

Korvest Ltd and its Controlled Entities

ABN 20 007 698 106

Half-Year Financial Report 31 DECEMBER 2004

Results for announcement to market

Summary of results

	Note	Percentage change from previous corresponding period	Amount \$ '000
Revenue from ordinary activities - continuing operations		up 15.6% to	16,239
Total revenue	2(a)	down -26.8% to	16,239
Profit after tax from ordinary activities - continuing operations		up 15.1% to	1,645
Net Profit (loss) from ordinary activities after tax attributable to members	3	up 25.2% to	1,645

Dividend distributions				Amount per security	Franked amount per security
Interim dividend:					
- current reporting period				10.0c	10.0c
- previous corresponding period				8.0c	8.0c

Record date for determining entitlements to dividend	25 February 2005
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Date of distribution	11 March 2005
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Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Refer directors' report on pages 2 to 5 of this financial report

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

This financial report should be read in conjunction with the 2004 annual financial report.

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of Korvest Ltd ("the Company") and its controlled entities for the half-year ended 31 December 2004 and the auditor's review report thereon.

Directors

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

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

Age 51, a Director since 1994.

Managing Director, Hills Industries Limited.

Director, Orrcon Limited.

Director, Fielders Australia Pty Ltd.

Ric Gros F.A.I.C.D.

Age 46, Managing Director since January 2005.

Peter Brodribb F.I.E. (Aust)

Age 60, a Director since 1984.

Resigned as Managing Director effective 31 December 2004

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.

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

Age 44, a Director since July 2000.

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

Consolidated Result

The Chairman, Mr David Simmons, today announced the following operating results for the 6 months ended 31st December 2004 for Korvest Ltd and its controlled entities.

	31/12/2004 '\$'000	31/12/2003 '\$'000	% Change Up (down)
Total Revenue	16,239	22,180	Down -26.8%
Operating profit after tax	1,645	1,314	Up 25.2%
Earnings per share (cents)	19.4	15.9	Up 22.0%
Dividends per share (cents)	10.0	8.0	Up 25.0%

Mr Simmons said the improvement in operating profits was very pleasing and continued the recent trend of stronger results for Korvest, particularly in Ezy-Strut.

At the same time, Mr Simmons said that he was delighted to confirm the appointment of Mr Ric Gros as Managing Director of the company effective from 1st January 2005. Mr Gros comes from a background in manufacturing and distribution and has particular skills in business development and strategy as well as offshore sourcing, all key elements for the future growth of Korvest.

Mr Simmons said that while the appointment of Ric was a positive for the Company, it was with regret that he announced the retirement of Peter Brodribb, the current Managing Director from an executive role. "Peter has been an outstanding contributor to Korvest and a key part of the transformation of the company over recent years", Mr Simmons said. "Peter has agreed to stay on the Board in a non-executive role and his skills and experience will be highly valued on the Board".

The results for the individual business units were as follows:

Industrial Products

	31/12/2004 '\$'000	31/12/2003 '\$'000	% Change Up (down)
Total Revenue	16,035	13,924	Up 15.2%
Operating profit after tax	2,549	2,182	Up 16.8%

* Ezy-Strut revenues and profits continued to grow due to the strength of the non-residential and commercial building markets.

* Ezy-Strut is continuing to expand its product range and has further plans to move into adjunct markets in the near term.

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

* Recent changes in management in the New Zealand operation of Ezy-Strut has seen improved performance.

* Korvest Galvanisers achieved satisfactory results in a mature market.

* Korvest Galvanisers have recently entered the industrial steel grating and walkway systems market.

Storage Systems

	31/12/2004 '\$'000	31/12/2003 '\$'000
Total Revenue	-	8,132
Operating loss after tax	(79)	(115)

The Storage System business was sold during the second half of last financial year; however, some residual costs were recorded during the period under review. No further costs are anticipated.

Dividend

The Directors announced an increased fully franked final dividend of 10.0 cents per share compared to 8.0 cents per share last year. This dividend can be taken as cash only as the Dividend Investment Plan and the Share Investment Plan have been suspended. The dividend will be paid on 11th March 2005. The record date is 25th February 2005.

Full Year

The forecast continued strength in non-residential and commercial building markets is expected to see Korvest achieve satisfactory results in the year to June 2005, however the full year rate of improvement is likely to be less than that achieved for the six months to 31 December 2004.

Following the sale of the Storage Systems business, Korvest now has the funding to pursue acquisition opportunities as they arise, Mr Simmons said. "Having said that, the Board will be patient in evaluating opportunities to ensure that any acquisitions that are made are sensible and positive for Korvest shareholders".

Rounding Off

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

Korvest Ltd and its Controlled Entities

DIRECTORS' REPORT

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

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2004.

Events Subsequent to Reporting Date

Details of events subsequent to reporting date, including an explanation of how the consolidated entity's transition to Australian equivalents to International Financial Reporting Standards is being managed and a narrative explanation of the key differences in accounting policies that are expected to arise from their adoption are set out in Note 9 to the financial statements.

Other than that above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity in subsequent financial periods.

D.J. SIMMONS
CHAIRMAN

28 January 2005

For further information contact:

DAVID SIMMONS (Chairman)	- 0412 66 22 11
RIC GROS (Managing Director)	- 0421 14 43 80

**Lead Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001
to the directors of Korvest Limited**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2004 there have been:

no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Gary Savage

Partner

Place: Adelaide

Date: 28 January 2005

Korvest Ltd and its Controlled Entities

Half-Year Ended 31 December 2004

Statement of financial performance

	<u>Note</u>	<u>Consolidated</u>	
		<u>Dec-04</u> \$ '000	<u>Dec-03</u> \$ '000
Revenues from ordinary activities	2(a)	16,239	22,180
Expenses from ordinary activities, excluding borrowing costs expense	2(b)	(13,889)	(20,223)
Borrowing costs		-	(98)
Profit (loss) from ordinary activities before income tax		2,350	1,859
Income tax attributable to ordinary profit		(705)	(545)
Profit (loss) from ordinary activities after income tax		1,645	1,314
Profit (loss) from extraordinary items after income tax		-	-
Net profit attributable to members of the Company		1,645	1,314
Non-owner transaction changes in equity:			
- Increase(decrease) in asset revaluation reserve		-	1,513
- Net exchange differences relating to self-sustaining foreign operations			
Total changes in equity from non-owner related transactions attributable to members of the Company		1,645	2,827
Basic earnings per share		19.4c	15.9c
Diluted earnings per share		19.4c	15.9c
Net Tangible Asset Backing per share		\$1.97	\$1.68

The basic and diluted EPS for the current period was derived based on the profit after tax and the number of weighted average shares of 8,483,134.

The statement of financial performance is to be read in conjunction with the notes to the half-year financial statements.

Korvest Ltd and its Controlled Entities
Half-Year Ended 31 December 2004
Statement of financial position

	<u>Note</u>	<u>Consolidated</u> <u>Dec-04</u>	<u>Jun-04</u>
		\$ '000	\$ '000
Current Assets			
Cash		7,761	7,898
Receivables		5,285	6,158
Inventories		2,883	3,146
Other		98	63
Total Current Assets		16,027	17,265
Non-Current Assets			
Property, plant and equipment		6,001	5,919
Other		923	881
Total Non-Current Assets		6,924	6,800
Total Assets		22,951	24,065
Current Liabilities			
Accounts Payable		4,072	5,776
Interest bearing liabilities		-	-
Provisions excluding tax liabilities		1,176	803
Tax liabilities		447	1,021
Total Current Liabilities		5,695	7,600
Non-Current Liabilities			
Interest bearing liabilities		40	40
Provisions excl. tax liabilities		297	416
Deferred tax liabilities		228	200
Total Non-Current Liabilities		565	656
Total Liabilities		6,260	8,256
Net Assets		16,691	15,809
Shareholders' Equity			
Share capital	4	3,415	3,415
Reserves	5	3,015	3,015
Retained profits		10,261	9,379
Total Shareholders' Equity		16,691	15,809

The statement of financial position is to be read in conjunction with the notes to the half-year financial statements.

Korvest Ltd and its Controlled Entities
Half-Year Ended 31 December 2004

Statement of cash flows

	<u>Note</u>	Consolidated	
		<u>Dec-04</u>	<u>Dec-03</u>
		\$ '000	\$ '000
Cash flows from operating activities			
Cash receipts in the course of operations		18,474	24,859
Cash payments in the course of operations		(16,373)	(22,830)
Income taxes paid		(1,292)	(929)
Interest received		187	39
Interest paid		-	(98)
Net cash provided by operating activities		996	1,041
Cash flow from investing activities			
Proceeds from sale of plant and equipment		21	28
Payment for plant and equipment		(303)	(435)
Payment for land and buildings		(88)	-
Net cash used in investing activities		(370)	(407)
Cash flows from financing activities			
Proceeds from issue of shares		-	291
Dividends paid		(763)	(528)
Repayment of borrowings		-	-
Proceeds from borrowings		-	-
Net cash provided by (used in) financing activities		(763)	(237)
Net increase (decrease) in cash		(137)	397
Cash at the beginning of the period		7,898	1,063
Cash at the end of the period		7,761	1,460

The statement of cash flows is to be read in conjunction with the notes to the half-year financial statements.

Korvest Ltd and its Controlled Entities

**Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended
31 December 2004**

1 Statement of Significant Accounting Policies

[a] Basis of Preparation of Half-Year Financial Statements

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and Appendix 4D to the Australian Stock Exchange listing rules.

The half-year financial report is to be read in conjunction with the 2004 annual financial report and any public announcements by Korvest Ltd and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies have been consistently applied and are consistent with those of the previous financial year and corresponding half-year except for segment reporting as indicated below.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

(b) Details of Reporting Periods

The current reporting period is the half-year ended 31 December 2004. For the statements of financial performance and cash flows, the previous corresponding period is the half-year ended 31 December 2003. For the statement of financial position, the previous corresponding date is 30 June 2004.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended
31 December 2004

	Consolidated	
	<u>Dec-04</u>	<u>Dec-03</u>
	\$ '000	\$ '000
2. Revenue and expenses from ordinary activities		
(a) Revenue		
Revenue from sales and services	15,954	22,056
Interest revenue	224	39
Proceeds from sale of non-current assets	21	28
Other	40	57
Total	16,239	22,180
(b) Expenses		
Cost of goods sold	9,333	14,542
Distribution	808	1,579
Marketing	2,922	3,514
Occupancy	161	116
Administration	621	464
Book value of non-current assets disposed	21	-
Other	23	8
Total	13,889	20,223
(c) Profit from ordinary activities		
The profit from ordinary activities includes as expenses:		
Depreciation - plant and equipment	267	421
- buildings	20	45
Write down of plant and equipment	-	178

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended
31 December 2004

3. Segment Reporting

	Industrial Products \$ '000	Storage Systems \$ '000	Unallocated \$ '000	Consolidated \$ '000
31 December 2004				
External revenue	16,035	-	204	16,239
Result	2,549	(79)	(120)	2,350
Income Tax expense	-	-	(705)	(705)
Net profit	2,549	(79)	(825)	1,645
31 December 2003				
External revenue	13,924	8,132	124	22,180
Result	2,182	(115)	(208)	1,859
Income Tax expense	-	-	(545)	(545)
Net profit	2,182	(115)	(753)	1,314

Business segments

* Industrial Products - Manufacture of electrical and cable support systems, steel fabrication, associated metal treatment and galvanising services.

Geographical segments

The entity operates predominantly in Australia.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended
31 December 2004

	Consolidated	
	<u>Dec-04</u>	<u>Jun-04</u>
	\$ '000	\$ '000
4. Contributed Equity		
(a) Issued and Paid-Up Capital		
Number of ordinary shares - current - 8,488,866	<u>3,415</u>	<u>3,415</u>
(Number of ordinary shares - 30/6/04 - 8,472,640)		
<p>Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.</p>		
(b) Movements in Ordinary Shares		
Balance at the beginning of the period	3,415	2,786
Shares issued:		
- under Dividend Investment Plan	-	629
- under Employee Share Bonus Plan	-	-
Balance at the end of the period	<u>3,415</u>	<u>3,415</u>

Employee Share Bonus Plan

The Company made one (31/12/03: one) issue of ordinary shares under the Employee Share Bonus Plan during the period. All employees with more than six months of service are eligible to participate in the plan. The shares are issued at market value for no consideration. Details of the issue are as follows:

Date of issue	Total Number of shares issued	Market values of shares issued	Shares issued per participating employee	Number of participating Executive Directors
31 December 2004				
3rd Sept 2004	16,226	66,364	122	2
31 December 2003				
5th Sept 2003	34,020	95,256	180	2

Shares issued to employees under the Employee Share Bonus Plan are recognised in equity at the fair value of the consideration received, which is nil (31/12/03: nil).

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended
31 December 2004

Dividend and Share Investment Plans

The Company has suspended the Dividend Investment Plan and the Share Investment Plan. For the prior period the company issued ordinary shares under the Dividend Investment Plan and Share Investment Plan. Under the Dividend Investment Plan, participating shareholders elected to apply dividends in whole or in part to the purchase of ordinary shares at an issue price. Under the Share Investment Plan, participating shareholders elected to forgo dividends in whole or in part and to substitute shares issued out of the capital account. The issue price for both plans was at a 5% discount on the market price. Details of the issue are as follows:

Date of issue	Plan issued under	Total Number of shares issued	Issue price per share
31 December 2004			
	Dividend Investment	-	\$0.00
	Share Investment	-	\$0.00
31 December 2003			
12th Sept 2003	Dividend Investment	111,444	\$2.61
12th Sept 2003	Share Investment	1,086	\$2.61

Shares issued under the Dividend Investment Plan are recognised in equity at the value of the dividends applied to purchase those shares, which is \$nil (31/12/03: \$290,869). The value of shares issued slightly exceeds the value of dividends applied due to the rounding up of shares issued to the nearest whole share.

Shares issued under the Share Investment Plan are recognised in equity at nil (31/12/03: nil) as the dividends are forgone and substituted for shares issued for no consideration.

(c) Options

No options were granted or exercised and no options lapsed during the current period or the previous corresponding period.

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended
31 December 2004

	Consolidated	
	Dec-04	Dec-03
	\$ '000	\$ '000
5. Reserves		
(a) Asset revaluation reserve	3,015	3,015
Foreign currency translation reserve	-	-
	3,015	3,015
(b) Movements in Reserves		
Asset revaluation reserve		
Balance at the beginning of the period	3,015	1,502
Revaluation increment on freehold land and buildings	-	1,513
	3,015	3,015
6. Dividends		
Final - ordinary fully franked at 9.0 cents per share and paid on 3 September 2004	763	-
Final - ordinary fully franked at 6.5 cents per share and paid on 12 September 2003	-	531
Final dividend foregone for Share Investment Plan	-	(3)
Total	763	528

Since the end of the half-year, the directors declared an interim ordinary dividend fully franked at 10.0 cents per share to be paid on 11 March 2005. The total amount payable is \$848,887.

The financial effect of this dividend has not been brought to account in the financial report for the half-year ended 31 December 2004. The financial effect of the dividend will be recognised in the next reporting period.

The dividend Investment Plan and Share Investment Plan have been suspended, but in the prior period allowed shareholders to reinvest in the company's shares at a 5% discount to market value.

All dividends paid or declared are fully franked at the tax rate of 30% and do not include foreign sourced income. The directors expect dividends will be fully franked for the foreseeable future.

Number of ordinary securities issued and quoted at the end of the current period.	8,488,866
Increase in the number of shares as a result of new issues.	16,226

Korvest Ltd and its Controlled Entities

Notes To And Forming Part of the Half-Year Financial Statements for the Half-Year Ended
31 December 2004

7. Acquisition of controlled entities

Name of entity	Date Acquired	Consolidated entity's interest %	Consideration \$	Contribution to consolidated net profit \$ '000
31 December 2004				
The consolidated entity did not gain control over any entities during the current half-year period.				
31 December 2003				
Korvest NZ Ltd	9 October 2003	100%	\$100	(24)

8. Contingent Liabilities and Contingent Assets

There have been no material changes in contingent liabilities or contingent assets since 30 June 2004.

9. 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.

Korvest Ltd and its Controlled Entities

Directors' Declaration

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

1. the financial statements and notes set out on pages **7 to 16**, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 28th day of January 2005.

Signed in accordance with a resolution of the directors:

DJ Simmons
Director

R Gros
Director

Independent Review 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 set out on pages 7 to 17 for the Korvest Ltd Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Korvest Ltd ("the Company") and the entities it controlled during that half-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.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

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

Independent Review Report to the Members of Korvest Ltd

Statement

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

Gary Savage

Partner

Place: Adelaide

Date: 28 January 2005