



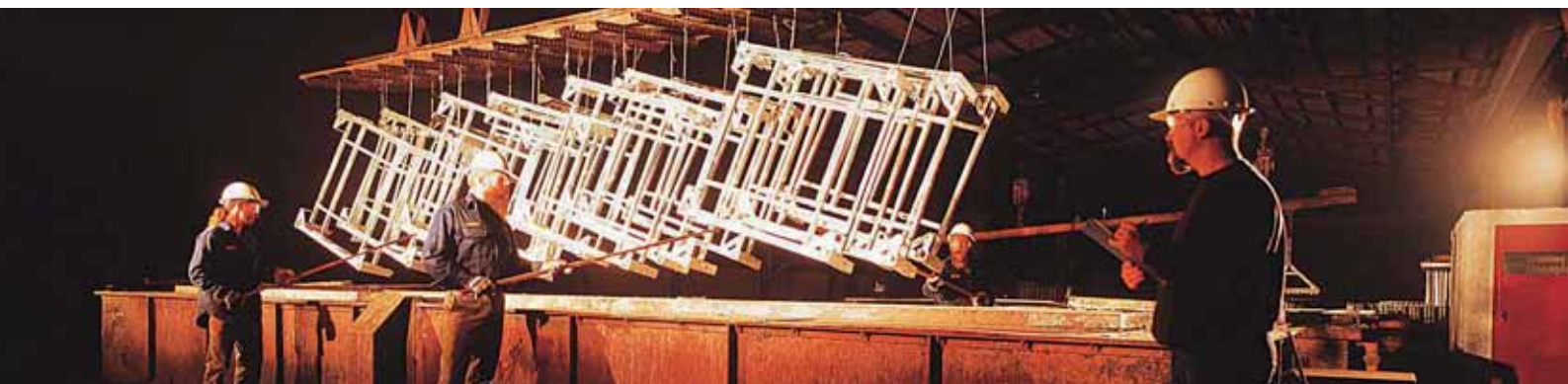
KORVEST LTD



Annual Report 2005

## Contents

SHAREHOLDER INFORMATION	2
FIVE YEAR SUMMARY	4
KORVEST MANAGEMENT	5
DIRECTORS' REPORT	6
CORPORATE GOVERNANCE STATEMENT	14
STATEMENTS OF FINANCIAL PERFORMANCE	22
STATEMENTS OF FINANCIAL POSITION	23
STATEMENTS OF CASH FLOW	24
INDEX TO NOTES TO FINANCIAL STATEMENTS	25
NOTES TO FINANCIAL STATEMENTS	26
DIRECTORS' DECLARATION	48
AUDITORS' REPORT TO THE MEMBERS	49
ORGANISATION STRUCTURE	50
ANNUAL GENERAL MEETING	51
CORPORATE INFORMATION	51
FINANCIAL CALENDAR	52





“The achievements and successes of Korvest have, and always will, depend on high levels of performance and dedication from all of our employees.

A relentless commitment to continuous improvement at every level and every position is a fundamental aspect of our culture. It is vital in delivering increasing value to our customers, in ensuring the success of our organisation, in developing our employees and in rewarding our shareholders.”

Ric Gros  
*Managing Director*

## SHAREHOLDER INFORMATION

### Shareholdings

#### (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	Number of Shareholders
1 - 1,000	532
1,001 - 5,000	381
5,001 - 10,000	68
10,001 - 100,000	53
100,001 and over	5
	1039



**Steve Simon**  
**Manager, Human Resources**  
**Corporate**

The number of shareholders holding less than a marketable parcel at 15th August 2005 was 168.

#### (c) Substantial shareholders:

	Shares	% of Total Issued Shares
Hills Finance Pty Ltd	3,960,349	46.58%
IAG Nominees Pty Limited	818,786	9.63%



**EzyStrut cable support system.**

*(d) The twenty largest shareholders are*

	Shares	% of Total Issued Shares
Hills Finance Ltd	3,960,349	46.58%
IAG Nominees Pty Limited	818,786	9.63%
Donald Cant Pty Ltd	383,911	4.52%
RBC Global Services Australia Nominees Pty Limited	318,000	3.74%
Mr John Frederick Bligh	112,840	1.33%
Mr Ben Henderson	64,054	0.75%
Ling Nominees Pty Ltd	61,900	0.73%
Rotret Three Pty Ltd	54,108	0.64%
Drury Lane Investments Pty Ltd	51,474	0.61%
Cogent Nominees Pty Ltd	51,183	0.60%
Mardie Pty Ltd	50,358	0.59%
Australian Executor Trustees Limited	44,460	0.52%
LTM Nominees Pty Ltd	44,179	0.52%
Howard Securities Pty Ltd	43,205	0.51%
Balgowan Nominees Pty Ltd	40,365	0.47%
AJR Solutions Pty Ltd	37,426	0.44%
HSBC International Trustee SGP Ltd	30,000	0.35%
Trindal Pty Ltd	27,323	0.32%
EMSDA Nominees Pty Ltd	26,356	0.31%
Manovert Pty Ltd	25,415	0.30%
	6,245,692	73.46%

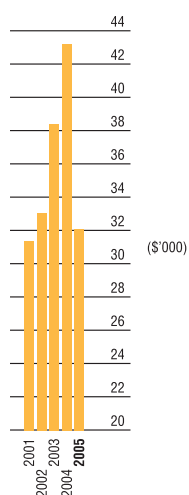
*(e) The company's ordinary shares are listed on the Australian Stock Exchange.*

**Galvanised steel works on a Murray River lock**

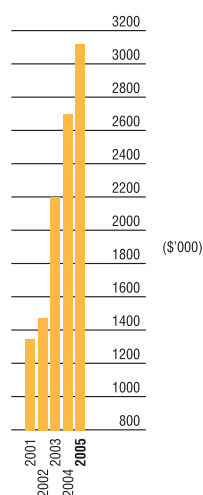
## FIVE YEAR SUMMARY

		2005	2004	2003	2002	2001
Sales Revenue	(\$'000)	<b>32,060</b>	43,107	38,325	33,024	31,438
Profit from ordinary activities after tax excluding profit on sale of business	(\$'000)	<b>3,108</b>	2,727	2,179	1,466	1,349
Depreciation/Amortisation	(\$'000)	<b>617</b>	1,279	920	762	961
Interest						
Amount paid	(\$'000)	-	184	204	250	265
Times covered by operating profit		-	14.8	10.7	5.9	5.0
Cash flow from operations	(\$'000)	<b>2,662</b>	4,752	3,532	1,897	2,049
Profit from ordinary activities						
As % of Shareholders' Equity		<b>17.9%</b>	17.2%	19.2%	15.9%	15.9%
As % of Sales Revenue		<b>9.7%</b>	6.3%	5.7%	4.4%	4.3%
Per issued share		<b>36.6c</b>	32.7c	27.3c	19.1c	17.9c
Dividend						
Total amount	(\$'000)	<b>1,784</b>	1,424	1,009	772	759
Per issued share		<b>21.0c</b>	17.0c	12.5c	10c	10c
Times covered by profit from ordinary activities		<b>1.7</b>	1.9	2.2	1.9	1.8
Number of employees		<b>161</b>	158	254	214	213
Shareholders						
Equity in total assets		<b>67%</b>	66%	49%	44%	45%
Number at year end		<b>1048</b>	1000	913	858	821
Net assets per issued ordinary share		<b>\$2.04</b>	\$1.87	\$1.39	\$1.19	\$1.11

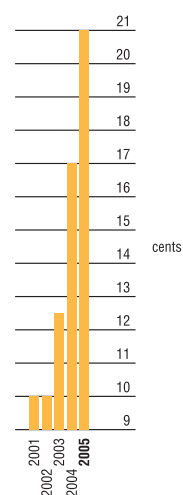
**Sales Revenue**



**Profit From Ordinary Activities After Tax**



**Dividend per Share**



## KORVEST MANAGEMENT



David Simmons  
*Chairman, Non Executive  
Director*



David Salvaterra  
*General Manager - Ezy Strut*



Peter Brodribb  
*Non Executive Director*

*We acknowledge  
and appreciate  
the commitment  
and dedication of  
our employees.  
The growth and  
prosperity of  
Korvest depends  
on all of us  
striving to achieve  
our best and when  
this happens we  
know that we  
have all  
succeeded and  
that we have all  
prospered.*



Ric Gros  
*Managing Director*



Graham Clement  
*General Manager  
Korvest Galvanisers*



Andre D'Souza  
*Finance Director*



Graham Twartz  
*Non Executive Director*

## DIRECTORS' REPORT

### FINANCIAL RESULTS

Revenue from trading activities for the year under review was \$32.6m down 35% on last year and profit after tax was \$3.1m down 11%. Last year, revenue from disposed business was \$21.3m and the profit after tax from the sale of the business was \$0.76m.

Revenue from trading activities of continuing businesses for the year under review was \$32.6m up 14% on last year and profit after tax was \$3.1m up 10%. The achievement of a 14% increase in revenue for the year and a 10% increase in profit were very satisfying given the volatility in input costs, particularly steel.

Growth to date has largely been through organic growth initiatives via range and geographic extension. These initiatives will

be further pursued in the coming year and the company is also reviewing a number of acquisition opportunities in related areas.

Ric Gros had settled in very well as the new Managing Director of the company and has been instrumental in identifying a number of new growth opportunities. Following the sale of the Elite Built business last year the Board is very much focussed on diversifying the company's revenues and pursuing profitable growth.

### DIVIDEND

The Directors announced an increased fully franked final dividend of 11.0 cents per share compared to 9.0 cents per share last year and 10 cents at the half year. The full year dividend in relation to the 2005 year will be 21.0 cents per share compared to 17.0 cents per share for the previous year.

The dividend and share investment plans remain suspended. The final dividend will be paid on 2nd September 2005.

### STRATEGY AND FUTURE PERFORMANCE

It is expected that the non-residential and engineering construction sectors will remain strong. There are significant infrastructure and mining projects forecast for development, particularly in Queensland and Western Australia where we will be focussing additional resources.

The strategy to diversify our product base through the addition of complimentary products will be pursued and we will continue to progress a number of acquisition opportunities.

Steel prices are expected to moderate during the year, which in combination with our growth strategies should see us produce acceptable results again for the year to June 2006



Ezytrak cable support



**DIRECTORS' PARTICULARS**

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

David James Simmons

Ric Gros

Peter Brodribb

Graham Lloyd Twartz

Andre Jude D'Souza

Their interests and shareholdings appear on page 13. 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 the Remuneration Report of the Directors Report) 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 Peter Brodribb and Andre Jude D'Souza retire from the Board at the forthcoming Annual General Meeting on 21 October 2005. Each is eligible for re-election at that meeting and offer themselves accordingly.

**REVIEW OF OPERATIONS****Industrial Products**

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

Ezy-Strut continued to grow market share in Australia and New Zealand and it was pleasing to note that we managed to further

diversify our customer base although we will continue to pursue large infrastructure projects.

We have carried out a detailed review of our Galvanising operations and will shortly proceed to upgrade our processing capabilities which will result in reduced costs and improved profits.

Later this year we will be introducing an extensive range of pipe fittings featuring a number of unique designs to the Australian market.

We have established a small presence in the South Australian market for grating and associated products and we will continue to grow this segment of our business.

**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 2006.

**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 \$3,108,588 (2004: \$3,483,555).

**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.

**Trevor Gardiner  
Pickler  
Korvest Galvanisers**



**Peter Freeth  
Marketing Manager  
Korvest Galvanisers**

**Steve Billet**  
**Supervisor Fettling**  
**Korvest Galvanisers**



**Dividends**

The 2004 final dividend of \$762,538 (9.0 cents per share) referred to in the Directors' Report dated 26th August 2004 was paid on the 3rd September 2004. Details of dividends in respect of the current year are as follows:

	2005	2004
	\$	\$
A fully franked interim ordinary dividend of 10.0 cents per share paid	848,887	661,609
A fully franked final ordinary dividend of 11.0 cents per share declared by Directors not provided for in the financial statements	935,265	762,537
<b>Total dividends in respect of the year</b>	<b>1,784,152</b>	<b>1,424,146</b>

**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' 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 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 R. Gros	6	6	-	-	-	-
Mr P. Brodribb	12	12	-	-	-	-
Mr G. L. Twartz	11	12	2	2	2	2
Mr. A. J. D'Souza	12	12	-	-	-	-



**Greg Button**  
**Supervisor Rollforming**  
**Ezustrut**

### **Matters Subsequent to the End of the Financial Year**

The transition to International Financial Reporting Standards (IFRS) reporting beginning with the half year ending 31 December 2005 was completed as planned in June 2005. A detailed statement is made in Note 27.

At the date of this report there is no matter or circumstance, other than that above, that has arisen since 30th June 2005, 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 2005.

### **Likely Developments**

In the opinion of the Directors it would prejudice the interests of the 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.

### **Non-audit services**

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

**Rob Taylor**  
**Sheetmetal Operator**  
**Ezustrut**



**Chris Frick**  
**Supervisor Dipping**  
**Korvest Galvanisers**

**Olivia Ross**  
**Quality Officer**  
**Ez Strut**



The Board has considered the non-audit services provided during the year by the auditor and in accordance of written advice provided by resolution of the Audit Committee, is satisfied that the provision of these services did not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company.
- the non-audit services provided do not undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the auditor's own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing

risk and rewards.

For details of non-audit services fees charged refer to note 20.

**Remuneration Report**

***Remuneration of specified directors and specified executives - audited***

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.

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

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



**Ez Strut cable support systems in a manufacturing plant**

		Primary			Post		Equity	
		Salary & Fees	Bonus	Non Monetary Benefite	Employment Superannuation	Termination Benefits	Compensation	Total
		\$	\$	\$	\$	\$	\$	\$
<b>Specified directors</b>								
D.J. Simmons	<b>2005</b>	<b>15,300</b>	-	-	-	-	-	<b>15,300</b>
<i>Non-executive (Chairman)</i>	2004	15,300	-	-	-	-	-	15,300
G.L. Twartz	<b>2005</b>	<b>15,300</b>	-	-	-	-	-	<b>15,300</b>
<i>Non-executive (Director)</i>	2004	15,300	-	-	-	-	-	15,300
P. Brodribb *	<b>2005</b>	<b>97,924</b>	<b>31,910</b>	<b>9,625</b>	<b>8,813</b>	<b>253,225</b>	<b>500</b>	<b>401,997</b>
<i>Non-executive (Director)</i>	2004	146,003	74,273	19,250	9,354	-	1,000	249,880
R. Gros	<b>2005</b>	<b>84,522</b>	<b>30,441</b>	-	<b>9,819</b>	-	-	<b>124,782</b>
<i>Executive (Managing Director)</i>	2004	-	-	-	-	-	-	-
A.J. D'Souza	<b>2005</b>	<b>148,950</b>	-	<b>11,229</b>	<b>13,405</b>	-	<b>1,000</b>	<b>174,584</b>
<i>Executive (Finance Director)</i>	2004	134,694	-	19,250	12,122	-	1,000	167,066
	<b>2005</b>	<b>361,996</b>	<b>62,351</b>	<b>20,854</b>	<b>32,037</b>	<b>253,225</b>	<b>1,500</b>	<b>731,963</b>
	2004	311,297	74,273	38,500	21,476	-	2,000	447,546
<b>Specified executives</b>								
D.M. Salvaterra	<b>2005</b>	<b>110,105</b>	<b>257,519</b>	-	<b>25,121</b>	-	<b>1,000</b>	<b>393,745</b>
<i>General Manager - Ezy Strut</i>	2004	103,408	191,526	19,250	26,544	-	1,000	341,728
G. Clement	<b>2005</b>	<b>96,639</b>	<b>1,463</b>	-	<b>8,829</b>	-	-	<b>106,931</b>
<i>General Manager Korvest Galvanisers</i>	2004	-	-	-	-	-	-	-
G.J. Francou	<b>2005</b>	<b>19,434</b>	<b>742</b>	-	<b>7,494</b>	<b>63,948</b>	<b>1,000</b>	<b>92,618</b>
<i>General Manager Korvest Galvanisers</i>	2004	78,648	12,608	19,250	8,213	-	1,000	119,719
T.K. Threlfall	<b>2005</b>	-	-	-	-	-	-	-
<i>General Manager - Elite Built</i>	2004	89,613	6,361	17,416	8,638	-	1,000	123,028
	<b>2005</b>	<b>226,178</b>	<b>259,724</b>	-	<b>41,444</b>	<b>63,948</b>	<b>2,000</b>	<b>593,294</b>
	2004	271,669	210,495	55,916	43,395	-	3,000	584,475

\* Remuneration includes amounts paid whilst employed as Managing Director. Mr Brodribb retired on 31 December 2004.



**Galvanised safety rail  
Clipsal 500**



**Mark Graves  
Financial Accountant  
Corporate**

**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.

**Chris Brown**  
**Production Manager**  
**Korvest Galvanisers**



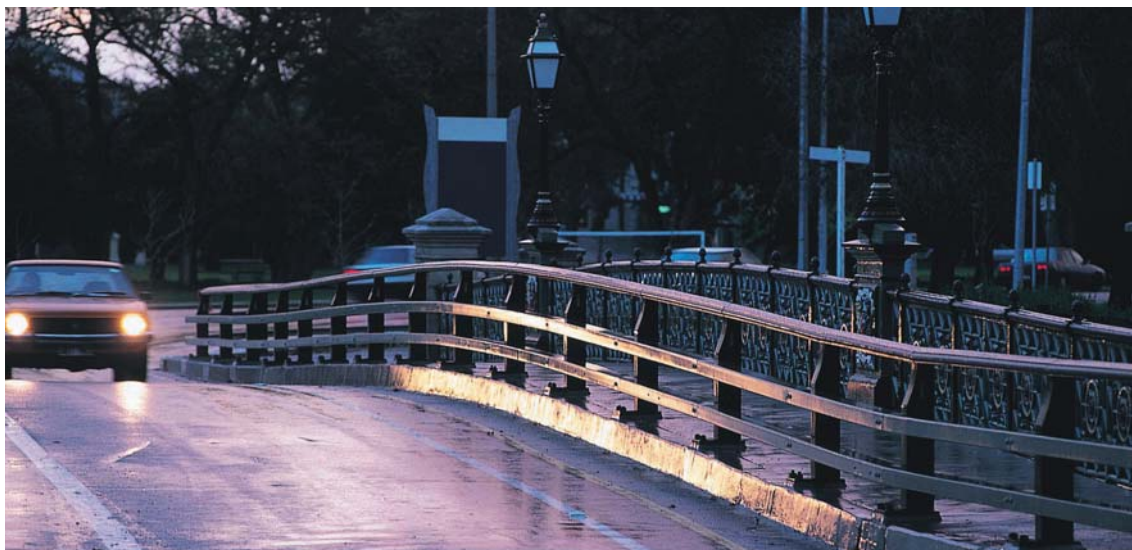
**Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

To: The Directors of Korvest Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contravention of any applicable code of professional conduct in relation to the audit.

Gary Savage  
Partner  
Adelaide  
Dated 2 September 2005



**Galvanised handrail**

**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 Ltd. Ordinary Shares	Hills Industries Ltd. Shares Options
David James Simmons, B.A. (Accounting), F.C.P.A. <i>Age 51, a Director since 1994. Managing Director, Hills Industries Limited. Chairman, Orrcon Limited. Chairman, Fielders Australia Pty Ltd.</i>	<b>500</b>	249,288	160,000
Ric Gros, F.A.I.C.D, <i>Age 47, Managing Director since January 2005.</i>	<b>2,100</b>	-	-
Peter Brodribb, F.I.E. (Aust) <i>Age 60, a Director since 1987 Appointed Alternate Director in 1981.</i>	<b>15,781</b>	8,360	-
Graham Lloyd Twartz, BA (Adel), Dip Acc (Flinders) <i>Age 48, a Director since November 1999. Director, Hills Industries Limited. Director, Orrcon Limited. Director, Fielders Australia Pty Ltd.</i>	<b>10,000</b>	112,191	120,000
Andre Jude D'Souza, B.Bus (Accountancy), F.C.P.A. <i>Age 44, a Director since July 2000.</i>	<b>3,111</b>	-	-

**Share Options**

At 30th June 2005, there were no options on issue to acquire shares in the consolidated entity.

Signed at Adelaide this 2nd day of September 2005 in accordance with a resolution of the Directors.

D. J. SIMMONS, Director

R. GROS, Director

## CORPORATE GOVERNANCE STATEMENT

*For the year ended 30 June 2005*

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](http://www.korvest.com.au).

### **Commitment to good corporate governance**

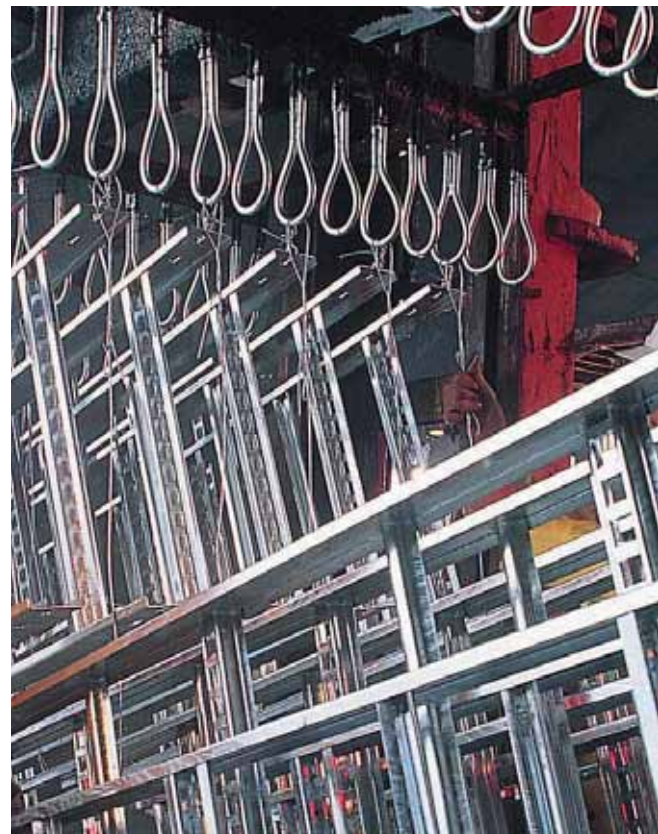
The Board's primary role is the protection and enhancement of long-term shareholder value. The Board believes that good corporate governance is essential to fulfilling its role and that it positively contributes to long-term shareholder value.

The Board delegates responsibility for the

**John Mills**  
Maintenance  
Ezystrut



**Susan Lima**  
Customer Service Officer  
Ezystrut, Queensland



**Ezystrut cable ladders emerging from a galvanising bath.**



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 five directors, three 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 13 of this annual report.

#### ***Board independence***

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.

#### ***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

**John Whitehead**  
**Supervisor Sheetmetal**  
**Ezystrut**



**Anthony Vizzari**  
**Production Manager**  
**Ezystrut**

**Hasari Firat**  
**Supervisor afternoon shift**  
**Ezustrut**



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 2005 the Board met 12 times and the directors' attendance at those meetings is set out on page 8 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 8 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



**Ezustrut cable support system at a mining processing plant.**

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.

**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. The chief executive officer and the chief financial officer have declared, in writing to the Board, that the financial risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and

**Steve King  
Welder  
Ezustrut**



**Australia Post pallet bases being galvanised.**

**Gerard Hegerty**  
**Sales Manager**  
**Ezustrut/Risers**  
**Queensland**



controls, have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the consolidated entity.

***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 8 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



**Ezustrut riser cable support accessory.**

action. Similarly, the consolidated entity reviews all aspects of its operations for changes to the risk profile on an annual basis.

**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 8 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

**Ruth Hay**  
**Supervisor Accounts Payable**  
**Corporate**



**Galvanised steel in an architectural application.**



**Galvanised storage racks for wine barrels.**

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 twelve months continuous service, ordinary shares in Korvest.

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.

# FINANCIAL STATEMENTS

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*as at 30th June 2005*

## STATEMENTS OF FINANCIAL PERFORMANCE

*for year ended 30th June 2005*

	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenues from ordinary activities	2 (a)	<b>32,641,309</b>	49,880,858	<b>32,339,053</b>	49,708,258
Expenses from ordinary activities, excluding borrowing costs expense	2 (b)	<b>(28,160,555)</b>	(44,494,343)	<b>(27,737,628)</b>	(44,215,202)
Borrowing cost expense		-	(184,075)	-	(184,075)
Profit from ordinary activities before income tax		<b>4,480,754</b>	5,202,440	<b>4,601,425</b>	5,308,981
Income tax attributable to ordinary activities	4(a)	<b>(1,372,166)</b>	(1,718,885)	<b>(1,372,166)</b>	(1,718,885)
Profit from ordinary activities after income tax / Net profit attributable to members of the parent entity	18	<b>3,108,588</b>	3,483,555	<b>3,229,259</b>	3,590,096
Basic earnings per share		<b>36.6c</b>	41.8c		
Diluted earnings per share		<b>36.6c</b>	41.8c		
Dividend per share		<b>21.0c</b>	17.0c		
Basic earnings per share excluding profit after tax on sale of business of \$757,099 in 2004		<b>36.6c</b>	32.7c		
Diluted earnings per share excluding profit after tax on sale of business of \$757,099 in 2004		<b>36.6c</b>	32.7c		

The accompanying notes form part of these financial statements



## STATEMENTS OF FINANCIAL POSITION

as at 30th June 2005

	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash		<b>8,341,479</b>	7,898,166	<b>8,315,016</b>	7,763,759
Receivables	6	<b>6,986,885</b>	6,158,057	<b>7,477,058</b>	6,598,025
Inventories	7	<b>3,749,970</b>	3,146,225	<b>3,518,409</b>	2,979,813
Other	8	<b>29,868</b>	62,749	<b>29,619</b>	57,095
<b>Total Current Assets</b>		<b>19,108,202</b>	17,265,197	<b>19,340,102</b>	17,398,692
<b>Non-Current Assets</b>					
Property, plant and equipment	9	<b>5,963,802</b>	5,919,183	<b>5,898,679</b>	5,837,728
Investments	10	-	-	<b>1</b>	1
Deferred tax assets	4(d)	<b>1,005,721</b>	881,352	<b>1,005,721</b>	881,352
<b>Total Non-Current Assets</b>		<b>6,969,523</b>	6,800,535	<b>6,904,401</b>	6,719,081
<b>Total Assets</b>		<b>26,077,725</b>	24,065,732	<b>26,244,503</b>	24,117,773
<b>Current Liabilities</b>					
Accounts Payable	11	<b>5,998,700</b>	5,776,459	<b>5,978,972</b>	5,721,959
Provisions excluding tax liabilities	12	<b>1,385,580</b>	803,107	<b>1,384,413</b>	803,107
Tax liabilities	4(b)	<b>774,967</b>	1,020,840	<b>774,967</b>	1,020,840
<b>Total Current Liabilities</b>		<b>8,159,247</b>	7,600,406	<b>8,138,352</b>	7,545,906
<b>Non-Current Liabilities</b>					
Interest bearing liabilities	13	-	-	-	-
Non- interest bearing liabilities		<b>40,000</b>	40,000	<b>40,000</b>	40,000
Provisions excluding tax liabilities	14	<b>295,333</b>	416,517	<b>295,333</b>	416,517
Deferred tax liabilities	4(c)	<b>237,875</b>	200,241	<b>237,875</b>	200,241
<b>Total Non-Current Liabilities</b>		<b>573,208</b>	656,758	<b>573,208</b>	656,758
<b>Total Liabilities</b>		<b>8,732,455</b>	8,257,164	<b>8,711,560</b>	8,202,664
<b>Net Assets</b>		<b>17,345,270</b>	15,808,568	<b>17,532,943</b>	15,915,109
<b>Shareholders' Equity</b>					
Share capital	16	<b>3,415,371</b>	3,415,371	<b>3,415,371</b>	3,415,371
Reserves	17	<b>1,303,456</b>	3,014,728	<b>1,263,917</b>	3,014,728
Retained profits	18	<b>12,626,443</b>	9,378,469	<b>12,853,655</b>	9,485,010
<b>Total Shareholders' Equity</b>		<b>17,345,270</b>	15,808,568	<b>17,532,943</b>	15,915,109

The accompanying notes form part of these financial statements

## STATEMENTS OF CASH FLOWS

for year ended 30th June 2005

	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		<b>34,423,600</b>	49,170,442	<b>34,038,509</b>	49,073,352
Cash payments in the course of operations		<b>(30,489,280)</b>	(42,887,398)	<b>(29,987,784)</b>	(42,501,541)
Income taxes paid	4(b)	<b>(1,704,774)</b>	(1,474,881)	<b>(1,704,774)</b>	(1,474,881)
Interest received	2	<b>432,631</b>	128,082	<b>432,631</b>	128,082
Interest paid		-	(184,075)	-	(184,075)
Net cash provided by operating activities	23(b)	<b>2,662,177</b>	4,752,170	<b>2,778,582</b>	5,040,937
Cash flow from investing activities					
Proceeds from sale of plant and equipment	2	<b>60,743</b>	58,654	<b>60,743</b>	58,654
Payment for plant and equipment		<b>(707,721)</b>	(933,450)	<b>(699,947)</b>	(840,720)
Proceeds on disposal of business	2	-	6,518,177	-	6,518,177
Payment for acquisition of business		-	-	-	-
Net cash provided by (used in) investing activities		<b>(646,978)</b>	5,643,381	<b>(639,204)</b>	5,736,111
Cash flows from financing activities					
Proceeds from issue of shares	16	-	629,120	-	629,120
Dividends paid	16	<b>(1,611,425)</b>	(1,189,843)	<b>(1,611,425)</b>	(1,189,843)
Loan to controlled entity	6	-	-	-	(515,904)
Repayment of loan by controlled entity		-	-	<b>23,304</b>	-
Repayment of borrowings		-	(3,000,000)	-	(3,000,000)
Net cash provided by (used in) financing activities		<b>(1,611,425)</b>	(3,560,723)	<b>(1,588,121)</b>	(4,076,627)
Net increase/(decrease) in cash held		<b>403,774</b>	6,834,828	<b>551,258</b>	6,700,421
Effect of foreign exchange fluctuations on cash balances		<b>39,539</b>	-	-	-
Cash at the beginning of the financial year	23(a)	<b>7,898,166</b>	1,063,338	<b>7,763,759</b>	1,063,338
Cash at the end of the financial year	23(a)	<b>8,341,479</b>	7,898,166	<b>8,315,016</b>	7,763,759

The accompanying notes form part of these financial statements

## INDEX TO NOTES

	Note number
Summary of Significant Accounting Policies	1
Revenue & expenses from ordinary activities	2
Profit from ordinary activities	3
Income Tax	4
Related Party Transactions	5
Current Assets	
Receivables	6
Inventories	7
Other	8
Non Current Assets	
Property, Plant and Equipment	9
Investments	10
Current Liabilities	
Accounts Payable	11
Provisions excluding tax liabilities	12
Interest bearing liabilities	13
Non Current Liabilities	
Provisions excluding tax liabilities	14
Employee Entitlements	15
Shareholders' Equity	
Share Capital, Franked Dividends and Earnings Per Share	16
Reserves	17
Retained profits	18
Commitments for Expenditure	19
Auditors' Remuneration	20
Director and executive disclosure	21
Segmental Information	22
Notes to the Statements of Cash Flows	23
Financing Arrangements	24
Financial Instruments Disclosure	25
Discontinuing operations	26
Events subsequent to reporting date	27

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30th June 2005

### 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 of 30% (2004: 30%) at which they are expected to reverse.

#### (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 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.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 2: Revenue and Expense from ordinary activities</b>				
(a) Revenue from operating activities				
Sales revenue	<b>32,059,544</b>	43,107,048	<b>31,757,209</b>	42,934,022
Interest received from other persons	<b>432,631</b>	128,082	<b>432,631</b>	128,082
Other	<b>88,391</b>	68,897	<b>88,470</b>	69,323
Revenue from outside operating activities				
Proceeds on sale of non-current assets	<b>60,743</b>	58,654	<b>60,743</b>	58,654
Proceeds on sale of business	-	6,518,177	-	6,518,177
	<b>32,641,309</b>	49,880,858	<b>32,339,053</b>	49,708,258
(b) Expenses				
Cost of goods sold	<b>18,176,901</b>	27,968,087	<b>18,198,619</b>	27,872,703
Distribution	<b>1,674,386</b>	3,067,554	<b>1,609,729</b>	3,062,298
Sales and Marketing	<b>6,212,330</b>	7,112,750	<b>5,938,516</b>	6,976,915
Occupancy	<b>339,642</b>	253,865	<b>261,789</b>	211,478
Administration	<b>1,631,439</b>	526,101	<b>1,631,439</b>	523,460
Other	<b>80,448</b>	331,097	<b>52,206</b>	333,459
Carrying amount of non-current assets sold	<b>45,409</b>	34,446	<b>45,330</b>	34,446
Carrying amount of business sold	-	5,200,443	-	5,200,443
	<b>28,160,555</b>	44,494,343	<b>27,737,628</b>	44,215,202

**Note 3: Profit from ordinary activities**

The profit from ordinary activities includes as expenses / (credits)

Depreciation of plant and equipment	<b>575,525</b>	1,195,189	<b>551,498</b>	1,183,914
Depreciation of buildings	<b>42,168</b>	84,020	<b>42,168</b>	84,020
Bad debts written off	<b>43,064</b>	44,677	<b>43,064</b>	44,677
Operating lease rental expense	<b>288,986</b>	309,959	<b>216,078</b>	269,468
Provisions for:				
Doubtful debts	<b>119,000</b>	(118,600)	<b>119,000</b>	(118,600)
Employee entitlements	<b>762,405</b>	967,645	<b>753,033</b>	967,645
Inventory obsolescence	-	(21,000)	-	(21,000)
Other	<b>486,115</b>	(120,000)	<b>486,115</b>	(120,000)
Profits on sale of non-current assets	<b>(15,334)</b>	(24,208)	<b>(15,413)</b>	(24,208)
Profits on sale of business	-	(1,317,734)	-	(1,317,734)

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 4: Income Tax</b>				
(a) Profit from ordinary activities before tax	<b>4,480,754</b>	5,202,440	<b>4,601,425</b>	5,308,981
Prima facie tax payable at 30% (2004: 30%)	<b>1,344,226</b>	1,560,732	<b>1,380,427</b>	1,592,694
Increase (decrease) in income tax expense due to:				
Depreciation on buildings	-	3,582	-	3,582
Sundry items	<b>8,030</b>	144,933	<b>(28,171)</b>	112,971
(Over)/Under provision for previous year	<b>19,910</b>	9,638	<b>19,910</b>	9,638
Income tax expense attributable to profit from ordinary activities	<b>1,372,166</b>	1,718,885	<b>1,372,166</b>	1,718,885
Income tax expense attributable to profit from ordinary activities is made up of :				
Current income tax provision	<b>1,438,991</b>	1,802,500	<b>1,438,991</b>	1,802,500
Deferred income tax provision	<b>37,634</b>	(18,760)	<b>37,634</b>	(18,760)
Future income tax benefits	<b>(124,369)</b>	(74,493)	<b>(124,369)</b>	(74,493)
(Over)/Under provision for previous year	<b>19,910</b>	9,638	<b>19,910</b>	9,638
	<b>1,372,166</b>	1,718,885	<b>1,372,166</b>	1,718,885
(b) Provision for current income tax				
Movements during the year were as follows:				
Balance at beginning of year	<b>1,020,840</b>	432,747	<b>1,020,840</b>	432,747
Income tax paid	<b>(1,704,774)</b>	(1,474,881)	<b>(1,704,774)</b>	(1,474,881)
Under / (over) provision for previous year	<b>19,910</b>	260,474	<b>19,910</b>	260,474
Current year's income tax provision on ordinary activities	<b>1,438,991</b>	1,802,500	<b>1,438,991</b>	1,802,500
	<b>774,967</b>	1,020,840	<b>774,967</b>	1,020,840
(c) The provision for deferred income tax relates to timing differences on the following items:				
consumable stock	<b>237,875</b>	189,737	<b>237,875</b>	189,737
sundry items	-	10,504	-	10,504
	<b>237,875</b>	200,241	<b>237,875</b>	200,241
(d) The future income tax benefit relates to timing differences on the following items:				
employee entitlements	<b>358,090</b>	365,887	<b>358,090</b>	365,887
doubtful debts	<b>149,400</b>	113,700	<b>149,400</b>	113,700
depreciation	<b>155,361</b>	153,024	<b>155,361</b>	153,024
sundry items	<b>342,870</b>	248,741	<b>342,870</b>	248,741
	<b>1,005,721</b>	881,352	<b>1,005,721</b>	881,352

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$

**Note 5: Related Party Transactions**

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

Transactions with controlling entity:

sales	448,770	987,140	448,770	987,140
purchases	595,945	536,340	595,945	536,340
the payment of dividends	752,466	552,218	752,466	552,218
amounts payable at balance date (current)	116,512	48,557	116,512	48,557
amounts receivable at balance date (current)	62,732	147,879	62,732	147,879

Transactions with wholly owned controlled entity:

sales	-	-	307,610	241,072
amounts receivable at balance date (current)	-	-	492,601	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	7,484,885	6,537,057	7,482,457	6,461,121
(Less) provision for doubtful debts	(498,000)	(379,000)	(498,000)	(379,000)
	6,986,885	6,158,057	6,984,457	6,082,121
Loan to controlled entity	-	-	492,601	515,904
	6,986,885	6,158,057	7,477,058	6,598,025

**Note 7: Current Assets - Inventories**

Raw materials and stores (at cost)	1,502,965	814,292	1,502,965	814,292
Work in progress (at cost)	64,167	41,938	64,167	41,938
Finished goods (at cost)	2,182,838	2,289,995	1,951,277	2,123,583
(Less) provision for obsolescence	-	-	-	-
	3,749,970	3,146,225	3,518,409	2,979,813

**Note 8: Current Assets - Other**

Prepayments	24,328	57,682	24,328	52,261
Other	5,540	5,067	5,540	4,834
	29,868	62,749	29,868	57,095



	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 9: Non-Current Assets - Property, Plant and Equipment</b>				
Freehold land				
at fair value	<b>1,950,000</b>	1,950,000	<b>1,950,000</b>	1,950,000
Reconciliation				
Carrying amount at the beginning of the year	<b>1,950,000</b>	1,870,000	<b>1,950,000</b>	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	<b>1,950,000</b>	1,950,000	<b>1,950,000</b>	1,950,000
Buildings				
at fair value	<b>1,690,238</b>	1,515,812	<b>1,690,238</b>	1,515,812
Reconciliation				
Carrying amount at the beginning of the year	<b>1,515,812</b>	3,347,008	<b>1,515,812</b>	3,347,008
Additions	<b>216,594</b>	-	<b>216,594</b>	-
Revaluation	-	133,034	-	133,034
Decrease through disposal of business	-	(1,880,210)	-	(1,880,210)
Depreciation	<b>(42,168)</b>	(84,020)	<b>(42,168)</b>	(84,020)
Carrying amount at the end of year	<b>1,690,238</b>	1,515,812	<b>1,690,238</b>	1,515,812
Plant and equipment				
at cost	<b>7,048,840</b>	6,601,536	<b>6,948,517</b>	6,510,517
(Less) accumulated depreciation	<b>(4,828,946)</b>	(4,390,792)	<b>(4,793,746)</b>	(4,379,517)
	<b>2,219,894</b>	2,210,744	<b>2,154,771</b>	2,131,000
Reconciliation				
Carrying amount at the beginning of the year	<b>2,210,744</b>	3,554,858	<b>2,131,000</b>	3,554,858
Additions	<b>491,127</b>	931,739	<b>483,353</b>	840,938
Transfers from capital work in progress	<b>138,957</b>	21,233	<b>137,246</b>	21,233
Disposals	<b>(45,409)</b>	(34,446)	<b>(45,330)</b>	(34,664)
Decrease through disposal of business	-	(1,067,451)	-	(1,067,451)
Depreciation	<b>(575,525)</b>	(1,195,189)	<b>(551,498)</b>	(1,183,914)
Carrying amount at the end of year	<b>2,219,894</b>	2,210,744	<b>2,154,771</b>	2,131,000

continued

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 9: Non-Current Assets - Property, Plant and Equipment (continued)</b>				
Capital works in progress				
at cost	103,670	242,627	103,670	240,916
Reconciliation				
Carrying amount at the beginning of the year	242,627	262,149	242,627	262,149
Additions	-	1,711	-	-
Transfers	(138,957)	(21,233)	(138,957)	(21,233)
Carrying amount at the end of year	103,670	242,627	103,670	240,916
Written down value of property, plant & equipment	5,963,802	5,919,183	5,898,679	5,837,728

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 2005.

**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	-	-	1	1
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**Note 11: Current Liabilities - Accounts Payable**

Trade creditors	4,023,525	3,833,065	4,015,586	3,783,898
Other creditors and accruals	1,975,175	1,943,394	1,963,385	1,938,061
	5,998,700	5,776,459	5,978,971	5,721,959

**Note 12: Current Liabilities - Provisions excluding tax liabilities**

Employee Entitlements	899,465	803,107	898,298	803,107
Building maintenance	486,115	-	486,115	-
	1,385,580	803,107	1,384,413	803,107

**Note 13: Non-Current Liabilities - Interest bearing liabilities**

Unsecured				
Bank loans	-	-	-	-
	-	-	-	-

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 14: Non-Current Liabilities - Provisions excluding tax liabilities</b>				
Employee entitlements	<b>295,333</b>	416,517	<b>295,333</b>	416,517
	<b>295,333</b>	416,517	<b>295,333</b>	416,517

**Note 15: Employee Entitlements**

Aggregate employee entitlements, including on costs				
Current	<b>899,465</b>	803,107	<b>898,298</b>	803,107
Non-Current	<b>295,333</b>	416,517	<b>295,333</b>	416,517
	<b>1,194,798</b>	1,219,624	<b>1,193,631</b>	1,219,624

***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	
	2005	2004	2005	2004
	\$	\$	\$	\$

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

(a) Issued and paid up

8,502,408 (2004: 8,472,640) ordinary shares, fully paid.

<b>3,415,371</b>	3,415,371	<b>3,415,371</b>	3,415,371
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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	16,226	-	3 September 2004
Employee share bonus plan	13,542	-	11 March 2005

(b) Dividends

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

(1) An interim ordinary fully franked dividend of 10.0 cents per share (2004: 8.0 cents) was paid on 11 March 2005.

<b>848,887</b>	661,609	<b>848,887</b>	661,609
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(2) A final ordinary fully franked dividend of 11.0 cents per share (2004: 9.0 cents) was declared by the Directors on 29 July 2005.

<b>935,265</b>	762,537	<b>935,265</b>	762,537
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<b>1,784,152</b>	1,424,146	<b>1,784,152</b>	1,424,146
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(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% (2004: 30%)

<b>6,529,079</b>	5,763,928	<b>6,529,079</b>	5,763,928
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**continued**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 16: Share Capital, Franked Dividends and Earnings Per Share (continued)</b>				
(c) Dividend distribution				
Final dividend declared in July 2004 and paid on 3 September 2004	<b>762,538</b>		<b>762,538</b>	
Interim dividend declared in January 2005 and paid on 11 March 2005	<b>848,887</b>		<b>848,887</b>	
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)
	<b>1,611,425</b>	1,189,843	<b>1,611,425</b>	1,189,843
(d) Provision for dividend reconciliation				
Balance at beginning of year	-	-	-	-
Amount declared	<b>1,611,425</b>	1,196,309	<b>1,611,425</b>	1,196,309
Amount paid	<b>(1,611,425)</b>	(1,189,843)	<b>(1,611,425)</b>	(1,189,843)
Under (Over) provision	-	(6,466)	-	(6,466)
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	<b>8,490,095</b>	8,330,520		
(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 calculated the basic and diluted earnings per share is:	<b>3,108,588</b>	3,483,554		

	Consolidated		The Company	
	2005	2004	2005	2004
<b>Note 17: Reserves</b>				
	\$	\$	\$	
Asset revaluation reserve	1,263,917	1,263,917	1,263,917	1,263,917
Exchange rate reserve	39,539	-	-	-
Asset realisation reserve	-	1,750,811	-	1,750,811
	<b>1,303,456</b>	<b>3,014,728</b>	<b>1,263,917</b>	<b>3,014,728</b>
Asset revaluation reserve account				
Balance at beginning of year	1,263,917	1,501,694	1,263,917	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	<b>1,263,917</b>	<b>1,263,917</b>	<b>1,263,917</b>	<b>1,263,917</b>
Asset realisation reserve				
Balance at beginning of year	1,750,811	-	1,750,811	-
Transfer to retained profits	(1,750,811)	-	(1,750,811)	-
Revaluation increment	-	1,750,811	-	1,750,811
Balance at end of year	-	1,750,811	-	1,750,811
Exchange rate reserve account				
Balance at beginning of year	-	-	-	-
Movement during the year	39,539	-	-	-
Balance at end of year	<b>39,539</b>	-	-	-

**Note 18: Retained Profits**

Retained profits at the beginning of the year	9,378,469	7,084,757	9,485,010	7,084,757
Net profit attributable to members of the parent entity	3,108,588	3,483,555	3,229,259	3,590,096
Dividends paid	(1,611,425)	(1,189,843)	(1,611,425)	(1,189,843)
Transfer from asset realisation reserve	1,750,811	-	1,750,811	-
Retained profits at the end of the year	<b>12,626,443</b>	<b>9,378,469</b>	<b>12,853,655</b>	<b>9,485,010</b>

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 19: Commitments for Expenditure</b>				
Operating leases				
Future operating lease rental commitments of property:				
Not later than one year	<b>225,650</b>	248,285	<b>159,532</b>	211,572
Later than one year but not later than five years	<b>547,844</b>	377,639	<b>519,529</b>	307,238
Later than five years	<b>60,417</b>	-	<b>60,417</b>	-
	<b>833,911</b>	625,924	<b>739,478</b>	518,810
Capital Expenditure				
Contracted but not provided for:				
Not later than one year	<b>14,000</b>	211,000	<b>14,000</b>	211,000
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>14,000</b>	211,000	<b>14,000</b>	211,000

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.

**Note 20: Auditors' Remuneration**

Amounts received or due and receivable by the auditors for:

(a) Auditing the accounts	<b>36,648</b>	32,341	<b>31,100</b>	29,700
(b) Other services	<b>8,062</b>	8,324	<b>4,900</b>	4,000

**Note 21: Director and executive disclosure**

Disclosure required by AASB 1046 "Directors and Executives Disclosure by Disclosing Entities" are included within the Remuneration Report of the Directors Report.

**Shareholdings**

The relevant interest of each specified director and specified executive in the share capital of the company at year end:

	1 July 2004	Purchases	Sales	30 June 2005
Specified directors				
D.J. Simmons	500	-	-	500
G.L. Twartz	10,000	-	-	10,000
R. Gros	-	2,100	-	2,100
P. Brodribb	35,659	122	20,000	15,781
A.J. D'Souza	2,878	233	-	3,111
Specified executives				
D.M. Salvaterra	5,358	233	-	5,591

**Note 22: Segmental Information**

	Industrial Products \$	Storage Systems \$	Unallocated \$	Consolidated \$
<b>2005</b>				
External Revenue	32,110,302	-	531,007	32,641,309
Result	5,117,536	-	(636,782)	4,480,754
Profit from ordinary activities before income tax	5,117,536	-	(636,782)	4,480,754
Income Tax expense	0	-	(1,372,166)	(1,372,166)
Net profit	5,117,536	-	(2,008,948)	3,108,588
Depreciation	550,685	-	67,008	617,693
Non-cash expenses other than Depreciation	776,571	-	590,949	1,367,520
Assets				
Segment assets	13,440,070	-	12,637,655	26,077,725
Liabilities				
Segment liabilities	7,083,016	-	1,649,439	8,732,455
Acquisition of non-current assets	490,150	-	217,571	707,721

continued



**Note 22: Segmental Information (continued)**

	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

**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.

**Geographical segments**

The entity operates predominantly in Australia.

Notes	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$

**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 Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:-

Cash	<b>8,341,479</b>	7,898,166	<b>8,315,016</b>	7,763,759
	<b>8,341,479</b>	7,898,166	<b>8,315,016</b>	7,763,759

(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	<b>3,229,259</b>	3,590,096
Add/(Less) items classified as investing/financing activities:				
(Profit)/Loss on sale of plant and equipment	3	<b>(15,334)</b>	(24,208)	(24,208)
(Profit)/Loss on sale of business	3	-	(1,317,734)	(1,317,734)
Add/(Less) non cash items:				
Depreciation	3	<b>617,693</b>	1,279,209	1,267,934
Amounts set aside to provisions	3	<b>119,000</b>	872,722	872,722
Bad debts written-off	3	<b>43,064</b>	-	-
Net cash provided by operating activities before change in assets and liabilities		<b>3,873,011</b>	4,293,544	3,969,576

**continued**

	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>Note 23: Notes to the Statements of Cash flows (continued)</b>					
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	(990,892)	1,774,001	(1,064,400)	1,849,936
(Increase)/Decrease in inventories	7	(603,745)	(239,675)	(538,596)	(73,263)
(Increase)/Decrease in other current assets	8	32,881	51,950	27,476	57,604
(Decrease)/Increase in accounts payable	11	222,240	(711,436)	257,013	(765,936)
(Decrease)/Increase in provisions	12,14	461,289	(660,218)	460,122	(660,218)
(Decrease)/Increase in income taxes payable	4(b)	(245,872)	464,092	(245,872)	464,092
(Decrease)/Increase in deferred tax payable	4(c)	37,633	(153,173)	37,633	(153,173)
(Increase)/Decrease in deferred tax assets	4(d)	(124,369)	(66,915)	(124,369)	(66,915)
Net cash provided by operating activities		2,662,176	4,752,170	2,778,583	5,040,937
(c) Disposal of business operations					
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	-	124,000
employee benefits		-	(471,218)	-	(471,218)
		-	5,200,443	-	5,200,443

**Note 24: Financing Arrangements****Bill Acceptance Facility:**

The consolidated entity had no committed bill acceptance facility (2004: \$5,000,000). This facility was unutilised as at the end of the financial year 2004.

The consolidated entity also has available an uncommitted special bill acceptance facility of \$8,000,000 (2004: \$2,500,000). As at the end of the financial year nil amount (2004: \$nil) of this facility was

in use, leaving an amount of \$8,000,000 (2004: \$2,500,000) unutilised. This facility is subject to annual review.

**Bank Overdraft:**

The consolidated entity has no bank overdraft facility (2004: \$500,000). This facility was unutilised as at the end of the financial year 2004.

**Note 25: Financial Instruments Disclosure****Interest Rate Risk**

The consolidated entity has in place an interest rate swap agreement that matured on 30th July 2004. The interest rate of the swap agreement was 5.49% in 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 \$		
<b>2005</b>							
<b>Financial assets</b>							
Cash		341,479	8,000,000	-	-	-	8,341,479
Receivables	6	-	-	-	-	6,986,885	6,986,885
		<u>341,479</u>	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>6,986,885</u>	<u>15,328,364</u>
Weighted average interest rate		5.64%	5.64%	-	-	-	
<b>Financial liabilities</b>							
Employee provisions	15	1,194,798	-	-	-	-	1,194,798
Borrowings		-	-	-	-	40,000	40,000
Accounts payable	11	-	-	-	-	5,998,700	5,998,700
		<u>1,194,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,038,700</u>	<u>7,233,498</u>
Weighted average interest rate		5.70%	-	-	-	-	
<b>2004</b>							
<b>Financial assets</b>							
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%	5.44%	-	-	-	
<b>Financial liabilities</b>							
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%	-	-	-	-	

***Net Fair Value of Financial Assets and Liabilities:***

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

**Note 26: Discontinuing operations**

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

**Note 27: Events subsequent to reporting date****Impact of adopting Australian equivalents to International Financial Reporting Standards**

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

***Transition management***

The Board has established a formal implementation project, monitored by management to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

***Assessment and planning phase***

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- evaluation of the implications for staff, for example training requirements, and preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is completed as at 30

June 2005.

***Design phase***

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase is completed as at 30 June 2005.

***Implementation phase***

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the consolidated entity to generate the required reconciliations and disclosures of AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards.

This phase is substantially complete as at 30 June 2005.

***Impact of transition to AIFRS***

The impact of transition to AIFRS, including the transitional adjustments disclosed are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgment involved in the preparation of the reconciliations from current Australian GAAP to AIFRS, consequently the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this Note.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- Changes in financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to preparation of the 30 June 2005 financial report;
- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction;
- Changes to the Company's and consolidated entity's operations.

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy

adopted reflects management's current assessment of the likely outcome of those deliberations. The uncertainty relating to the accounting guidance is disclosed in the relevant accounting policy note and where practicable, the expected impact of the alternative interpretation is also disclosed.

The rules for the first time adoption of AIFRS are set out in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. The accounting policies note includes details of the AASB 1 elections adopted.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

**[a] Equity-based compensation benefits**

**Shares - Employee Share Bonus Plan** Under AASB 2 Share-based Payment, from 1 July 2004 the group is required to recognise an expense for those options that were issued to employees as part of the Executive Share Plan after 7 November 2002 but that had not vested by 1 January 2005. Under AIFRS, the fair value of shares granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date using a discounted valuation method that takes into account the terms and conditions upon which the shares are granted. The discounted method is used as the shares cannot be traded for a period of seven years after vesting.

This will result in a change to the current accounting policy under which no expense is recognised for equity-compensated compensation. The amount remaining unvested at 1 January 2004 will be recognised in the opening balance sheet through retained earnings.

For the financial year ended 30 June 2005, employee benefits expense are expected to be increased, and retained earnings decreased, by \$47,866 in the consolidated entity and \$47,866 in the company representing the shares expense for the period.

**[b] Property, plant and equipment**

Property will be measured at valuation, and plant and equipment will be measured at cost under AIFRS.

No reclassifications are expected to arise for the consolidated entity or the Company. As carrying amounts, depreciation rates and useful economic lives are not expected to change there is no effect on the income

statement for the financial year ended 30 June 2005. No adjustments are expected for the Company.

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. For the consolidated entity an amount of \$45,251 is expected to be reclassified from revenue to other expenses for the financial year ended 30 June 2005. The amount for the Company that is to be reclassified is \$45,330.

**[c] Impairment**

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs.

Under current Australian GAAP the collectibility of receivables is assessed at each reporting date and a provision is raised based on the age and underlying quality of the outstanding overdue balance to allow for doubtful accounts.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding deferred tax assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

If there is any indication that an asset is impaired (or for those tested annually), the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

**Calculation of recoverable amount** Under current Australian GAAP, the recoverable amount of non-current assets was assessed at an entity level using undiscounted

cash flows.

Under AIFRS, the recoverable amount of other assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

The impact of the change in the basis of impairment testing for trade receivables is expected to result in a nil adjustment to the doubtful debts provision for the consolidated entity as at 1 July 2005 and as at 30 June 2004. No adjustment is expected for the Company.

#### **[d] Taxation**

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

The expected impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments on the deferred tax balances is an increase in deferred tax assets of \$73,619 and an increase in deferred tax liabilities of \$280,822 and a decrease in retained earnings of \$207,203. The adjustments in respect of the

Company are identical to that of the consolidated entity.

There is no expected impact of the change in basis on the tax expense for the financial year ended 30 June 2005 both for the entity and the Company.

#### **[e] Foreign currency**

**Financial statements of foreign operations** Under current Australian GAAP, the assets and liabilities of operations that are integrated are translated using the temporal method. Monetary assets and liabilities are translated at rates of exchange at reporting date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

Under AIFRS each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency.

The assets and liabilities of foreign operations on consolidation, are translated from the entity's functional currency to the consolidated entity's presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

There are no expected changes in functional currency for the Company or its subsidiaries.

All foreign operations are translated into Australian dollars using the method described above, the concepts of 'self-sustaining' and 'integrated' operations do not exist in the AIFRS framework.

There is no expected impact of this change in policy on the consolidated results for the year ended 30 June 2005.

#### **[f] Financial instruments**

Korvest Ltd expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

The entity has followed Australian GAAP in accounting for financial instruments within the scope of AASB 132 and AASB 139 as described in Note 1 Statement of

significant accounting policies. There are no expected adjustments for the consolidated entity or for the Company.

### Summary of impact of transition to AIFRS on retained earnings

	Consolidated	Company
The impact of AIFRS on retained earnings as at 1 July 2004 is summarised below:		
Retained profits as at 1 July 2004 under AGAAP	9,378,469	9,485,010
Adjustment on deferred taxes	(207,203)	(207,203)
Retained profits as at 1 July 2004 under AIFRS	9,171,266	9,277,807

### Statement of financial performance

for the financial year ending 30 June 2005

	Consolidated			Company		
	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
Revenues from ordinary activities	32,641,309	(45,251)	32,596,058	32,339,053	(45,330)	32,293,723
Expenses from ordinary activities, excluding borrowing costs	(28,160,555)	(2,615)	(28,163,170)	(27,737,628)	(2,536)	(27,740,164)
Profit (loss) from ordinary activities before income tax	4,480,754	(47,866)	4,432,888	4,601,425	(47,866)	4,553,559
Income tax attributable to operating profit	(1,372,166)	-	(1,372,166)	(1,372,166)	-	(1,372,166)
Profit (loss) from ordinary activities after income tax	3,108,588	(47,866)	3,060,722	3,229,259	(47,866)	3,181,393
Profit (loss) from extraordinary items after income tax	-	-	-	-	-	-
Profit from ordinary activities after income tax / Net profit attributable to members of the parent entity	3,108,588	(47,866)	3,060,722	3,229,259	(47,866)	3,181,393



**Statement of financial position***as at 30 June 2005*

	Consolidated			Company		
	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
<b>Current Assets</b>						
Cash	8,341,479		8,341,479	8,315,016		8,315,016
Receivables	6,986,885		6,986,885	6,984,457		6,984,457
Inventories	3,749,970		3,749,970	3,518,409		3,518,409
Other	29,868		29,868	29,619		29,619
Inter-co Loan	-		-	492,601		492,601
<b>Total Current Assets</b>	<b>19,108,202</b>		<b>19,108,202</b>	<b>19,340,102</b>		<b>19,340,102</b>
<b>Non-Current Assets</b>						
Property, plant and equipment	5,963,802		5,963,802	5,898,679		5,898,679
Other	1,005,721	73,619	1,079,340	1,005,721	73,619	1,079,340
<b>Total Non-Current Assets</b>	<b>6,969,523</b>	<b>73,619</b>	<b>7,043,142</b>	<b>6,904,400</b>	<b>73,619</b>	<b>6,978,019</b>
<b>Total Assets</b>	<b>26,077,725</b>	<b>73,619</b>	<b>26,151,344</b>	<b>26,244,502</b>	<b>73,619</b>	<b>26,318,121</b>
<b>Current Liabilities</b>						
Accounts Payable	5,998,700		5,998,700	5,978,971		5,978,971
Provisions excluding tax liabilities	1,385,580		1,385,580	1,384,413		1,384,413
Tax liabilities	774,967		774,967	774,967		774,967
<b>Total Current Liabilities</b>	<b>8,159,247</b>		<b>8,159,247</b>	<b>8,138,351</b>		<b>8,138,351</b>
<b>Non-Current Liabilities</b>						
Interest bearing liabilities	40,000		40,000	40,000		40,000
Provisions excl. tax liabilities	295,333		295,333	295,333		295,333
Deferred tax liabilities	237,875	280,822	518,697	237,875	280,822	518,697
<b>Total Non-Current Liabilities</b>	<b>573,208</b>	<b>280,822</b>	<b>854,030</b>	<b>573,208</b>	<b>280,822</b>	<b>854,030</b>
<b>Total Liabilities</b>	<b>8,732,455</b>	<b>280,822</b>	<b>9,013,277</b>	<b>8,711,559</b>	<b>280,822</b>	<b>8,992,381</b>
<b>Net Assets</b>	<b>17,345,270</b>	<b>(207,203)</b>	<b>17,138,067</b>	<b>17,532,943</b>	<b>(207,203)</b>	<b>17,325,740</b>
<b>Shareholders' Equity</b>						
Share capital	3,415,371	47,866	3,463,237	3,415,371	47,866	3,463,237
Reserves	1,303,456		1,303,456	1,263,917		1,263,917
Retained profits	12,626,443	(255,069)	12,371,374	12,853,655	(255,069)	12,598,586
<b>Total Shareholders' Equity</b>	<b>17,345,270</b>	<b>(207,203)</b>	<b>17,138,067</b>	<b>17,532,943</b>	<b>(207,203)</b>	<b>17,325,740</b>

## DIRECTORS' DECLARATION

In the opinion of the directors of Korvest Ltd.

(a) The financial statement and notes, set out on pages 21 to 47, including the remuneration disclosures that are contained in the Remuneration report of the Directors' report 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 2005 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 in Australia including AASB 1046 Director and Executive Disclosures by Disclosing Entities, 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.

(c) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of directors,

D. J. SIMMONS, Director

R. GROS, Director

Dated at Adelaide, this 2nd day of September, 2005.

## 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, the disclosures made by the Company in accordance with the Corporations Regulations 2001 as required by AASB 1046 Director and Executive Disclosures by Disclosing Entities in the "Remuneration report" in the Directors' report ("remuneration disclosures") and the directors' declaration for both Korvest Ltd (the "Company"), and Korvest Limited and its Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2005. 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.

#### *Audit opinion*

In our opinion, the financial report of the Korvest Ltd 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 2005 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, including AASB 1046 Director and Executive Disclosures by Disclosing Entities; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

Gary Savage

Partner

Dated at Adelaide this 2nd day of September, 2005

## ORGANISATION STRUCTURE

**Corporate**

CHAIRMAN	David Simmons
MANAGING DIRECTOR	Ric Gros
FINANCE DIRECTOR	Andre D'Souza
DIRECTOR	Peter Brodribb
DIRECTOR	Graham Twartz
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
OPERATIONS MANAGER	Craig Smith
SALES MANAGER (N.S.W.)	Alex Hamilton
SALES MANAGER (Vic)	Matt Soccio
SALES MANAGER (Qld)	Gerard Hegerty
SALES MANAGER (W.A.)	Peter Lander
SALES MANAGER (NZ)	Steve Snoad

**Employee Statistics**

Number at year end	161
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## ANNUAL GENERAL MEETING

The Thirty Fifth Annual General Meeting of Shareholders of Korvest Ltd will be held on the 14th floor, 115 Grenfell Street, Adelaide, South Australia 5000 on Friday, 21 October, 2005 at 11:30 a.m. Notice of the Meeting and a Proxy Form are enclosed with this Report.

## CORPORATE INFORMATION

Directors  
 David James Simmons, BA (Acc), FCPA (*Chairman*)  
 Ric Gros, FAICD, (*Managing Director*)  
 Peter Brodribb, FIE (Aust)  
 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](http://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

29 July 2005	Preliminary announcement of results for 2005 financial year
19 August 2005	Books closing date for 2005 final dividend
2 September 2005	Final dividend payable
21 October 2005	Annual General Meeting
January 2006	Announcement of results for half year ending December 2005
March 2006	Books closing date for 2006 interim dividend
March 2006	Interim dividend payable
30 June 2006	End of company's 2006 financial year

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



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ABN 20 007 698 106

Annual Report 2005



KORVEST LTD

