is recognised when the goods are provided.

Interest income

Interest income is recognised as it accrues.

Sale of non-current assets

The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(k) Employee Share Plan

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

(l) Principles of Consolidation

The consolidated financial statements of the economic entity comprise the financial statements of the company, being the parent entity and its controlled entity ('the consolidated entity'). Inter-entity balances and transactions have been eliminated.

Where the controlled entity began to be controlled during the year the results are only included from the date control commenced.

(m) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Exchange differences relating to such amounts are brought to account in the statement of financial performance in the financial year in which the exchange rates change.

The assets and liabilities of the integrated foreign controlled entity are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while non-monetary items and revenue and expense items are translated at historical exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Note 2: Revenue and Expense from ordinary activities				
(a) Revenue from operating activities				
Sales revenue	43,107,048	38,324,605	42,934,022	38,324,605
Interest received from other persons	128,082	70,982	128,082	70,982
Other	68,897	79,231	69,323	79,231
Revenue from outside operating activities				
Proceeds on sale of non-current assets	58,654	99,361	58,654	99,361
Proceeds on sale of business	6,518,177	–	6,518,177	–
	49,880,858	38,574,179	49,708,258	38,574,179
(b) Expenses				
Cost of goods sold	27,968,087	25,086,232	27,872,703	25,086,232
Distribution	3,067,554	2,870,000	3,062,298	2,870,000
Sales and Marketing	7,112,750	6,224,000	6,976,915	6,224,000
Occupancy	253,865	202,000	211,478	202,000
Administration	526,101	873,000	523,460	873,000
Other	331,097	80,232	333,459	80,232
Carrying amount of non-current assets sold	34,446	–	34,446	–
Carrying amount of business sold	5,200,443	–	5,200,443	–
	44,494,343	35,335,464	44,215,202	35,335,464
Note 3: Profit from ordinary activities				
The profit from ordinary activities includes as expenses / (credits):				
Depreciation - plant and equipment	1,195,189	830,355	1,183,914	830,355
- buildings	84,020	90,084	84,020	90,084
Bad debts written off	44,677	35,653	44,677	35,653
Operating lease rental expense	309,959	170,331	269,468	170,331
Provisions for:				
Doubtful debts	(118,600)	305,000	(118,600)	305,000
Employee entitlements	967,645	811,120	967,645	811,120
Inventory obsolescence	(21,000)	21,000	(21,000)	21,000
Other	(120,000)	100,000	(120,000)	100,000
Write down of plant and equipment	–	304,000	–	304,000
Profits on sale of non-current assets	(24,208)	(19,129)	(24,208)	(19,129)
Profits on sale of business	(1,317,734)	–	(1,317,734)	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for year ended 30 June 2004

Note 4: Income Tax

(a) Profit from ordinary activities before tax

Prima facie tax payable at 30% (2003: 30%)

Increase (decrease) in income tax expense due to:

Depreciation on buildings

Sundry items

(Over)/Under provision for previous year

Income tax expense attributable to profit from ordinary activities

Income tax expense attributable to profit from ordinary activities is made up of:

Current income tax provision

Deferred income tax provision

Future income tax benefits

(Over)/Under provision for previous year

(b) Provision for current income tax

Movements during the year were as follows:

Balance at beginning of year

Income tax paid

Under / (over) provision for previous year

Current year's income tax provision on ordinary activities

(c) The provision for deferred income tax relates to timing differences on the following items:

– consumable stock

– depreciation

– sundry items

(d) The future income tax benefit relates to timing differences on the following items:

– employee entitlements

– doubtful debts

– inventory obsolescence

– depreciation

– sundry items

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Profit from ordinary activities before tax	5,202,440	3,034,958	5,308,981	3,034,958
Prima facie tax payable at 30% (2003: 30%)	1,560,732	910,487	1,592,694	910,487
Increase (decrease) in income tax expense due to:				
Depreciation on buildings	3,582	3,582	3,582	3,582
Sundry items	144,933	(41,621)	112,971	(41,621)
(Over)/Under provision for previous year	9,638	(16,005)	9,638	(16,005)
Income tax expense attributable to profit from ordinary activities	1,718,885	856,443	1,718,885	856,443
Income tax expense attributable to profit from ordinary activities is made up of:				
Current income tax provision	1,802,500	918,775	1,802,500	918,775
Deferred income tax provision	(18,760)	118,538	(18,760)	118,538
Future income tax benefits	(74,493)	(164,865)	(74,493)	(164,865)
(Over)/Under provision for previous year	9,638	(16,005)	9,638	(16,005)
	1,718,885	856,443	1,718,885	856,443
(b) Provision for current income tax				
Movements during the year were as follows:				
Balance at beginning of year	432,747	360,110	432,747	360,110
Income tax paid	(1,474,881)	(830,133)	(1,474,881)	(830,133)
Under / (over) provision for previous year	260,474	(16,005)	260,474	(16,005)
Current year's income tax provision on ordinary activities	1,802,500	918,775	1,802,500	918,775
	1,020,840	432,747	1,020,840	432,747
(c) The provision for deferred income tax relates to timing differences on the following items:				
– consumable stock	189,737	199,385	189,737	199,385
– depreciation	–	154,030	–	154,030
– sundry items	10,504	–	10,504	–
	200,241	353,415	200,241	353,415
(d) The future income tax benefit relates to timing differences on the following items:				
– employee entitlements	365,887	415,025	365,887	415,025
– doubtful debts	113,700	149,280	113,700	149,280
– inventory obsolescence	–	6,300	–	6,300
– depreciation	153,024	–	153,024	–
– sundry items	248,741	243,832	248,741	243,832
	881,352	814,437	881,352	814,437

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

Note 5: Related Party Transactions

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

Transactions with controlling entity:

	Consolidated 2004 \$	2003 \$	The Company 2004 \$	2003 \$
– sales	987,140	745,043	987,140	745,043
– purchases	536,340	650,467	536,340	650,467
– the payment of dividends	552,218	392,746	552,218	392,746
– amounts payable at balance date (current)	48,557	41,185	48,557	41,185
– amounts receivable at balance date (current)	147,879	131,629	147,879	131,629

Transactions with wholly owned controlled entity:

– sales	–	–	241,072	–
– amounts receivable at balance date (current)	–	–	515,904	–

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	6,537,057	8,355,735	6,461,121	8,355,735
(Less) provision for doubtful debts	(379,000)	(497,600)	(379,000)	(497,600)
	6,158,057	7,858,135	6,082,121	7,858,135
Loan to controlled entity	–	–	515,904	–
	6,158,057	7,858,135	6,598,025	7,858,135

Note 7: Current Assets - Inventories

Raw materials and stores (at cost)	814,292	1,844,603	814,292	1,844,603
Work in progress (at cost)	41,938	47,855	41,938	47,855
Finished goods (at cost)	2,289,995	2,314,092	2,323,583	2,314,092
(Less) provision for obsolescence	–	(21,000)	–	(21,000)
	3,146,225	4,185,550	2,979,813	4,185,550

Note 8: Current Assets - Other

Prepayments	57,682	74,026	52,261	74,026
Other	5,067	40,673	4,834	40,673
	62,749	114,699	57,095	114,699

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

Note 9: Non-Current Assets – Property, Plant and Equipment

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Freehold land				
– at fair value	1,950,000	1,870,000	1,950,000	1,870,000
Reconciliation				
Carrying amount at the beginning of the year	1,870,000	1,870,000	1,870,000	1,870,000
Revaluation	1,380,000	–	1,380,000	–
Decrease through disposal of business	(1,300,000)	–	(1,300,000)	–
Carrying amount at the end of year	1,950,000	1,870,000	1,950,000	1,870,000
Buildings				
– at fair value	1,515,812	3,347,008	1,515,812	3,347,008
Reconciliation				
Carrying amount at the beginning of the year	3,347,008	3,437,092	3,347,008	3,437,092
Revaluation	133,034	–	133,034	–
Decrease through disposal of business	(1,880,210)	–	(1,880,210)	–
Depreciation	(84,020)	(90,084)	(84,020)	(90,084)
Carrying amount at the end of year	1,515,812	3,347,008	1,515,812	3,347,008
Plant and equipment				
– at cost	6,601,536	11,120,885	6,510,517	11,120,885
(Less) accumulated depreciation	(4,390,792)	(7,566,027)	(4,379,517)	(7,566,027)
	2,210,744	3,554,858	2,131,000	3,554,858
Reconciliation				
Carrying amount at the beginning of the year	3,554,858	3,333,367	3,554,858	3,333,367
Additions	931,739	986,078	840,938	986,078
Additions through acquisition of business	–	450,000	–	450,000
Transfers from capital work in progress	21,233	–	21,233	–
Disposals	(34,446)	(80,232)	(34,664)	(80,232)
Decrease through disposal of business	(1,067,451)	–	(1,067,451)	–
Write down to recoverable amount	–	(304,000)	–	(304,000)
Depreciation	(1,195,189)	(830,355)	(1,183,914)	(830,355)
Carrying amount at the end of year	2,210,744	3,554,858	2,131,000	3,554,858
Capital works in progress				
– at cost	242,627	262,149	240,916	262,149
Reconciliation				
Carrying amount at the beginning of the year	262,149	222,783	262,149	222,783
Additions	1,711	39,336	–	39,336
Transfers	(21,233)	–	(21,233)	–
Carrying amount at the end of year	242,627	262,149	240,916	262,149
Written down value of property, plant & equipment	5,919,183	9,034,015	5,837,728	9,034,015

An independent valuation of Land and Buildings was carried out in September 2003 by Mr John Vestakis, AAPI, and Mr Don Harris, AAPI, and is on the basis of the open market value of the properties concerned in their existing use. Land was valued at \$1,950,000 and buildings were valued at \$1,535,000. The Directors are of the opinion that this basis provides a reasonable estimate of fair value at 30th June 2004.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

Note 10: Investments

The controlled entity Korvest NZ Limited is a wholly owned subsidiary incorporated in New Zealand on 9 October 2003. Unlisted company at cost

Note 11: Current Liabilities – Accounts Payable

Trade creditors

Other creditors and accruals

Note 12: Current Liabilities –

Provisions excluding tax liabilities

Employee Entitlements

Note 13: Non-Current Liabilities –

Interest bearing liabilities

Unsecured Bank loans

Note 14: Non-Current Liabilities –

Provisions excluding tax liabilities

Employee entitlements

Note 15: Employee Entitlements

Aggregate employee entitlements, including on costs

Current

Non-Current

Superannuation plans

The consolidated entity 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.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
	–	–	1	–
	3,833,065	4,172,509	3,783,898	4,172,509
	1,943,394	2,315,386	1,938,061	2,315,386
	5,776,459	6,487,895	5,721,959	6,487,895
	803,107	897,430	803,107	897,430
	803,107	897,430	803,107	897,430
	–	3,000,000	–	3,000,000
	–	3,000,000	–	3,000,000
	416,517	485,985	416,517	485,985
	416,517	485,985	416,517	485,985
	803,107	897,430	803,107	897,430
	416,517	485,985	416,517	485,985
	1,219,624	1,383,415	1,219,624	1,383,415

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for year ended 30 June 2004

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

(a) Issued and paid up

8,472,640 (2003: 8,169,556) ordinary shares, fully paid

Consolidated		The Company	
2004	2003	2004	2003
\$	\$	\$	\$
3,415,371	2,786,251	3,415,371	2,786,251

The Company made an allotment of ordinary shares during the year. 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. The Company also issued ordinary shares under a dividend investment plan and a share investment plan. 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.

	No. of shares	Issue price	Issue date
Employee share bonus plan	34,020	–	5 September 2003
Employee share bonus plan	34,402	–	26 March 2004
Share investment plan	1,086	–	12 September 2003
Share investment plan	1,328	–	19 March 2004
Dividend investment plan	111,444	\$2.61	12 September 2003
Dividend investment plan	120,804	\$2.80	19 March 2004

(b) Dividends

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

(1) an interim ordinary fully franked dividend of 8.0 cents per share (2003: 6.0 cents) was paid on 19 March 2004.

(2) a final ordinary fully franked dividend of 9.0 cents per share (2003: 6.5 cents) was declared by the Directors on 30 July 2004.

(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% (2003: 30%)

661,609	478,478	661,609	478,478
762,537	531,021	762,537	531,021
1,424,146	1,009,499	1,424,146	1,009,499
5,763,928	3,714,766	5,763,928	3,714,766

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
(c) Dividend distribution				
Final dividend declared in July 2002 and provided for in the June 2002 accounts and paid in September 2002	—	388,259	—	388,259
Over provision in respect of final dividend paid in September 2002	—	(1,954)	—	(1,954)
Interim dividend declared in January 2003 and paid in April 2003	—	478,478	—	478,478
Over provision in respect of interim dividend paid in April 2003	—	(2,527)	—	(2,527)
Final dividend declared in July 2003 and paid on 12 September 2003	531,021	—	531,021	—
Over provision in respect of final dividend paid on 12 September 2003	(2,787)	—	(2,787)	—
Interim dividend declared in January 2004 and paid on 19 March 2004	665,288	—	665,288	—
Over provision in respect of interim dividend paid on 19 March 2004	(3,679)	—	(3,679)	—
	1,189,843	862,256	1,189,843	862,256
(d) Provision for dividend reconciliation				
Balance at beginning of year	—	388,259	—	388,259
Amount declared	1,196,309	478,478	1,196,309	478,478
Amount paid	(1,189,843)	(862,256)	(1,189,843)	(862,256)
Under (Over) provision	(6,466)	(4,481)	(6,466)	(4,481)
Balance at end of year	—	—	—	—
(e) Earnings per share				
(1) Weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share	8,330,520	7,972,023	8,330,520	7,972,023
(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:	3,483,554	2,178,515	3,483,554	2,178,515

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Note 17: Reserves				
Asset revaluation reserve	1,263,917	1,501,694	1,263,917	1,501,694
Asset realisation reserve	1,750,811	-	1,750,811	-
	3,014,728	1,501,694	3,014,728	1,501,694
Asset revaluation reserve account				
Balance at beginning of year	1,501,694	1,501,694	1,501,694	1,501,694
Revaluation increment	1,513,034	-	1,513,034	-
Transfer to realisation reserve	(1,750,811)	-	(1,750,811)	-
Balance at end of year	1,263,917	1,501,694	1,263,917	1,501,694
Asset realisation reserve				
Balance at beginning of year	-	-	-	-
Revaluation increment	1,750,811	-	1,750,811	-
Balance at end of year	1,750,811	-	1,750,811	-
Note 18: Retained Profits				
Retained profits at the beginning of the year	7,084,757	5,380,239	7,084,757	5,380,239
Net profit attributable to members of the parent entity	3,483,555	2,178,515	3,590,096	2,178,515
Dividends paid	(1,189,843)	(862,256)	(1,189,843)	(862,256)
Net effect due to changes in accounting policy	-	388,259	-	388,259
Retained profits at the end of the year	9,378,469	7,084,757	9,485,010	7,084,757
Note 19: Commitments for Expenditure				
Operating leases				
Future operating lease rental commitments of property:				
Not later than one year	248,285	211,500	211,572	211,500
Later than one year but not later than five years	377,639	476,200	307,238	476,200
Later than five years	-	-	-	-
	625,924	687,700	518,810	687,700
Capital Expenditure				
Contracted but not provided for:				
Not later than one year	211,000	30,000	211,000	30,000
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	211,000	30,000	211,000	30,000

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

Note 20: Auditors' Remuneration

Amounts received or due and receivable by the auditors for:

- (a) Auditing the accounts
- (b) Other services

Consolidated		The Company	
2004	2003	2004	2003
\$	\$	\$	\$
32,341	27,640	29,700	27,640
8,324	5,400	4,000	5,400

Note 21: Director and executive disclosure

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages are made up of fixed remuneration and performance-based remuneration. The remuneration structure takes into account, (a) the overall level of remuneration for each director and executive; (b) the executives' ability to control performance; and (c) the amount of incentives within each executives' remuneration. The Managing Director's incentive is paid as a fixed percentage on the consolidated earnings before interest and income tax. Incentives for other executives are paid as a fixed percentage of their divisional EBIT. The incentive percentage paid ranges from 1.25% to 5%. Executives also receive shares as part of the Employee Bonus Share Plan that is issued equally to all employees. The Board considers that the above performance structure is generating the desired outcome. Non-executive directors receive a fixed fee. The total remuneration for all non-executive directors last voted upon by shareholders at the AGM held on 27 October 2000 is not to exceed \$150,000.

Non-executive directors are also directors of Hills Industries Limited. Transactions with Hills Industries Limited are disclosed in Note 5.

The details of three specified executives have been disclosed because only three executives meet the definition of specified executive as defined in AASB 1046.

Name		Primary Salary & Fees \$	Bonus \$	Non-monetary Benefits \$	Post Employment Superannuation Benefits \$	Total \$
Specified directors						
D.J. Simmons	2004	15,300	—	—	—	15,300
Non-executive (Chairman)	2003	14,700	—	—	—	14,700
G.L. Twartz	2004	15,300	—	—	—	15,300
Non-executive (Director)	2003	14,700	—	—	—	14,700
P. Brodribb	2004	146,003	75,273	19,250	9,354	249,880
Executive (Managing Director)	2003	138,939	58,983	19,250	19,890	237,062
A.J. D'Souza	2004	134,694	1,000	19,250	12,122	167,066
Executive (Finance Director)	2003	128,122	1,000	19,250	9,776	158,148
	2004	311,297	76,273	38,500	21,476	447,546
	2003	296,461	59,983	38,500	29,666	424,610
Specified executives						
D.M. Salvaterra	2004	103,408	192,526	19,250	26,544	341,728
General Manager - Ezy Strut	2003	83,048	154,101	19,250	21,970	278,369
G.J. Francou	2004	78,648	13,608	19,250	8,213	119,719
General Manager - Korvest Galvanisers	2003	75,197	11,340	19,250	7,957	113,744
T.K. Threlfall	2004	89,613	7,361	17,416	8,638	123,028
General Manager - Elite Built	2003	93,715	1,000	19,250	8,588	122,553
	2004	271,669	213,495	55,916	43,395	584,475
	2003	251,960	166,441	57,750	38,515	514,666

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for year ended 30 June 2004

	1 July 2003	Purchases	Sales	30 June 2004
Shareholdings				
The relevant interest of each specified director and specified executive in the share capital of the company at year end:				
Specified directors				
D.J. Simmons	500	—	—	500
G.L. Twartz	500	9,500	—	10,000
P. Brodribb	35,312	347	—	35,659
A.J. D'Souza	2,531	347	—	2,878
Specified executives				
D.M. Salvaterra	5,011	347	—	5,358
G.J. Francou	9,693	347	—	10,040
T.K. Threlfall	2,911	347	—	3,258

Note 22: Segmental Information

	Industrial Products \$	Storage Systems \$	Unallocated \$	Consolidated \$
2004				
External Revenue	28,277,809	21,347,294	255,635	49,880,738
Result	4,214,121	1,171,549	(183,230)	5,202,440
Profit from ordinary activities before income tax	4,214,121	1,171,549	(183,230)	5,202,440
Income Tax expense	—	—	(1,718,885)	(1,718,885)
Net profit	4,214,121	1,171,549	(1,902,115)	3,483,555
Depreciation	831,383	348,899	98,927	1,279,209
Non-cash expenses other than Depreciation	37,106	(13,429)	(283,791)	(260,114)
Individually significant items				
Proceeds on sale of business	—	6,518,177	—	—
Carrying amount of business sold	—	(5,200,443)	—	—
Profit before tax	—	1,317,734	—	—
Net profit on sale of business	—	757,099	—	—
Assets				
Segment assets	11,861,121	—	12,204,611	24,065,732
Liabilities				
Segment liabilities	6,635,844	—	1,621,320	8,257,164
Acquisition of non-current assets	601,287	301,064	31,099	933,450

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

	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
Assets				
Segment assets	9,996,108	6,314,177	6,759,889	23,070,174
Liabilities				
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

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. This segment was sold during this financial year.

Geographical segments

The entity operates predominantly in Australia.

Note 23: Notes to the Statements 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 Statements of Cash Flows is reconciled to the related items in the balance sheet as follows:-

	Notes	Consolidated 2004 \$	2003 \$	The Company 2004 \$	2003 \$
Cash		7,898,166	1,063,338	7,763,759	1,063,338
Bank overdraft		–	–	–	–
		7,898,166	1,063,338	7,763,759	1,063,338
(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities					
Profit from ordinary activities after income tax		3,483,555	2,178,515	3,590,096	2,178,515

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for year ended 30 June 2004

	Notes	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Add/(Less) items classified as investing/ financing activities:					
(Profit)/Loss on sale of plant and equipment	3	(24,208)	(19,129)	(24,208)	(19,129)
(Profit)/Loss on sale of business	3	(1,317,734)	–	(1,317,734)	–
Add Purchase of inventory on acquisition		–	265,848	–	265,848
Add/(Less) non cash items:					
Depreciation	3	1,279,209	920,439	1,267,934	920,439
Write down of plant	3	–	304,000	–	304,000
Amounts set aside to provisions	3	872,722	1,172,773	872,722	1,172,773
Net cash provided by operating activities before change in assets and liabilities		4,293,544	4,822,446	4,388,810	4,822,446
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	1,774,001	(1,105,732)	1,849,936	(1,105,732)
(Increase)/Decrease in inventories	7	(239,675)	(828,246)	(73,263)	(828,246)
(Increase)/Decrease in other current assets	8	51,950	(79,429)	57,604	(79,429)
(Decrease)/Increase in accounts payable	11	(711,436)	1,390,700	(765,936)	1,390,700
(Decrease)/Increase in provisions	12,14	(660,218)	(694,152)	(660,218)	(694,152)
(Decrease)/Increase in income taxes payable	4(b)	464,092	72,637	464,092	72,637
(Decrease)/Increase in deferred tax payable	4(c)	(153,173)	118,538	(153,173)	118,538
(Increase)/Decrease in deferred tax assets	4(d)	(66,915)	(164,865)	(66,915)	(164,865)
Net cash provided by operating activities		4,752,170	3,531,897	5,040,937	3,531,897
(c) Disposal of business operations					
On 24 May 2004, Korvest Ltd disposed of its Elite Built business operations. Details of the disposals are as follows:					
Consideration for cash		6,518,177	–	6,518,177	–
Carrying amount of disposal		5,200,443	–	5,200,443	–
Profit on disposal		1,317,734	–	1,317,734	–
Net assets and liabilities disposed of:					
– inventories		1,300,000	–	1,300,000	–
– property		3,180,210	–	3,180,210	–
– plant and equipment		1,067,451	–	1,067,451	–
– deferred tax assets		124,000	–	24,000	–
– employee benefits		(471,218)	–	(471,218)	–
		5,200,443	–	5,200,443	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

Note 24: Financing Arrangements

Bill Acceptance Facility:

The consolidated entity has available a bill acceptance facility of \$5,000,000 (2003: 5,000,000). As at the end of the financial year \$nil (2003: \$3,000,000) of this facility was in use, leaving an amount of \$5,000,000 (2003: \$2,000,000) unutilised. This facility is subject to annual review.

The consolidated entity also has available a special bill acceptance facility of \$2,500,000 (2003: 2,500,000). As at the end of the financial year \$nil (2003: \$nil) of this facility was in use, leaving an amount of \$2,500,000 (2003: \$2,500,000) unutilised. This facility is subject to annual review.

Subsequent to year end, the bill acceptance and bank overdraft facilities have been cancelled and the special bill acceptance facility increased to \$8,000,000.

Bank Overdraft:

The consolidated entity has available a bank overdraft facility of \$500,000 (2003: \$500,000). As at the end of the financial year \$nil (2003: \$nil) of this facility was in use, leaving an amount of \$500,000 (2003: \$500,000) unutilised. The overdraft is payable on demand and is subject to annual review.

Note 25: Financial Instruments Disclosure

Interest Rate Risk

The consolidated entity 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 was for a term of two years at a rate of 5.49% (2003: 5.49%). The swap agreement matured on 30th July 2004.

Interest Rate Risk Exposures

The consolidated entity'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	Floating \$	Fixed interest maturing on:			Non-interest bearing \$	Total \$
			Less than 1 year \$	1 to 5 years \$	More than 5 years \$		
2004							
Financial assets							
Cash		254,711	7,643,455	—	—	—	7,898,166
Receivables	6	—	—	—	—	6,158,057	6,158,057
		<u>254,711</u>	<u>7,643,455</u>	<u>—</u>	<u>—</u>	<u>6,158,057</u>	<u>14,056,223</u>
Weighted average interest rate		—	5.44%	—	—	—	—
Financial liabilities							
Employee provisions	15	1,219,624	—	—	—	—	1,219,624
Borrowings		—	—	—	—	40,000	40,000
Accounts payable	11	—	—	—	—	5,776,459	5,776,459
		<u>1,219,624</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,816,459</u>	<u>7,036,083</u>
Weighted average interest rate		5.50%	—	—	—	—	—

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for year ended 30 June 2004

	Note	Floating \$	Fixed interest maturing on: Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Non-interest bearing \$	Total \$
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 provisions	15	1,383,415	–	–	–	–	1,383,415
Borrowings	13	–	–	3,000,000	–	40,000	3,040,000
Accounts payable	11	–	–	–	–	6,487,895	6,487,895
		<u>1,383,415</u>	<u>–</u>	<u>3,000,000</u>	<u>–</u>	<u>6,527,895</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%	–	–	–

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 consolidated entity 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 2004 is \$ nil (2003: \$23,975).

Note 26: Discontinuing operations

The Elite Built business was sold during the financial year. The results of this discontinuing operation are disclosed in Note 22.

Note 27: Events subsequent to reporting date

The Board has established a steering committee to achieve the transition to IFRS reporting beginning with the half year ending 31 December 2005. The consolidated entity's approach consists of three phases comprising of (a) the assessment and planning phase, (b) the design phase, and (c) the implementation phase. The phases cover identifying the key differences in accounting policies and disclosures, information requirements, staff training and identifying potential financial impacts as at the transition date and for subsequent reporting periods. The consolidated entity expects the exercise to be completed by 30 June 2005.

At this time the Board has not identified the differences between Australian GAAP and IFRS that will effect the consolidated entity. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this report would not be significantly different if determined in accordance with IFRS.

DIRECTORS' DECLARATION

In the opinion of the directors of Korvest Ltd.

- (a) the financial statement and notes, set out on pages 13 to 32, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2004 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 consolidated entity 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 26th day of August, 2004.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KORVEST LTD

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for Korvest Ltd (the "Company"), and Korvest Limited and its Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2004. The Consolidated Entity comprises both the Company and the entity it controlled during that year.

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 and the Consolidated Entity's financial position, and of their performance as represented by the results of their 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 the Consolidated Entity is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their 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.

Gary Savage

KPMG

Partner

Dated at Adelaide this 26th day of August, 2004



Korvest Ltd.

ORGANISATION STRUCTURE

CHAIRMAN - David Simmons

MANAGING DIRECTOR - Peter Brodribb

DIRECTOR - Graham Twartz

FINANCE DIRECTOR - Andre D'Souza

HUMAN RESOURCES MANAGER - Steve Simon

Galvanising

GENERAL MANAGER - Graham Clement

MARKETING MANAGER - Peter Freeth

PRODUCTION MANAGER - Chris Brown

Ezy-Strut

GENERAL MANAGER - David Salvaterra

PRODUCTION MANAGER - Anthony Vizzari

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

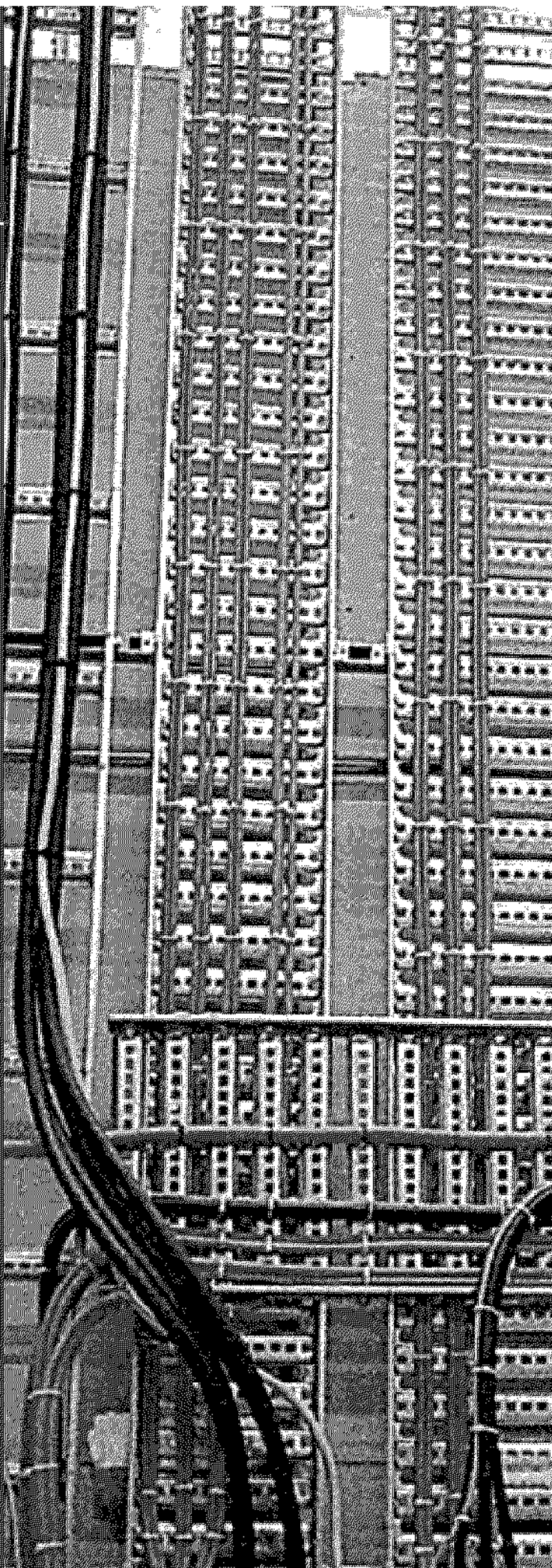
STATE SALES MANAGER (Vic) - Matt Soccio

STATE SALES MANAGER (Qld) - Gerard Hegerty

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

Employee Statistics

NUMBER AT YEAR END - 158



CORPORATE INFORMATION

Directors:	David James Simmons, BA (Acc), FCPA (Chairman) Peter Brodribb, FIE (Aust) (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

30 July 2004	Preliminary announcement of results for 2004 financial year
20 August, 2004	Books closing date for 2004 final dividend
3 September, 2004	Final dividend payable
22 October, 2004	Annual General Meeting
January, 2005	Announcement of results for half year ending December 2004
March, 2005	Books closing date for 2005 interim dividend
March, 2005	Interim dividend payable
30 June, 2005	End of company's 2005 financial year

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



Korvest Ltd.

