KORVEST LTD

KORVEST LTD

2007

ANNUAL REPORT

KORVEST LTD

ANNUAL REPORT

2007

CONTENTS

DIRECTORS' REPORT

for the year ended 30 June 2007

The directors present their report together with the financial report of Korvest Limited ('the Company') and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2007 and the auditor's report thereon.

DIRECTORS

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

Name, Qualifications and Independence Status	David James Simmons B.A Accounting Chairperson Non Executive Director
Age	53
Experience, Special Responsibilities and Other Directorships	A director since 1994 Managing Director, Hills Industries Pty Ltd Chairman, Fielders Australia Pty Ltd

Name, Qualifications and Independence Status	Alexander Henrik Wilhelm Kachellek C.Eng. BSc. MIEE Managing Director
Age	54
Experience, Special Responsibilities and Other Directorships	A director since 2007

Name, Qualifications and Independence Status	Graham Lloyd Twartz B.A.(Adel), Dip Acc (Flinders) Non Executive Director
Age	50
Experience, Special Responsibilities and Other Directorships	A director since 1999 Chairman of Audit Committee Director, Hills Industries Limited Director, Fielders Australia Pty Ltd

Name, Qualifications and Independence Status	Peter Brodribb F.I.E (Aust) Non-Executive Director	
Age	62	
Experience, Special Responsibilities and Other Directorships	A director since 1984	
Name, Qualifications and Independence Status	Nicole Anne Peake B.Ec (Adelaide), Grad. Dip CSA, A.C.A, A.C.S.A, M.A.I.C.D Finance Director	
Age	35	
Experience, Special Responsibilities and Other Directorships	A director since 2006 Company Secretary since November 2005	
Name, Qualifications and Independence Status	John Alistair Easling Non-Executive Director	
Age	46	
Experience, Special Responsibilities and Other Directorships	A director since 2006	
Name, Qualifications and Independence Status	Ric Gros F.A.I.C.D. Managing Director	
Age	49	
Experience, Special Responsibilities and Other Directorships	A Director since 2005 Resigned June 2007	

RE-ELECTIONS

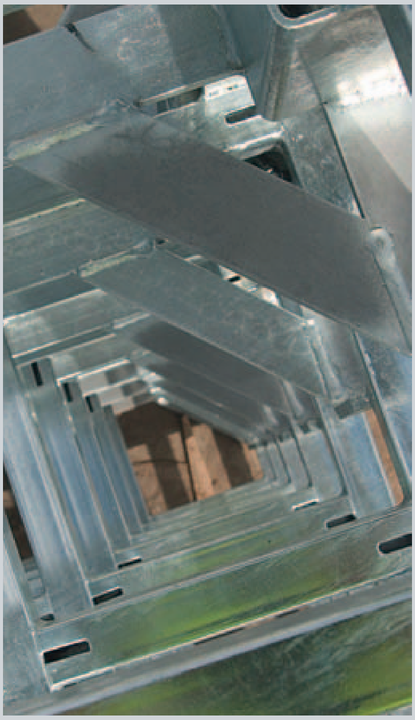
In accordance with our Articles of Association David Simmons and Peter Brodribb retire from the Board at the forthcoming Annual General Meeting on 26 October 2007. Each is eligible for re-election at that meeting and offer themselves accordingly.

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 shown in Table 1.

FINANCIAL RESULTS

The revenue from trading activities for the year under review was $45.817m up 11% on the previous year. Profit after tax was $4.583m also up by 11%. The strong growth year on year is in line with Board expectations. All Divisions of the business performed well and benefited from the mining and infrastructure boom that continues across Australia.



Korvest has continued to focus this year on positioning its existing businesses to maximise their growth potential over coming years. This effort can be seen in the current years results.

Korvest continues to focus on strengthening the quality of its people, its systems and its processes. The Board would like to thank Ric Gros, Managing Director until June 2007, for the excellent work done in continuing to grow and strengthen the Korvest business. Our new Managing Director, Alexander Kachellek, brings a wealth of knowledge in lean manufacturing techniques from his work in the automotive industry across the globe. We are looking forward to his contribution to the company in the coming years.

DIVIDENDS

The Directors announced an increased fully franked final dividend of 14.0 cents per share compared to 13.0 cents per share last year and 13.0 cents at the half year. The full year dividend in relation to the 2007 year will be 27.0 cents per share compared to 25.0 cents per share for the previous year.

The final dividend will be paid on 3rd September 2007.

A summary of dividends paid or declared by the Company to members since the end of the previous financial year are shown in Table 2.

STRATEGY AND FUTURE PERFORMANCE

The continued strength of the markets in which the Korvest business operates indicates that satisfactory results should be achieved in 2008. Whilst acquisition opportunities are always being considered, the focus is to continue to strengthen Korvest's existing business base until the right opportunity emerges.

ACTIVITIES

The principal continuing activities of the consolidated entity consist of hot dip galvanising, sheet metal fabrication, manufacture of cable and pipe support systems and fittings.

	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Director				
Mr D. J. Simmons	12	12	2	2
Mr G. L. Twartz	11	12	2	2
Mr R. Gros	11	11	-	-
Mr P. Brodribb	10	12	2	2
Ms N. A. Peake	11	12	-	-
Mr J. A. Easling	8	9	-	-
Mr A. H. W. Kachellek	1	1		

A = Number of Board meetings attended

B = Total Number of Board meetings available for attendence

Table 1

	Cents per Share	Total Amount $'000	Franked/Unfranked	Date of Payment
Declared and paid during the year 2007				
Interim 2007 ordinary	13.0	1,110	Fully franked	9 March 2007
Final 2006 ordinary	13.0	1,109	Fully franked	1 September 2006
Total amount		2,219		

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

Declared after end of year

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided and there are no income tax consequences.

Final ordinary	14.0	1,197	Fully franked	3 September 2007
Total amount		1,197		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2007 and will be recognised in subsequent financial reports.

Dealt with in the financial report as:

- Dividends (Note 22)	2,219

Table 2

REVIEW OF OPERATIONS

The consolidated entity is comprised of EzyStrut, Korvest Galvanisers and Indax.

EzyStrut

The Ezystrut Division had another good year with growth continuing to come from non residential building and construction and mining sectors. The new pipe support range released to the market in October 2006 has seen a good take-up rate and it is expected that this will continue to increase Ezystruts' revenue base in 2008.

Korvest Galvanisers

The Galvanising Division increased tonnage through the plant during the year by approximately 15%. With the increased capacity available from the upgrade made in December 2005 and a focus on improved customer service and quality, the Division was successful in growing its customer base. A focus on pre-treatment and improved metallurgical processes has resulted in less raw material usage, a good gain given the very high zinc price.

Indax

The industrial access business (now called Indax) has grown substantially since its inception in 2005. This Division has been separated from Galvanising with its own premises in the building next door to the current Head Office in Kilburn. With the inclusion of expanded mesh products to the range, this Division now has a full product range for grating and walkway systems which are being fabricated and delivered into many key major South Australian projects.

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.

Events Subsequent to Reporting Date

At the date of this report there is no matter or circumstance that has arisen since 30th June 2007, that has significantly affected, or may significantly affect:

(i) the operations of the consolidated entity;

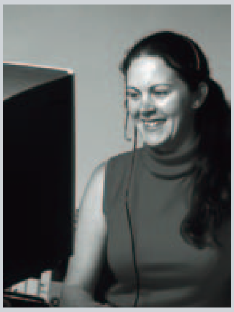
(ii) the results of those operations; or

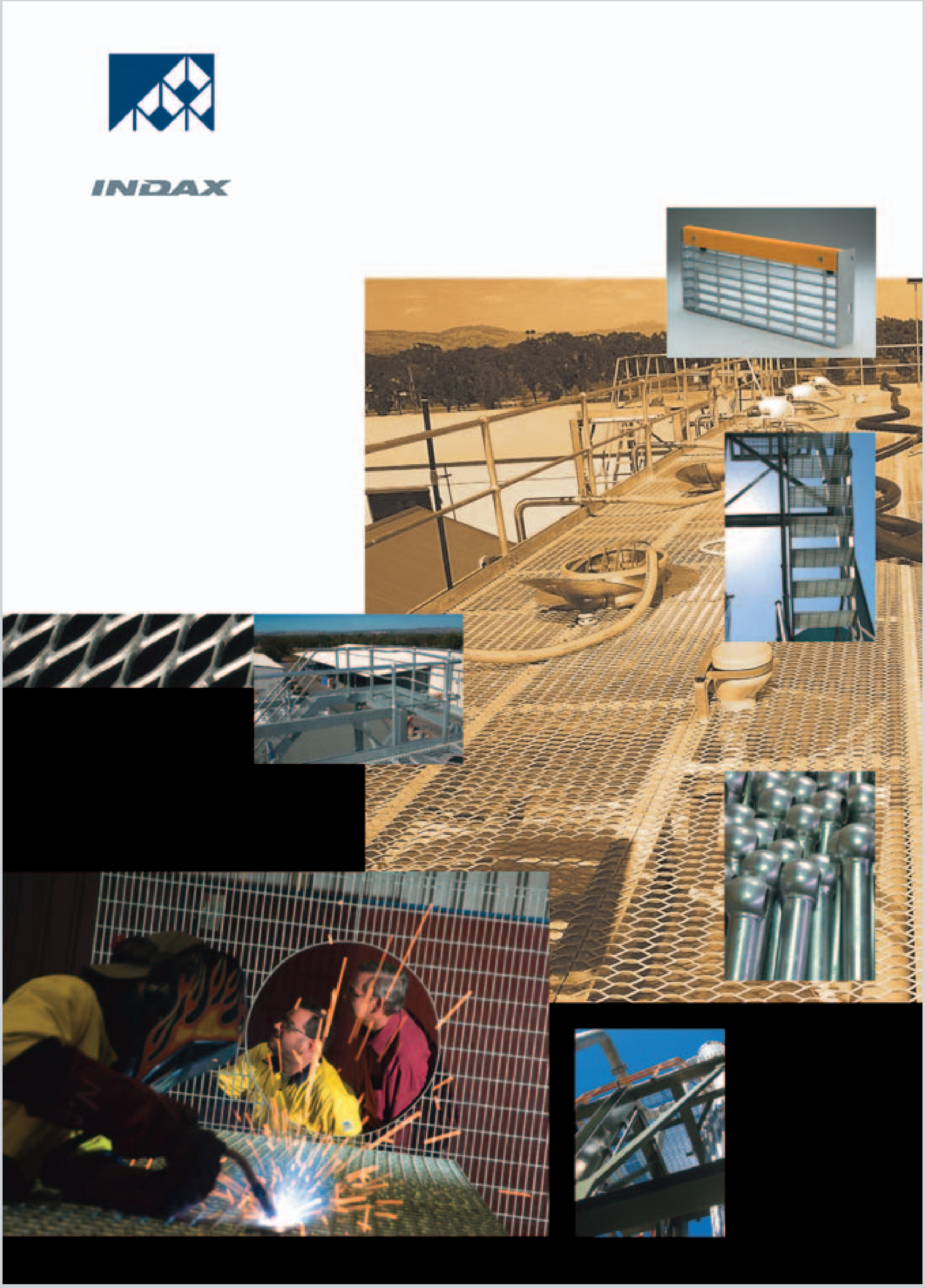
(iii) the state of affairs of the consolidated entity;

in the financial years subsequent to 30th June 2007.

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




INDAX

subsequent financial years. Such information has therefore not been included in this report.

Directors and Officers 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.

REMUNERATION REPORT

Principles of compensation - 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;

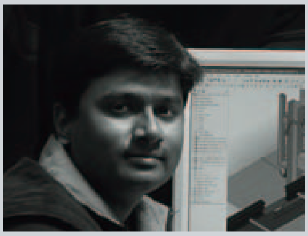
(b) the executives' ability to control performance; and

(c) the amount of incentives within each executives' remuneration.

The Managing Director's incentive is paid as a fixed percentage on the

IN HOUSE ENGINEERING

Geoff Watson
Engineering
Manager



		Short Term: Salary & Fees $	Short Term: Bonus $	Post Employment Super-annuation benefits $	Termination benefits $	Share based payments $ Cash Settled Shares	Share based payments $ Options & Rights	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
Specified Directors										
D.J. Simmons	**2007**	**22,750**	**-**	**-**	**-**	**-**	**-**	**22,750**	**-**	**-**
Non-executive (Chairman)	2006	18,404	-	-	-	-	-	18,404	-	-
G.L. Twartz	**2007**	**22,750**	**-**	**-**	**-**	**-**	**-**	**22,750**	**-**	**-**
Non-executive (Director)	2006	18,404	-	-	-	-	-	18,404	-	-
P. Brodribb	**2007**	**22,750**	**-**	**2,048**	**-**	**-**	**-**	**24,798**	**-**	**-**
Non-executive (Director)	2006	21,729	-	1,956	-	-	-	23,685	-	-
J. A. Easling (commenced Oct 06)	**2007**	**17,063**	**-**	**1,536**	**-**	**-**	**-**	**18,599**	**-**	**-**
Non-executive (Director)	2006	-	-	-	-	-	-	-	-	-
A. H. Kachellek (commenced June 07)	**2007**	**11,193**	**5,000**	**1,007**	**-**	**-**	**-**	**17,200**	**29.1**	**-**
Executive (Managing Director)	2006	-	-	-	-	-	-	-	-	-
N. Peake	**2007**	**154,004**	**-**	**13,724**	**-**	**-**	**1,454**	**169,182**	**-**	**0.86**
Executive (Finance Director)	2006	100,311	-	8,999	-	-	-	109,310	-	-
Former Directors										
A. J. D'Souza (resigned Oct 05)	**2007**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Executive (Finance Director)	2006	53,836	-	4,845	111,687	500	-	170,868	-	-
R. Gros (resigned June 07)	**2007**	**157,645**	**72,294**	**20,517**	**-**	**995**	**-**	**251,451**	**28.8**	**-**
Executive (Managing Director)	2006	169,859	78,224	22,283	-	500	2,155	273,021	28.7	0.79

Table 3

DIRECTORS' REPORT

		Short Term: Salary & Fees $	Short Term: Bonus $	Post Employment Super-annuation benefits $	Termination benefits $	Share based payments Cash Settled Shares $	Share based payments Options & Rights $	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
Specified Executives										
D.M Salvaterra	**2007**	**110,674**	**146,401**	**21,953**	**-**	**995**	**1,454**	**281,477**	**52.0**	**0.52**
General Manager Ezystrut	2006	110,674	192,509	27,749	-	1,000	1,328	333,260	57.8	0.40
C.A. Hartwig (commenced Aug 06)	**2007**	**134,923**	**35,869**	**15,272**	**-**	**-**	**969**	**187,033**	**19.2**	**0.52**
General Manager Galvanising & Indax	2006	-	-	-	-	-	-	-	-	-
C.D. Peck (commenced Sep 05)	**2007**	**105,946**	**28,218**	**11,990**	**-**	**-**	**727**	**146,881**	**19.2**	**0.49**
General Manager Operations	2006	-	-	-	-	-	-	-	-	-
Former Specified Executives										
G. Clement (resigned July 06)	**2007**	**819**	**-**	**74**	**-**	**-**	**-**	**893**	**-**	**-**
General Manager – Galvanising	2006	104,900	-	9,293	-	500	664	115,357	-	0.58
Total Compensation Key Management Personnel	**2007**	**760,517**	**287,782**	**88,121**	**-**	**1,990**	**4,604**	**1,143,014**	**25.2**	**0.40**
(Consolidated and Company)	2006	598,117	270,733	75,125	111,687	2,500	4,147	1,062,309	25.5	0.44

Table 4

	Number of Options Granted during 2007	Grant Date	Fair Value Per Option at Grant Date ($)	Exercise Price per Option ($)	Expiry Date	Number of Options vested during 2007 under AIFRS007	Number of Options Vested During 2007 Under ASX
Directors							
N Peake	15,000	31 May 2007	0.513	5.48	Jan 2029	-	-
R Gros	-	-	-	-	-	-	30,000
Executives							
D Salvaterra	15,000	31 May 2007	0.513	5.48	Jan 2029	-	15,000
C Hartwig	10,000	31 May 2007	0.513	5.48	Jan 2029	-	-
C Peck	7,500	31 May 2007	0.513	5.48	Jan 2029	-	-

Table 5

	Number of Options Granted	Grant Date	Percentage Vested in Year	Percentage Forfeited in Year	Year in Which Grant Vests
Directors					
N Peake	15,000	31 May 2007	-%	-%	1 July 2008
R Gros	30,000	15 Mar 2006	100%	-%	1 July 2006
Executives					
D Salvaterra	15,000	31 May 2007	-%	-%	1 July 2008
	15,000	15 Mar 2006	100%	-%	1 July 2006
C Hartwig	10,000	31 May 2007	-%	-%	1 July 2008
C Peck	7,500	31 May 2007	-%	-%	1 July 2008
G Clement	7,500	15 Mar 2006	-%	100%	1 July 2006

Table 6

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 0.5% to 5%. Executives also receive shares as part of the Employee Bonus Share Plan that is issued equally to all employees and options as part of the Executive Share Plan. 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 29.

Directors and Executive Remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each director of the company and key executives are shown in Table 3 and Table 4.

Options and rights over equity instruments granted as compensation - audited

All options refer to options over ordinary shares of Korvest Ltd, which are exercisable on a one-for-one basis under the Executive Share plan.

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are shown in Table 5.

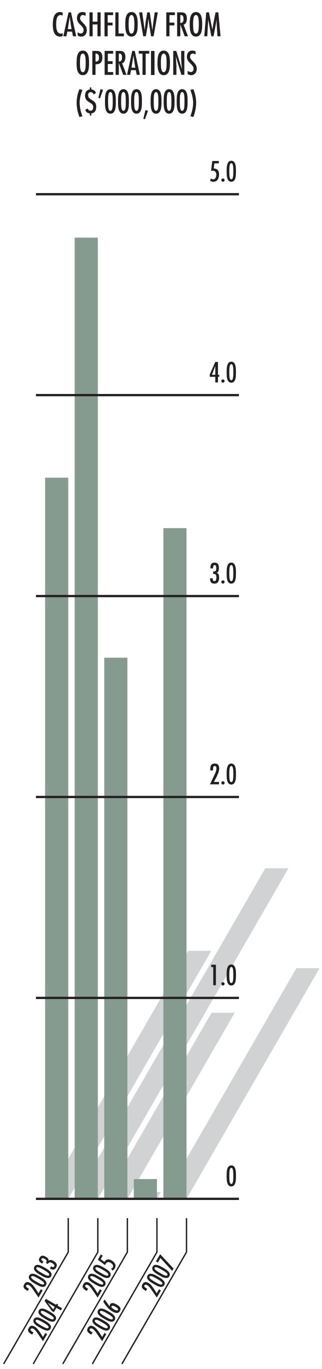
No options were issued for the 2006 year. No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

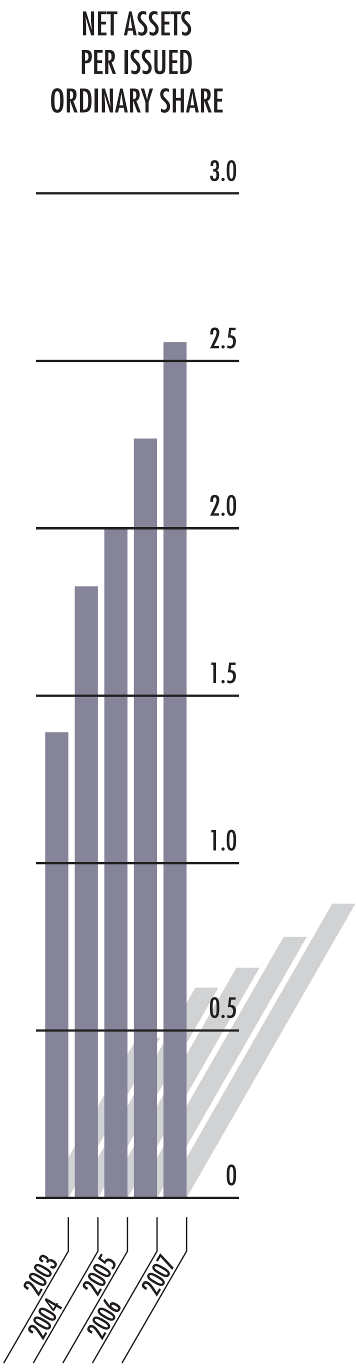
All options expire on the earlier of their expiry date or termination of the individual's employment. The options vest two years from grant date. In addition to the continuing employment service condition, the vesting of the options is conditional on a performance hurdle. The performance hurdle requires that the total of the weighted average price of shares traded on the Stock Exchange in the five business days up to and including 31 December 2008 when added to the total dividends paid by the Company in the two year preceding periods exceeds an estimated $7.00.

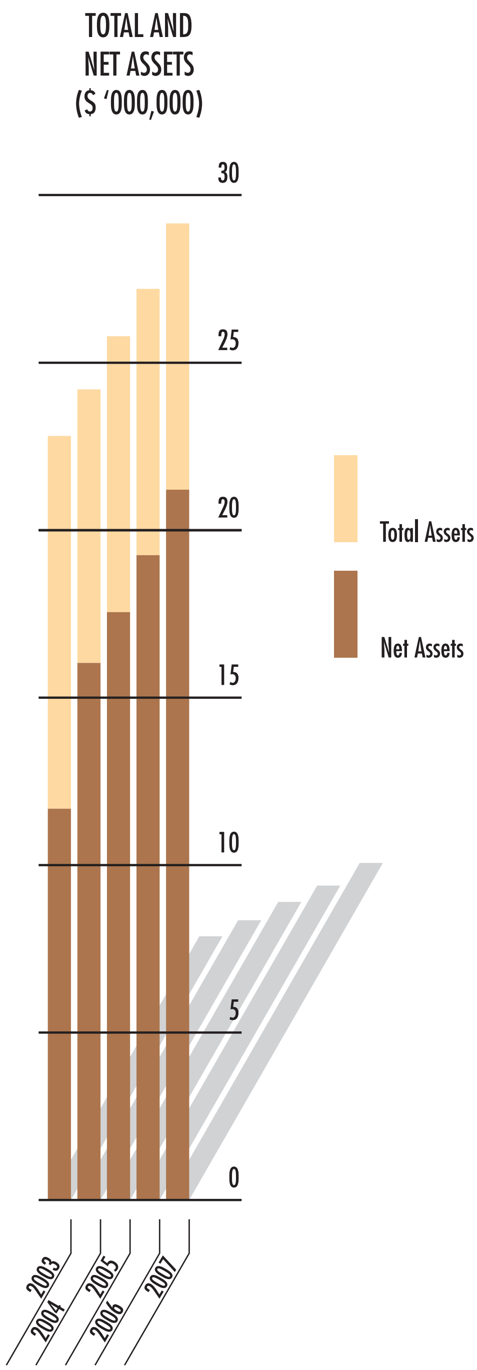
After the vesting date the individuals must pay the exercise price over a maximum term of 20 years. Dividends, after deduction of an amount intended for the participants tax, are applied in payment of the exercise price. The arrangement to pay the exercise price over 20 years is interest free and without personal recourse to the participants (recourse is limited to the shares themselves).

Exercise of options granted as compensation

During the reporting period, the following shares were issued on the exercise


CASHFLOW FROM OPERATIONS ($'000,000)
5.0
4.0
3.0
2.0
1.0
0
2003
2004
2005
2006
2007


NET ASSETS PER ISSUED ORDINARY SHARE
3.0
2.5
2.0
1.5
1.0
0.5
0
2003
2004
2005
2006
2007


TOTAL AND NET ASSETS ($ '000,000)
30
25
20
15
10
5
0
2003
2004
2005
2006
2007
Total Assets
Net Assets

of options previously granted as compensation.

Directors	R Gros	30,000
Executives	D Salvaterra	15,000

Analysis of Options and rights over equity instruments granted as compensation - unaudited

Details of vesting profiles of the options granted as remuneration to each director and key executive of the Company are detailed in Table 6.

The minimum value of options yet to vest is $Nil as the performance criteria may not be met and consequently the option may not vest.

The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the option is exercised.

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company Director and key executives are detailed in Table 7.

DIRECTORS INTERESTS

The relevant interest of each director over the shares and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate. As notified by the directors to the Australian Securities Exchange in accordance with S250G(1) of the Corporations Act 2001, at the date of this report is shown in Table 8.

NON-AUDIT SERVICES

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

Chris Hartwig
General Manager
Korvest Galvanisers & Indax

- 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.

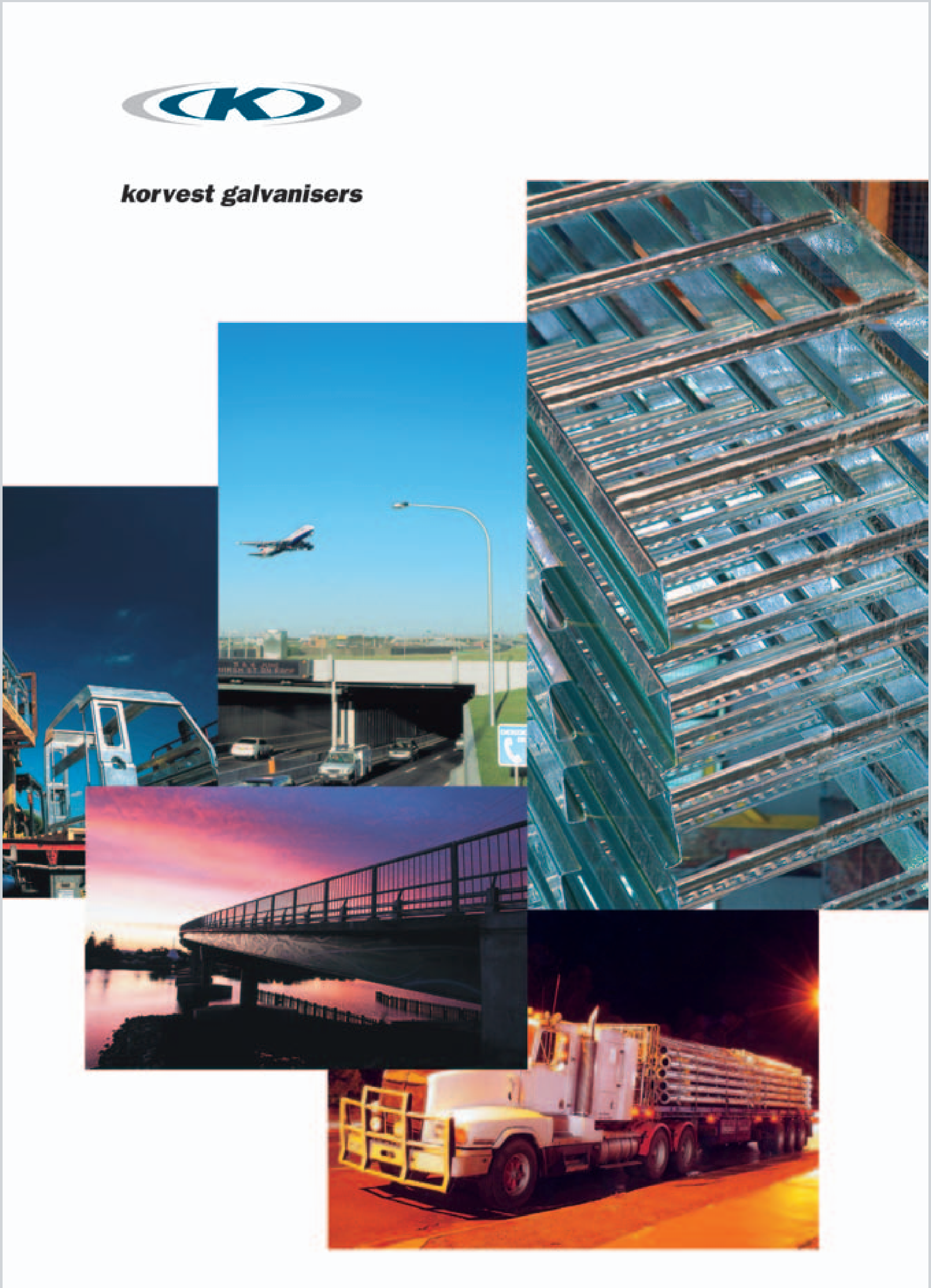
For details of non-audit services fees charged refer to note 8 to the financial statements.

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. For details of financial instruments refer to note 23 to the financial statements.

ENVIRONMENT

The consolidated entity's operations are subject to various environmental


korvest galvanisers

	Granted in Year $ (A)	Exercised in Year $ (B)	Lapsed in Year $ (C)	Total Option Value in Year $
Directors				
N Peake	7,695			7,695
R Gros	-	-	-	-
Executives				
D Salvaterra	7,695	-	-	7,695
C Hartwig	5,130	-	-	5,130
C Peck	3,848	-	-	3,848
G Clement	-	-	3,794	3,794

Table 7

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option- pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e in years 1 July 2006 to 1 July 2011).

(B) The value of options exercised during the year is calculated as the market price of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. No options were exercised for accounting purposes during the financial year.

(C) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a binominal option – pricing model with no adjustments for whether the performance criteria had been achieved.

Further details regarding options granted to executives under the Executive Share Plan are in Notes 20 and 28 to the financial statements.

	Korvest Ltd. Ordinary Shares	Korvest Ltd Share Options	Korvest Ltd. Ordinary Shares	Hills Industries Limited Ordinary Shares	Hills Industries Limited Share Options
David James Simmons	500	-	500	369,706	180,000
Ric Gros	32,278	-	32,278	-	60,000
Peter Brodribb	15,781	-	15,781	8,831	-
Graham Lloyd Twartz	24,115	-	24,115	205,609	120,000
Nicole Anne Peake	500	15,000	15,500	-	-
John Alistair Easling	500	-	500	55,383	60,000
Alexander Henrik Wilhelm Kachellek	-	-	-	-	-

Table 8

KORVEST LTD


Kia Ora Investments Limited
Korvest Ltd.
1982
Annual
Report
Korvest Ltd.

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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 69 and forms part of the directors' report for financial year ended 30 June 2007.

ROUNDING OFF

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

Signed at Adelaide this Friday 24th of August 2007 in accordance with a resolution of the Directors.

D. J. SIMMONS, Director

A. H. W. KACHELLEK, Director

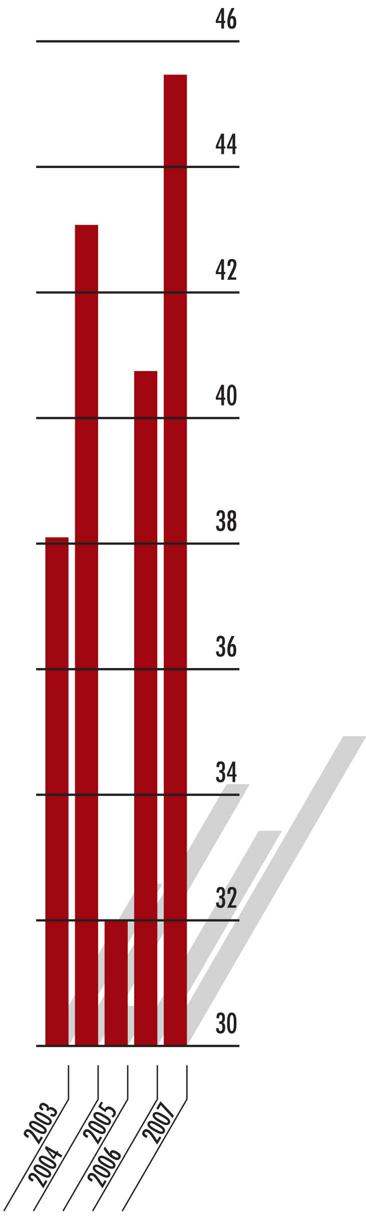
FIVE YEAR SUMMARY

for the year ended 30 June 2007

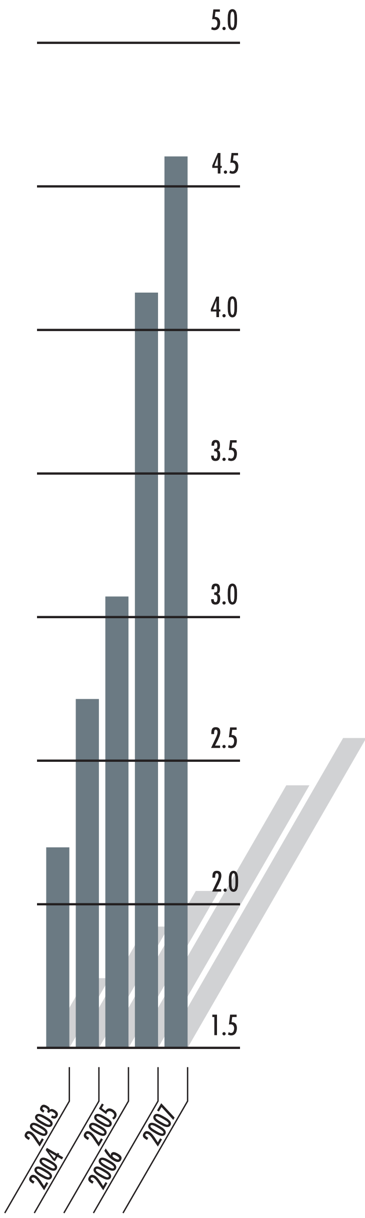
		2007	2006	2005	2004	2003
Sales Revenue	($'000)	**45,434**	40,667	32,058	43,107	38,325
Profit after tax	($'000)	**4,583**	4,122	3,061	2,727	2,179
Depreciation/Amortisation	($'000)	**605**	789	617	1,279	920
Cash flow from operations	($'000)	**3,244**	17	2,662	4,752	3,532
Profit from ordinary activities						
- As % of Shareholders' Equity		**21.1%**	21.4%	17.9%	17.2%	19.2%
- As % of Sales Revenue		**10.1%**	10.1%	9.5%	6.3%	5.7%
- Per issued share		**53.7c**	48.4c	36.1c	32.7c	27.3c
Dividend						
- Total amount	($'000)	**2,307**	2,131	1,784	1,424	1,009
- Per issued share		**27.0c**	25.0c	21.0c	17.0c	12.5c
- Times covered by profit from ordinary activities		**2.0**	1.9	1.7	1.9	2.2
Number of employees		**187**	164	161	158	254
Shareholders						
- Equity in total assets		**75%**	71%	67%	66%	49%
- Number at year end		**1,125**	1,015	1,048	1,000	913
Net assets per issued ordinary share		**$2.54**	$2.26	$2.02	$1.87	$1.39

Information presented for the years 2003 and 2004 has been prepared in accordance with Australian GAAP. Information for 2005 to 2007 has been calculated in accordance with Australian equivalents to IFRS.

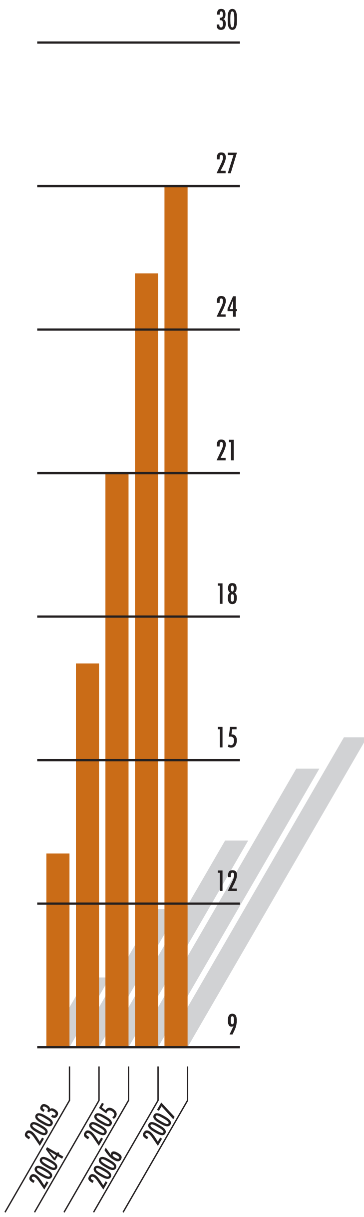
SALES REVENUE ($'000,000)



PROFIT AFTER TAX ($'000,000)



DIVIDEND PER ISSUED SHARE (CENTS)



CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

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

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

COMMITMENT TO ETHICAL BUSINESS PRACTICES

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

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

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

COMMITMENT TO GOOD CORPORATE GOVERNANCE

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

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

Board Composition

The company constitution allows for a maximum of ten directors. The company Board currently comprises six directors, four 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 pages 2 and 3 of this annual report.

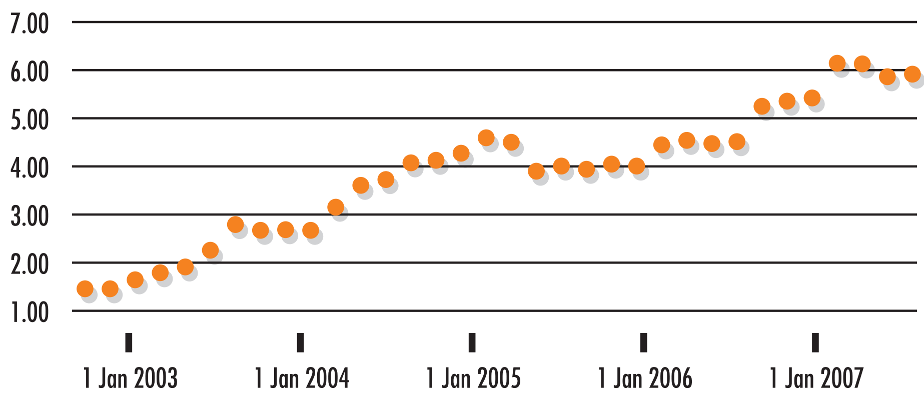
Board Independence

Three non-executive directors are non-independent. Two of the 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. The other, Mr P. Brodribb, is considered non-independent due to his former position of Managing Director of Korvest.

The Role of the 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.

SHARE PRICE IN AUSTRALIAN DOLLARS



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

Nomination Committee

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

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

Board Operations

During 2007 the Board met 12 times and the directors' attendance at those meetings is set out on page 5 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 5 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, focusing on a few key issues each year with a view to assessing overall performance over a three year period. The Board has also formalised a process for the induction of new directors to ensure they are provided with the information required to properly perform their role

David Salvaterra
General Manager
EzyStrut

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 on pages 8 to 14 of 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

Carey Peck
General Manager
Operations


EzyStrut
EzyStrut
EzyStrut
Smooth contoured structural cable ladder fittings - a first for Australia
Fully compatible & interchangeable with other brands.
EzyStrut
PIPE SUPPORT SYSTEMS

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 28 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 Managing Director and Finance Director 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 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 three directors, all 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 auditors are invited to attend the committee meetings. Details of membership and attendance at committee meetings are set out on page 5 of this annual report.

The Audit Committee is responsible for reviewing the financial accounts and other financial information distributed externally, monitoring the adequacy of

Andrew Mepham
OHS & E
Manager

OHS & E

local community focus

GEPPS CROSS INDUSTRY GROUP

Montgomery Road
Kilburn
South Australia
5084
Tel: 8262 1599 Fax: 8349 7829
info@kilburnps.sa.edu.au

PRIMARY SCHOOL KILBURN & PRESCHOOL

Ric Gros
Korvest Ltd
580 Prospect Road
Kilburn SA 5084

Dear Ric,

2nd March 2007

On behalf of the staff and students of Kilburn Primary School I would like to say a "**HUGE THANKYOU**" for visiting our Breakfast program. It was lovely to meet you and we look forward to your support over the next 2 years.

As you know we serve between 15-30 children a healthy breakfast each morning. This consisting of a range of healthy cereals, toast with spreads, juices and milo.

The children also clean their teeth after they have finished eating and drinking. All children have their own named dilly bag with a toothbrush and toothpaste in it. We will now be able to continue with this important daily routine thanks to your support.

You are most welcome to come along and visit us again some time. I would love the children to meet you and be able to personally say "Thankyou" to you.

Without your support the program would struggle to continue on the level that it does, so again "Thankyou" so very much.

Regards,

Susie

Susie Arthur
Breakfast Program Co-ordinator.

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 were for taxation services. Details of the amounts paid for both audit and non-audit services are set out in Note 8 of this annual report. The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Risk Management and Oversight

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

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

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 5 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 within a certain timeframe from appointment. The company has for many years encouraged the holding of its shares by directors and employees.

The Board has adopted a share dealing policy that specifically precludes directors and officers from buying or selling shares within 45 days prior to the announcement of the annual or half-year results, the day of and the day after the announcements and if in possession of price sensitive information not generally available to the public. A copy of the policy is available on the Korvest website and details of directors' individual shareholdings are set out in Note 28 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 three years 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, South Australian and local 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 its 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

for the year ended 30 June 2007

INCOME STATEMENTS

for year ended 30th June 2007

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006
Revenue	5	**45,434**	40,667	**45,112**	40,593
Other Income		**142**	202	**142**	202
		45,576	40,869	**45,254**	40,795
Expenses, excluding net financing costs	6	**(39,183)**	(35,279)	**(38,725)**	(35,001)
Profit before financing costs		**6,393**	5,590	**6,529**	5,794
Financial income	9	**241**	388	**241**	388
Net financing income		**241**	388	**241**	388
Profit before tax		**6,634**	5,978	**6,770**	6,182
Income tax expense	10	**(2,051)**	(1,856)	**(2,051)**	(1,856)
Profit for the year		**4,583**	4,122	**4,719**	4,326
Attributable to:					
Equity holders of the parent		**4,583**	4,122	**4,719**	4,326
Profit for the year		**4,583**	4,122	**4,719**	4,326
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings per share from continuing operations	11	**0.54**	0.48		
Diluted earnings per share from continuing operations	11	**0.54**	0.48		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 36 to 65.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

for year ended 30th June 2007

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006
Foreign exchange translation differences	22	**(33)**	(58)	**-**	-
Net income recognised directly in equity		**(33)**	(58)	**-**	-
Profit for the period		**4,583**	4,122	**4,719**	4,326
Total recognised income and expense for the period	22	**4,550**	4,064	**4,719**	4,326
Attributable to:					
Equity holders of the parent		**4,550**	4,064	**4,719**	4,326
Total recognised income and expense for the period	22	**4,550**	4,064	**4,719**	4,326

Other movements in equity arising from transactions with owners as owners are set out in note 22.

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 36 to 65.

BALANCE SHEETS

for year ended 30th June 2007

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006
Assets					
Cash and cash equivalents	12	**4,489**	4,645	**4,413**	4,611
Trade and other receivables	13	**8,864**	7,837	**8,872**	7,881
Inventories	14	**7,880**	7,146	**7,496**	6,756
Total current assets		**21,233**	19,628	**20,781**	19,248
Deferred tax assets	16	**269**	493	**269**	493
Loans due from controlled entities	13	**-**	-	**1,084**	820
Property, plant and equipment	17	**7,417**	6,870	**7,367**	6,823
Total non-current assets		**7,686**	7,363	**8,720**	8,136
Total assets		**28,919**	26,991	**29,501**	27,384
Liabilities					
Trade and other payables	18	**4,896**	4,769	**4,860**	4,717
Employee benefits	20	**1,125**	996	**1,124**	991
Income tax payable	15	**327**	818	**327**	818
Provisions	21	**289**	456	**289**	456
Total current liabilities		**6,637**	7,039	**6,600**	6,982
Interest-bearing loans and borrowings	19	**40**	40	**40**	40
Employee benefits	20	**239**	260	**239**	260
Provisions	21	**328**	360	**328**	360
Total non-current liabilities		**607**	660	**607**	660
Total liabilities		**7,244**	7,699	**7,207**	7,642
Net assets		**21,675**	19,292	**22,294**	19,742
Equity					
Issued capital		**3,547**	3,506	**3,547**	3,506
Reserves		**1,228**	1,250	**1,280**	1,269
Retained earnings		**16,900**	14,536	**17,467**	14,967
Total equity attributable to equity holders of the parent		**21,675**	19,292	**22,294**	19,742
Total equity	22	**21,675**	19,292	**22,294**	19,742

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages pages 36 to 65.

STATEMENTS OF CASH FLOWS

for year ended 30th June 2007

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006
Cash flows from operating activities					
Cash receipts from customers		**49,254**	44,753	**48,891**	44,565
Cash paid to suppliers and employees		**(43,931)**	(43,381)	**(43,390)**	(42,933)
Cash generated from operations		**5,323**	1,372	**5,501**	1,632
Interest received		**241**	389	**241**	389
Income taxes paid		**(2,320)**	(1,744)	**(2,320)**	(1,744)
Net cash from operating activities	27	**3,244**	17	**3,422**	277
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**37**	39	**32**	39
Acquisition of property, plant and equipment	17	**(1,185)**	(1,742)	**(1,169)**	(1,741)
Loans provided to other entities		**-**	4	**-**	6
Net cash from investing activities		**(1,148)**	(1,697)	**(1,137)**	(1,696)
Cash flows from financing activities					
Loans to / repaid by controlled entities		**-**	-	**(264)**	(327)
Dividends paid	22	**(2,219)**	(1,958)	**(2,219)**	(1,958)
Net cash from financing activities		**(2,219)**	(1,958)	**(2,483)**	(2,285)
Net increase in cash and cash equivalents		**(123)**	(3,638)	**(198)**	(3,704)
Cash and cash equivalents at 1 July		**4,645**	8,341	**4,611**	8,315
Effect of exchange rate fluctuations on cash held		**(33)**	(58)	**-**	-
Cash and cash equivalents at 30 June	12	**4,489**	4,645	**4,413**	4,611

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages pages 36 to 65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for year ended 30th June 2007

TABLE OF CONTENTS

1 REPORTING ENTITY

Korvest Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 580 Prospect Road, Kilburn SA 5084. The consolidated financial statements of the Company as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the 'Group' or 'Consolidated Entity'). The Group primarily is involved in manufacturing businesses as detailed in the segment note.

2 BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report was approved by the Board of Directors on 24th August 2007.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- land and buildings are measured at fair value

(C) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(D) USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The entity has elected to early adopt the following accounting standards and amendments:

- AASB 101 Presentation of Financial Statements (October 2006).

(A) BASIS OF CONSOLIDATION

(i) Subsidiaries Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated preliminary financial statements from the date that control commences until the date that control ceases. In the company's financial statements, investments in subsidiaries are carried at cost, less equivalent charges.

(ii) Transactions eliminated on consolidation Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated preliminary financial statements.

(B) FOREIGN CURRENCY

(i) Foreign currency transactions Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(C) FINANCIAL INSTRUMENTS

(i) Non-derivative financial instruments Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

OTHER

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Trade and other receivables Trade and other receivables are stated at amortised cost less any impairment charges.

(iii) Trade and other payables Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group on the amortised cost basis, using the effective interest basis. Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.

(iv) Interest-bearing borrowings Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(v) Share capital

ORDINARY SHARES

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

DIVIDENDS

Dividends are recognised as a liability in the period in which they are declared.

(D) PROPERTY, PLANT AND EQUIPMENT

(i) Land and Buildings Land and buildings are stated at fair value. Land and buildings are independently valued at least every four years on an existing use basis, and in the intervening years are valued by the Directors based on the most recent independent valuation.

(ii) Plant and Equipment Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

(iii) Subsequent Costs The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) 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. The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(E) LEASED ASSETS

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

The Group adopted Interpretation 4 Determining whether an Arrangement Contains a Lease, which is mandatory for annual periods beginning on or after 1 January 2006, in its 2006 consolidated financial statements.

(F) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(G) IMPAIRMENT

(i) Financial Assets A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-Financial Assets The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(H) EMPLOYEE BENEFITS

(i) Defined Contribution Superannuation Funds Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Long-Term Benefits The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

(iii) Short-Term Benefits Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-Based Payment Transactions The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

EMPLOYEE SHARE BONUS PLAN

The Employee Share Bonus Plan allows Group employees to acquire shares of the Company. Shares are allotted to employees who have served a qualifying period. Up to $1,000 per year in shares is allotted to each qualifying employee. The fair value of shares issued is recognised as an employee expense with a corresponding increase in equity. The fair value of the shares granted is measured using a present value method.

EXECUTIVE SHARE PLAN

The Executive Share Plan allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The valuation method takes into account the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected of the shares and the risk-free interest rate for the life of the option.

(I) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(J) REVENUE

Goods Sold Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(K) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues.

Finance expenses comprise interest expense on borrowings. Interest paid is recognised as it accrues.

(L) OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(M) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is 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 the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(N) GOODS AND SERVICES TAX

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(O) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(P) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 July 2004 and 1 July 2005, respectively). The adoption of Interpretation is not expected to have an impact on the financial results of the Company and the Group.
- Interpretation 11 AASB 2 Share-based Payment -- Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as

equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. Interpretation 11 is not expected to have any impact on the financial results of the Company and the Group.

- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 Share-based Payments to insert the transitional provisions of AASB 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to international Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the Group or Company.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosures of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.
- AASB 123 (revised) Borrowing Costs and AASB 2007-9 Amendments to Australian Accounting Standards (arising from revised AASB123) commences for accounting periods on 1 January 2009. The standard is not expected to have a significant impact on Korvest's financial performance.
- AASB 2007-7 Amendments to Australian Accounting Standards (arising from AASB 2007-4) and AASB 2007-4 Amendments to Australian Accounting Standards)arising from ED 151 Australian Additions to, and Deletions from, IFRSs) – the standard is largely concerned with disclosures and additional accounting options. While the full impact is yet to be assessed, Korvest do not expect any significant impact on its financial performance.

4 SEGMENT REPORTING

BUSINESS SEGMENTS

The entity operates in the Industrial Products sector in the manufacture of electrical and cable support systems, steel fabrication, associated metal treatment and galvanising services.

GEOGRAPHICAL SEGMENTS

The entity operates predominately in Australia.

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006

5 REVENUE AND OTHER INCOME

Revenue					
Sales of goods		**45,434**	40,667	**45,112**	40,593
Other income					
Other income		**142**	202	**142**	202
		45,576	40,869	**45,254**	40,795

6 EXPENSES

Cost of goods sold		**25,714**	23,336	**25,619**	23,504
Distribution expenses		**2,740**	2,367	**2,698**	2,254
Sales and marketing expenses		**8,247**	7,373	**8,017**	7,116
Administration expenses		**1,655**	1,529	**1,655**	1,551
Occupancy expenses		**569**	426	**480**	349
Other expenses		**258**	248	**256**	227
		39,183	35,279	**38,725**	35,001

Profit from ordinary activities before income tax has been arrived at after charging / (crediting) the following items

Depreciation of buildings		**47**	45	**47**	45
Depreciation of property, plant and equipment		**558**	744	**549**	724
	17	**605**	789	**596**	769
Increase in provisions	10	**60**	150	**60**	150
Executive share plan expense	20,22	**11**	5	**11**	5
Employee share bonus plan expense	20,22	**41**	42	**41**	42
Impairment loss on trade receivables	13	**(111)**	36	**(111)**	36
Impairment loss on inventories	14	**71**	550	**71**	550
(Profit) / loss on disposal of property plant and equipment		**(4)**	8	**(4)**	8

7 PERSONNEL EXPENSES

Wages and salaries		**9,210**	8,976	**9,012**	8,839
Other associated personnel expenses		**2,115**	1,341	**2,104**	1,334
Contributions to defined contribution superannuation funds	20a	**755**	670	**755**	670
Increase in liability for annual leave	20	**524**	187	**524**	187
Increase in liability for long service leave	20	**185**	122	**185**	122
Equity-settled transactions	20b	**52**	48	**52**	48
		12,841	11,344	**12,632**	11,200

In thousands of AUD	Note	CONSOLIDATED 2007	CONSOLIDATED 2006	THE COMPANY 2007	THE COMPANY 2006

8 AUDITORS' REMUNERATION

Audit services					
Auditors of the Company					
KPMG Australia:					
Audit and review of financial reports		**40,000**	35,000	**40,000**	35,000
Overseas KPMG Firms:					
Audit and review of financial reports		**6,438**	6,850	**-**	-
		46,438	41,850	**40,000**	35,000
Other services					
Auditors of the Company					
KPMG Australia					
Taxation services		**4,500**	6,075	**4,500**	6,075
Overseas KPMG Firms:					
Taxation Services		**2,934**	-	**-**	-
		6,075	6,075	**4,500**	6,075

9 NET FINANCING COSTS

Interest income		**241**	388	**241**	388
Financial income		**241**	388	**241**	388
Interest expense		**-**	-	**-**	-
Financial expenses		**-**	-	**-**	-
Net financing income		**241**	388	**241**	388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006

10 INCOME TAX EXPENSE

Recognised in the income statement					
Current tax expense					
Current year		**1,819**	1,791	**1,819**	1,791
Adjustments for prior years		**8**	(4)	**8**	(4)
		1,827	1,787	**1,827**	1,787
Deferred tax expense					
Origination and reversal of temporary differences		**224**	68	**224**	68
	16	**224**	68	**224**	68
Total income tax expense in income statement		**2,051**	1,856	**2,051**	1,856
Attributable to:					
Continuing operations		**2,051**	1,856	**2,051**	1,856
Discontinuing operations		**-**	-	**-**	-
		2,051	1,856	**2,051**	1,856
Numerical reconciliation between tax expense and pre-tax net profit					
Profit before tax- continuing operations		**6,634**	5,977	**6,770**	6,182
Profit before tax		**6,634**	5,977	**6,770**	6,182
Income tax using the domestic corporation tax rate of 30% (2006: 30%)		**1,990**	1,793	**2,031**	1,855
Increase in income tax expense due to:					
Non-deductible expenses		**53**	67	**12**	5
Under / (over) provided in prior years		**8**	(4)	**8**	(4)
Income tax expense on pre-tax net profit		**2,051**	1,856	**2,051**	1,856

11 EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2007 was based on the profit attributable to ordinary shareholders of $4,582,798 (2006: $4,121,703) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2007 of 8,541,381 (2006: 8,518,073). The calculation of diluted earnings per share at 30 June 2007 was based on the profit attributable to ordinary shareholders of $4,595,344 (2006: $4,121,703) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2007 of 8,562,956 (2006: 8,529,467).

EARNINGS PER SHARE FOR CONTINUING AND DISCONTINUED OPERATIONS

In thousands of AUD	**2007**	2006
Basic and diluted earnings per share		
From continuing operations	**0.54**	0.48
	0.54	0.48

For the financial year ended 30 June 2007, earnings per share for continuing and discontinued operations has been calculated using the same figures as earnings per share.

12 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	**2007**	2006	**2007**	2006
Bank balances	**1,791**	645	**1,715**	611
Call deposits	**2,698**	4,000	**2,698**	4,000
Cash and cash equivalents in the statement of cash flows	**4,489**	4,645	**4,413**	4,611

13 TRADE AND OTHER RECEIVABLES

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006
Current					
Other receivables and prepayments	87	**56**	85	**56**	
Trade receivables	23	**8,777**	7,781	**8,787**	7,825
		8,864	7,837	**8,872**	7,881
Non-current					
Loans to controlled entities	26	**-**	-	**1,084**	820
		-	-	**1,084**	820

Other trade receivables are shown net of impairment losses amounting to $423,000 (2006: $534,000) recognised in the current year, and arising from the likely bankruptcy of certain customers.

14 INVENTORIES

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006
Raw materials and consumables		**3,018**	3,756	**3,018**	3,755
Work in progress		**130**	75	**130**	75
Finished goods		**4,732**	3,315	**4,348**	2,926
		7,880	7,146	7,496	6,756
Carrying amount of inventories stated at fair value less costs to sell		-	238	-	238

Finished goods are shown net of impairment losses amounting to $620,907 (2006: $550,000) recognised in the current year, and arising from the likely inability to sell a product range.

15 CURRENT TAX ASSETS AND LIABILITIES

The current tax liability for the consolidated entity and the Company of $326,612 (2006: $818,223) represent the amount of income taxes payable in respect of current and prior periods.

16 DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2007**	2006	**2007**	2006	**2007**	2006
Property, plant and equipment	**254**	281	**280**	280	**(26)**	1
Inventories	**186**	165	**614**	455	**(428)**	(290)
Provisions	**597**	622	**-**	-	**597**	622
Other items	**126**	160	**-**	-	**126**	160
Tax (assets) / liabilities	**1,163**	1,228	**894**	735	**269**	493
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax (assets) / liabilities	**1,163**	1,228	**894**	735	**269**	493

16 DEFERRED TAX ASSETS AND LIABILITIES (continued)

The Company	Assets		Liabilities		Net	
In thousands of AUD	**2007**	2006	**2007**	2006	**2007**	2006
Property, plant and equipment	**254**	281	**280**	280	**(26)**	1
Inventories	**186**	165	**614**	455	**(428)**	(290)
Provisions	**597**	622	**-**	-	**597**	622
Other items	**126**	160	**-**	-	**126**	160
Tax (assets) / liabilities	**1,163**	1,228	**894**	735	**269**	493
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax (assets) / liabilities	**1,163**	1,228	**894**	735	**269**	493

Movement in temporary differences during the year

	CONSOLIDATED				THE COMPANY			
In thousands of AUD	Balance 1 July 05	Recognised in Income	Recognised in Equity	Balance 30 June 06	Balance 1 July 05	Recognised in Income	Recognised in Equity	Balance 30 June 06
Property, plant and equipment	(51)	52	-	1	(51)	52	-	1
Inventories	(238)	(52)	-	(290)	(238)	(52)	-	(290)
Provisions	701	(79)	-	622	701	(79)	-	622
Other items	149	11	-	160	149	11	-	160
	561	(68)	-	493	561	(68)	-	493

	CONSOLIDATED				THE COMPANY			
In thousands of AUD	Balance 1 July 06	Recognised in Income	Recognised in Equity	**Balance 30 June 07**	Balance 1 July 06	Recognised in Income	Recognised in Equity	**Balance 30 June 07**
Property, plant and equipment	1	(27)	-	**(26)**	1	(27)	-	**(26)**
Inventories	(290)	(138)	-	**(428)**	(290)	(138)	-	**(428)**
Provisions	622	(25)	-	**597**	622	(25)	-	**597**
Other items	160	(34)	-	**126**	160	(34)	-	**126**
	493	(224)	-	**269**	493	(224)	-	**269**

17. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			THE COMPANY		
In thousands of AUD	Land and Buildings (Fai Value)	Plant and Equipment (Cost)	Total	Land and Buildings (Fair Vakue)	Plant and Equipment (Cost)	Total
Balance at 1 July 2005	3,702	7,152	10,854	3,702	7,047	10,749
Other acquisitions	109	1,633	1,742	109	1,632	1,741
Disposals	-	(139)	(139)	-	(139)	(139)
Balance at 30 June 2006	3,811	8,646	12,457	3,811	8,540	12,351
Balance at 1 July 2006	3,811	8,646	12,457	3,811	8,540	12,351
Other acquisitions	114	1,071	1,185	114	1,053	1,167
Disposals	-	(159)	(159)	-	(153)	(153)
Balance at 30 June 2007	**3,925**	**9,558**	**13,483**	**3,925**	**9,440**	**13,365**
Depreciation and impairment losses						
Balance at 1 July 2005	61	4,829	4,890	61	4,790	4,851
Depreciation charge for the year	45	744	789	45	724	769
Disposals	-	(92)	(92)	-	(92)	(92)
Balance at 30 June 2006	106	5,481	5,587	106	5,422	5,528
		4				
Balance at 1 July 2006	106	5,481	5,587	106	5,422	5,528
Depreciation charge for the year	47	558	605	47	549	596
Disposals	-	(126)	(126)	-	(126)	(126)
Balance at 30 June 2007	**153**	**5,913**	**6,066**	**153**	**5,845**	**5,998**
Carrying amounts						
At 1 July 2005	3,641	2,323	5,964	3,641	2,257	5,898
At 30 June 2006	3,705	3,165	6,870	3,705	3,118	6,823
At 1 July 2006	3,705	3,165	6,870	3,705	3,118	6,823
At 30 June 2007	**3,772**	**3,645**	**7,417**	**3,772**	**3,595**	**7,367**

An independent valuation of Land and Buildings was carried out in September 2003 by Mr John Vestakis, AAPI, and Mr Don Harris, AAPI, 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 carrying amount of the Land and Buildings at cost at 30 June 2007 if not revalued would be $1,389,429.

		CONSOLIDATED		THE COMPANY	
In thousands of AUD	Note	**2007**	2006	**2007**	2006

18. TRADE AND OTHER PAYABLES

	Note	**2007**	2006	**2007**	2006
Other trade payables and accrued expenses	23	**3,709**	3,428	**3,702**	3,425
Non-trade payables and accrued expenses		**1,187**	1,341	**1,158**	1,292
		4,896	4,769	**4,860**	4,717

19. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 23.

Non-current liabilities

	2007	2006	**2007**	2006
Unsecured government loan	**40**	40	**40**	40
	40	40	**40**	40
Financing facilities				
Standby letters of credit	**300**	300	**300**	300
Unsecured bank facility	**8,000**	8,000	**8,000**	8,000
	8,300	8,300	**8,300**	8,300
Facilities utilised at reporting date				
Standby letters of credit	**-**	-	**-**	-
Unsecured bank facility	**-**	-	**-**	-
	-	-	**-**	-
Facilities not utilised at reporting date				
Standby letters of credit	**300**	300	**300**	300
Unsecured bank facility	**8,000**	8,000	**8,000**	8,000
	8,300	8,300	**8,300**	8,300

Financing arrangements

Standby letter of credit

The standby letter of credit facility is a committed facility, reviewed annually. No drawdowns against this facility had been made as at 30 June 2007.

Unsecured bank facility

The unsecured bank facility is reviewed annually. No drawdowns against this facility had been made as at 30 June 2007.

20. EMPLOYEE BENEFITS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	**2007**	2006	**2007**	2006
Current				
Liability for long service leave	**557**	478	**556**	478
Liability for annual leave	**568**	518	**568**	517
	1,125	996	**1,124**	991
Non Current				
Liability for long-service leave	**239**	260	**239**	260
Total employee benefits	**1,364**	1,256	**1,363**	1,251

(A) DEFINED CONTRIBUTION SUPERANNUATION FUNDS

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $755,542 for the financial year ended 30 June 2007 (2006: $669,750).

(B) SHARE BASED PAYMENTS

In March 2005, the Group established a share option plan that entitles selected senior managers to acquire shares in the entity subject to the successful achievement of performance targets related to improvements in total shareholder returns over a two-year option period. During the year a further grant of options has been offered to these employees. In accordance with the plan these options are exercisable at the market price of the shares at the date of grant.

The options are exercisable if the total shareholder return (measured as share price growth plus dividends paid) over a two-year period from the grant date exceeds ten percent plus CPI per annum.

Once exercised the shares are forfeited if the holder ceases to be an employee of the Group within a further three-year period. The shares issued pursuant to these options are financed by an interest free loan from the holding company repayable within twenty years from the proceeds of dividends declared by the holding company. These loans are of a non-recourse nature. For accounting purposes these 20-year loans are treated as part of the options to purchase shares, until the loan is extinguished at which point the shares are recognised. The options are offered only to selected senior managers. Details of the options are as follows:

Grant date	Number of options	Number Outstanding at Balance Date AIFRS	Number Outstanding at Balance Date ASX
February 2005	60,000	52,500	-
February 2007	55,000	55,000	55,000
Total share options	115,000	107,500	55,000

20. EMPLOYEE BENEFITS (continued)

Options subject to a non-recourse loan for the purchase of shares are not recognised as exercised by International Financial Reporting Standards, until the loan is extinguished at which point the shares are recognised.

Grant date	Exercise date	Expiry date	Exercise Price	Number of Options at Beginning of Year	Options Granted	Options Lapsed	Options Exercised	Number of Options at End of Year
Consolidated and Company 2007								
Feb 05	Jan 07	Jan 2027	$4.36	52,500	-	-	-	52,500
Feb 07	Jan 09	Jan 2029	$5.48	-	55,000	-	-	55,000
				52,500	55,000	-	-	107,500
Weighted average exercise price				$4.36	$5.48	-	-	$4.93
Consolidated and Company 2006								
Feb 05	Jan 07	Jan 2027	$4.36	60,000	-	(7,500)	-	52,500
				60,000	-	(7,500)	-	52,500

The fair value of services received in return for share options granted during the year was $58,563 (2006: $30,348).This amount is amortised over the life of the option and the three-year holding period. The estimate of the fair value of the services received is based on a model which includes the length of the option period and the relationship between the market price at the date of the grant of the option and the strike price of the option. This method has been applied consistently.

EMPLOYEE EXPENSES

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	**2007**	2006	**2007**	2006
Share options granted in 2005	**5**	5	**5**	5
Share options granted in 2007	**6**	-	**6**	-
Expense arising from employee share scheme	**41**	43	**41**	43
Total expense recognised as employee costs	**52**	48	**52**	48

21. PROVISIONS

In thousands of AUD	Claims	Site	Total
Consolidated			
Balance at 1 July 2006	25	791	816
Provisions made during the year	-	60	60
Provisions used during the year	(25)	(234)	(259)
Balance at 30 June 2007	**-**	**617**	**617**
Current	-	289	289
Non-current	-	328	328
	-	617	617
The Company			
Balance at 1 July 2006	25	791	816
Provisions made during the year	-	60	60
Provisions used during the year	(25)	(234)	(259)
Balance at 30 June 2007	**-**	**617**	**617**
Current	-	289	289
Non-current	-	328	328
	-	617	617

SITE RESTORATION

A provision of $360,000 was made during the financial year ended 30 June 2003 and further provision of $486,000 was made during the financial year ended 30 June 2005 in respect of the consolidated entity's obligation to rectify potential environmental damage at the main site premises in Kilburn. Some required work was completed during the financial year ended 30 June 2007 at a cost of $234,000 (2006: $181,000). Further work of $60,000 (2006: $125,000) was identified during the financial year ended 30 June 2007. These works will be completed over the financial year ending 30 June 2008 and future periods.

22. CAPITAL AND RESERVES

RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

In thousands of AUD	Note	Share	Translation	Revaluation	Equity	Retained	Total
Consolidated							
Balance at 1 July 2005		3,463	39	1,264	-	12,372	17,138
Total recognised income and expense		-	(58)	-	-	4,122	4,064
Equity-settled transactions, net of tax	20b	43	-	-	5	-	48
Dividends to shareholders		-	-	-	-	(1,958)	(1,958)
Balance at 30 June 2006		3,506	(19)	1,264	5	14,536	19,292

22. CAPITAL AND RESERVES (continued)

In thousands of AUD	Note	Share Capital	Translation Reserve	Revaluation Reserves	Equity Compensation Reserve	Retained Earnings	Total
Consolidated							
Balance at 1 July 2006		3,506	(19)	1,264	5	14,536	19,292
Total recognised income and expense		-	(33)	-	-	4,583	4,550
Equity-settled transactions, net of tax	20b	41	-	-	11	-	52
Dividends to shareholders		-	-	-	-	(2,219)	(2,219)
Balance at 30 June 2007		**3,547**	**(52)**	**1,264**	**16**	**16,900**	**21,675**

In thousands of AUD	Note	Share Capital	Revaluation Reserve	Equity Compensation Reserves	Retained Earnings	Total Equity
The Company						
Balance at 1 July 2005		3,463	1,264	-	12,599	17,326
Total recognised income and expense		-	-	-	4,326	4,326
Equity-settled transactions, net of tax	20b	43	-	5	-	48
Dividends to shareholders		-	-	-	(1,958)	(1,958)
Balance at 30 June 2006		3,506	1,264	5	14,967	19,742
Balance at 1 July 2006		3,506	1,264	5	14,967	19,742
Total recognised income and expense		-	-	-	4,719	4,719
Equity-settled transactions, net of tax	20b	41	-	11	-	52
Dividends to shareholders		-	-	-	(2,219)	(2,219)
Balance at 30 June 2007		**3,547**	**1,264**	**16**	**17,467**	**22,294**

SHARE CAPITAL

	The Company Ordinary Shares	
In thousands of shares	**2007**	2006
On issue at 1 July	**8,530**	8,502
Issued under the Employee Share Bonus Plan	**19**	28
On issue at 30 June – fully paid	**8,549**	8,530

22. CAPITAL AND RESERVES (continued)

The Company made two issues of ordinary shares under the Employee Share Bonus Plan during the year. All employees meeting the service criteria were eligible to participate in the issue. The shares are issued at market value.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

REVALUATION RESERVE

The revaluation reserve relates to land and buildings measured at fair value in accordance with applicable Australian Accounting Standards.

EQUITY COMPENSATION RESERVE

The reserve for own shares represents the value of shares held by an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

DIVIDENDS

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked/Unfranked	Date of payment
2007				
Interim 2007 ordinary	**13.0**	**1,110**	**Fully franked**	**9 March 2007**
Final 2006 ordinary	**13.0**	**1,109**	**Fully franked**	**1 September 2006**
Total amount		**2,219**		
2006				
Interim 2006 ordinary	12.0	1,022	Fully franked	10 March 2006
Final 2005 ordinary	11.0	936	Fully franked	2 September 2005
Total amount		1,958		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

22. CAPITAL AND RESERVES (continued)

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
Final ordinary	14.0	1,197	Fully franked	3 September 2007
Total amount		1,197		

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2007 and will be recognised in subsequent financial reports.

DIVIDENDS

	THE COMPANY	
In thousands of AUD	**2007**	2006
Dividend franking account	**8,344**	7,497

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $512,957 (2006: $475,228).

23. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business.

CREDIT RISK

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Consolidated		**2007**			2006		
In thousands of AUD	Note	**Effective Interest**	**Total**	**6 Months** or Less	Effective Interest	Total	6 Months or Less
Cash and cash equivalents*	12	**5.81%**	**4,489**	**4,489**	5.5%	4,645	4,645

The Company		**2007**			2006		
n thousands of AUD	Note	**Effective Interest**	**Total**	**6 Months or Less**	Effective Interest	Total	6 Months or Less
Cash and cash equivalents*	12	**5.81%**	**4,413**	**4,413**	5.5%	4,611	4,611

* These assets / liabilities bear interest at a fixed rate.

FOREIGN CURRENCY RISK

The consolidated entity is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily New Zealand Dollars

23. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES

The fair values together with the carrying amounts shown in the balance sheet are as follows:

In thousands of AUD	Note	Carrying amount **2007**	Fair value **2007**	Carrying amount 2006	Fair value 2006
Consolidated					
Trade and other receivables	13	**8,777**	**8,777**	7,781	7,781
Cash and cash equivalents	12	**4,489**	**4,489**	4,645	4,645
Trade and other payables	18	**(3,709)**	**(3,709)**	(3,428)	(3,428)
		9,557	**9,557**	8,998	8,998

The Company		Carrying amount	Fair value	Carrying amount	Fair value
In thousands of AUD	Note	**2007**	**2007**	2006	2006
Trade and other receivables	13	**8,787**	**8,787**	7,825	7,825
Cash and cash equivalents	12	**4,413**	**4,413**	4,611	4,611
Trade and other payables	18	**(3,702)**	**(3,702)**	(3,425)	(3,425)
		9,498	**9,498**	9,011	9,011

ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

TRADE AND OTHER RECEIVABLES / PAYABLES

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

24. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	**2007**	2006	**2007**	2006
Less than one year	**297**	254	**231**	228
Between one and five years	**615**	812	**589**	812
More than five years	**-**	-	**-**	-
	912	1,066	**820**	1,040

The consolidated entity leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. None of the leases includes contingent rentals. Rentals are increased by CPI each year.

During the financial year ended 30 June 2007, $500,658 was recognised as an expense in the income statement in respect of operating leases (2006: $376,251).

25. CAPITAL AND OTHER COMMITMENTS

	CONSOLIDATED		THE COMPANY	
In thousands of AUD	**2007**	2006	**2007**	2006
Capital expenditure commitments - Plant and equipment contracted but not provided for and payable:				
Within one year	**133**	170	**133**	170
One year or later and no later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	133	170	**133**	170

26. CONSOLIDATED ENTITIES

	Note	Country of Incorporation	Ownership Interest 2007	2006
Ultimate Parent entity				
Hills Industries Limited		Australia	**47**	47
Subsidiaries				
Korvest NZ Ltd		New Zealand	**100**	100

Hills Industries Limited controls Korvest Ltd by virtue of their control of the company's board through the chairman's casting vote, effective management of the company and exposure to the risks and benefits of ownership, or control of voting rights through the dilution of minority shareholders.

27. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	Note	CONSOLIDATED 2007	CONSOLIDATED 2006	THE COMPANY 2007	THE COMPANY 2006
Cash flows from operating activities					
Profit for the period		**4,583**	4,122	**4,719**	4,326
Adjustments for:					
Depreciation	17,6	**605**	789	**596**	769
Impairment of trade receivables	6	**(111)**	36	**(111)**	36
Impairment of Inventories	6	**71**	550	**71**	550
Gain / (Loss) on sale of property, plant and equipment	6	**(4)**	8	**(4)**	8
Equity-settled share-based payment expenses	20	**52**	48	**52**	48
Add/(less) amounts set aside to provisions:					
- employee benefits	21	**715**	310	**71**	306
- other		**60**	150	**60**	150
Profit before changes in working capital		**5,971**	6,013	**6,101**	6,193
(Increase)/decrease in trade and other receivables		**(922)**	(862)	**(885)**	(908)
(Increase)/decrease in inventories		**(805)**	(3,946)	**(811)**	(3,788)
(Decrease)/increase in trade and other payables		**128**	(871)	**145**	(903)
(Increase)/decrease in deferred tax assets		**223**	69	**223**	69
(Decrease)/increase in income taxes payable		**(492)**	43	**(492)**	43
Increase in provisions and employee benefits		**(859)**	(429)	**(859)**	(429)
Net cash from operating activities		**3,244**	17	**3,422**	277

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

David James Simmons
(Chairperson)

Graham Lloyd Twartz

Peter Brodribb

John Alistair Easling (appointed October 2006)

Executive Directors

Ric Gros
(Managing Director), Resigned 12th June 2007

Nicole Anne Peake
(Finance Director)

Alexander Henrik Wilhelm Kachellek
(Managing Director), Appointed 12th June 2007

Executives

D M Salvaterra
(General Manager, Ezystrut)

C A Hartwig
(General Manager, Galvanising & Indax), Appointed 14th August 2006

C D Peck
(General Manager, Operations)

G Clement
(General Manager, Galvanising & Indax), Resigned 4th July 2006

The key management personnel compensation included in 'personnel expenses' (see note 7) are as follows:

	CONSOLIDATED		THE COMPANY	
In *AUD*	**2007**	2006	**2007**	2006
Short-term employee benefits	**1,048,299**	868,850	**1,048,299**	868,850
Other long term benefits	**88,121**	75,125	**88,121**	75,125
Termination benefits	**-**	111,687	**-**	111,687
Equity compensation benefits	**6,594**	6,647	**6,594**	6,647
	1,143,014	1,062,309	**1,143,014**	1,062,309

28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION DISCLOSURES

Information regarding individual directors and executives compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS WITH THE COMPANY OR ITS CONTROLLED ENTITIES

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

The movement during the reporting period in the number of options over ordinary shares in Korvest Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2006	Granted as Compensation	Exercised	Other Changes	**Held at 30 June 2007 IFRS**	**Held at 30 June 2007 ASX**	**Vested and Exercised During the Year Ended 30 June 2007 ASX**
Directors							
Ric Gros	30,000	-	-	-	**30,000**	**-**	**30,000**
Nicole Peake	-	15,000	-	-	**15,000**	**15,000**	**-**
Executives							
David Salvaterra	15,000	15,000	-	-	**30,000**	**15,000**	**15,000**
Graham Clement	7,500	-	-	(7,500)	**-**	**-**	**-**
Chris Hartwig	-	10,000	-	-	**10,000**	**10,000**	**-**
Carey Peck	-	7,500	-	-	**7,500**	**7,500**	**-**

* Other changes represent options that expired or were forfeited during the year.

No options held by key management personnel are vested but not exercisable.

28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION (continued)

	Held at 1 July 2005 IFRS	Granted as Compensation	Exercised	Other Changes	Held at 30 June 2006 IFRS	Held at 30 June 2006 ASX	Vested and Exercised During the Year Ended 30 June 2006 ASX
Directors							
Ric Gros	30,000	-	-	-	30,000	-	-
Executives							
David Salvaterra	15,000	-	-	-	15,000	-	-
Graham Clement	7,500	-	-	-	7,500	-	-

* Other changes represent options that expired or were forfeited during the year.

Options subject to a non-recourse loan for the purchase of shares are not recognised as exercised by International Financial Reporting Standards, until the loan is extinguished at which point the shares are recognised.

MOVEMENTS IN SHARES

The movement during the reporting period in the number of ordinary shares in Korvest Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Directors	Held at 1 July 2006	Purchases	Received on Exercise of Options	Sales	**Held at 30 June 2007**
D. Simmons	500	-	-	-	**500**
G. Twartz	26,115	-	-	(2,000)	**24,115**
R. Gros	2,100	178	-	-	**2,278**
P. Brodribb	15,781	-	-	-	**15,781**
N. Peake	500	-	-	-	**500**
J. Easling	-	500	-	-	**500**
A. Kachellek	-	-	-	-	**-**
Executives					
D. Salvaterra	5,833	178	-	-	**6,011**
G. Clement	114	-	-	-	**114**
C. Hartwig	-	-	-	-	**-**
C. Peck	-	-	-	-	**-**

No shares were granted to key management personnel during the reporting period as compensation.

29. NON-KEY MANAGEMENT PERSONNEL DISCLOSURES

IDENTITY OF RELATED PARTIES

The consolidated entity has a related party relationship with its ultimate parent entity (see Note 26), its subsidiary (see Note 26) and with its key management personnel (see note 28).

OTHER RELATED PARTY TRANSACTIONS

Ultimate Parent Entity
During the year the following material transactions took place with Hills Industries Limited.

	CONSOLIDATED		THE COMPANY	
	2007	2006	**2007**	2006
Sales	**484,945**	358,544	**484,945**	358,544
Purchases	**743,472**	567,977	**728,892**	561,977
Payment of Dividends	**1,029,691**	910,880	**1,029,691**	910,880
Amounts payable at balance date (current)	**158,023**	72,056	**158,023**	72,056
Amounts receivable at balance date (current)	**70,521**	58,176	**70,521**	58,176

SUBSIDIARIES

Loans are made by the Company to its wholly owned subsidiary. Loans outstanding between the Company and its controlled entities have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2007, such loans to subsidiaries totalled $264,231 (2006: $327,162). During the year the Company sold inventory to its wholly owned subsidiary. This inventory is sold at cost. During the financial year ended 30 June 2007, such sales totalled $268,360 (2006 : $509,525) and at 30 June 2007 amounts owing to the Company for the inventory totalled $110,158 (2006: $151,476).

30. SUBSEQUENT EVENTS

There has not arisen between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the consolidated entity, to affect significantly the operations of the consolidated entity in subsequent financial periods.

DIRECTORS' DECLARATION

Directors' declaration

1 In the opinion of the directors of Korvest Ltd ('the Company'):

(a) the financial statements and notes including the remuneration disclosures that are contained in the Remuneration report in 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 Company and the consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2007 pursuant to Section 295A of the Corporations Act 2001.

Dated at Adelaide this 24th day of August, 2007.

Signed in accordance with a resolution of the directors:

David Simmons
Director

KPMG

Independent auditor's report to the members of Korvest Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Korvest Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration of the Group, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

KPMG

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Korvest Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the remuneration report section of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

A Santin
Partner

Dated in Adelaide on this the 24th day of August 2007.

KPMG

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 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A Santin
Partner

Dated in Adelaide on this the 24th day of August 2007.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS (AS AT 24 AUGUST 2007)

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number
Hills Finance Ltd	3,960,349

VOTING RIGHTS

Ordinary shares
Refer to note 22 in the financial statements
Options
Refer to note 20 in the financial statements

DISTRIBUTION OF EQUITY SECURITY HOLDERS

	Number of Equity Security Holcders		
Category	Total Holders	Units	% Issued Capital
1 - 1,000	565	198,580	2.31
1,001 - 5,000	405	1,030,127	11.98
5,001 - 10,000	83	636,506	7.40
10,000 - 100,000	67	1,569,664	18.25
100,000 and over	6	5166,902	60.06
	1,126	8,601,779	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 43.

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange. The Home exchange is Adelaide.

OTHER INFORMATION

Korvest Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

TWENTY LARGEST SHAREHOLDERS

	Number of ordinary Shares held	Percentage of capital held
Hills Finance Ltd	3,960,349	46.04
Donald Cant Pty Ltd	454,773	5.29
JP Morgan Nominees Australia Limited	259,772	3.02
Citicorp Nominees Pty Limited	196,468	2.28
Cogent Nominees Pty Limited	182,700	2.12
Mr John Frederick Bligh	112,840	1.31
Bond Street Custodians Limited	75,000	0.87
Mr Benjamin Henderson	66,054	0.77
Mr Peter Simpson-Morgan	66,054	0.77
Ling Nominees Pty Ltd	61,900	0.72
Citicorp Nominees Pty Limited	59,676	0.69
Rotret Three Pty Ltd	54,108	0.63
Australian Reward Investment Alliance	51,500	0.60
Mardie Pty Ltd	50,358	0.59
Howard Securities Pty Ltd	44,483	0.52
LTM Nominees Pty Ltd	44,179	0.51
National Nominees Limited	41,400	0.48
Balgowan Nominees Pty Ltd	35,365	0.41
Grinding Services Pty Ltd	34,735	0.40
ANZ Nominees Limited	30,222	0.35
	5,881,936	68.37

OFFICES AND OFFICERS

COMPANY SECRETARY

Nicole Anne Peake, B.Ec (Adelaide), Grad. Dip CSA, A.C.A, A.C.S.A, M.A.I.C.D

PRINCIPAL REGISTERED OFFICE

Korvest Ltd
580 Prospect Road
Kilburn, South Australia, 5084
Ph: (08) 8360 4500
Fax: (08) 8360 4599

LOCATIONS OF SHARE REGISTRIES

Adelaide
Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
Adelaide, South Australia, 5000
Ph: (08) 8236 2300
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KORVEST LTD

ANNUAL REPORT

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