KORVEST LTD ANNUAL REPORT 2008

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KORVEST LTD

Korvest Ltd
and its controlled entities
ABN 20 007 698 106

Annual Report
30 June 2008

EzyStrut INDAX korvest galvanisers

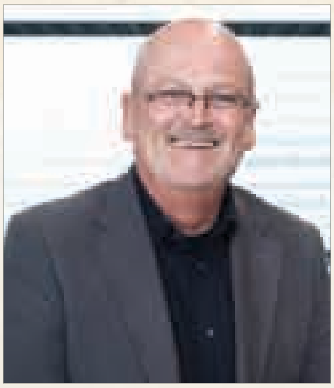
DIRECTORS' REPORT

Korvest Ltd and its controlled entities
for the year ended 30 June 2008

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 2008 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 (Accountancy) Chairperson Non-Executive Director
Age	54
Experience, special responsibilities and other directorships	A Director since 1994. Former Managing Director, Hills Industries Limited. Chairman, South Australian Centre for Innovation. Director, Codan Limited. Board Member Thomson Playford Lawyers.

Name, Qualifications and independence status	**Alexander Henrik Wilhelm Kachellek** BSc.MIEE Managing Director
Age	55
Experience, special responsibilities and other directorships	A Director since June 2007.

Name, Qualifications and independence status	**Graham Lloyd Twartz** B.A.(Adel), Dip Acc (Flinders) Non-Executive Director
Age	51
Experience, special responsibilities and other directorships	A Director since 1999. Chairman of Audit Committee. Managing Director, Hills Industries Limited. Director, Fielders Australia Pty Ltd.

Name, Qualifications and independence status	**Peter Brodribb** F.I.E (Aust) Non-Executive Director
Age	63
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	36
Experience, special responsibilities and other directorships	A Director since 2006. Company Secretary since November 2005. Resigned May 2008.

Name, Qualifications and independence status	**John Alistair Easling** Non-Executive Director
Age	47
Experience, special responsibilities and other directorships	A Director since 2006. Resigned April 2008.

COMPANY SECRETARY

Mr Steven J W McGregor CA, BA(Acc) was appointed to the position of company secretary in April 2008. Mr McGregor previously held the role of chief operating officer and company secretary with an unlisted public company for seven years.

RE-ELECTIONS

In accordance with our Articles of Association Graham Twartz retires from the Board at the forthcoming Annual General Meeting on 24 October 2008. He is eligible for re-election at that meeting and offers himself accordingly.

SINCE IT BEGAN IN 1970, KORVEST HAS CONTINUED TO EXPAND AND DEVELOP ITS OPERATIONS TO MEET THE GROWING NEEDS OF THE INDUSTRIES AND MARKETS IT SERVES.

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:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr D.J. Simmons	12	12	2	2	1	1
Mr G.L. Twartz	12	12	2	2	1	1
Mr P. Brodribb	12	12	2	2	1	1
Ms N.A. Peake	10	10	-	-	-	-
Mr J.A. Easling	5	9	-	-	-	-
Mr A.H.W. Kachellek	12	12	-	-	-	-

A = Number of Board meetings attended
B = Total Number of Board meetings available for attendance

FINANCIAL RESULTS

The revenue from trading activities including financial revenues for the year under review was $55.098m up 21% on the previous year. Profit after tax was $4.716m up by 3%. The improved results were achieved in an environment characterised by significant input cost pressure. Significant cost increases were incurred for steel based inputs, freight, gas and electricity.

Korvest continues to be well placed to take advantage of activity in the areas of mining and infrastructure.

DIVIDENDS

The Directors announced a fully franked final dividend of 14.0 cents per share compared to 14.0 cents per share last year and 14.0 cents at the half year. The full year dividend in relation to the 2008 year will be 28.0 cents per share compared to 27.0 cents per share for the previous year.

The final dividend will be paid on 1st September 2008.

A summary of dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year 2008				
Interim 2008 ordinary	14.0	1,197	Fully franked	7 March 2008
Final 2007 ordinary	14.0	1,198	Fully franked	3 September 2007
Total amount		2,395		

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 to the company.

Final ordinary	14.0	1,199	Fully franked	1 September 2008
Total amount		1,199		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports.

	Note	Total amount $'000
Dividends have been dealt with in the financial report as:		
- Dividends	*22*	2,395
- Noted as a subsequent event		1,199

STRATEGY AND FUTURE PERFORMANCE

Korvest expects to achieve satisfactory results in the 2009 year as a result of the ongoing activity in the key markets in which Korvest operates. The focus remains to strengthen and grow Korvest's existing business base however acquisition opportunities will always be considered.

ACTIVITIES

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

REVIEW OF OPERATIONS

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

EzyStrut

The EzyStrut cable and pipe support business supplies products to contractors for small industrial developments and also supplies products for major infrastructure developments. Although cost increases were generally recovered in the small industrial sector it was difficult to recover all of the cost increases for major infrastructure projects. It is expected that there will be further cost input pressure, particularly in relation to steel in the next six to twelve months. As a result the management of major infrastructure pricing has become an area of significant focus. With an inability to fix cost prices for major project quotations a decision has been taken to either insist on appropriate rise and fall clauses or shortening the timing validity for major project pricing. Steel price volatility, which is very much driven by demand out of China, is at the highest level ever experienced by the company.

Korvest Galvanisers

The Galvanising business, although experiencing weak demand in the first quarter of the year, rebounded to achieve satisfactory results for the full twelve months. Again the management of input costs was the major challenge for the business. Productivity and process improvements were the key areas of focus and excellent progress has been made in these two areas.

Indax

The Indax grating and stanchion business established itself as a viable supplier in South Australia and Western Australia during the year. In what could be described as an establishment year, the business is now well positioned to increase its market share particularly in the mining sector.

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 REPORTNG DATE

At the date of this report there is no matter or circumstance that has arisen since 30th June 2008, 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 2008.

LIKELY DEVELOPMENTS

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

DIRECTORS AND OFFICERS 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;

b) and 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 consolidated earnings before interest and income tax. Incentives for other executives are paid as a fixed percentage of their divisional earnings before interest and taxation (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 equally available to all employees who meet the plan service requirements 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 was last voted upon by shareholders at the AGM held on 27 October 2000 and 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 30.

KORVEST IS A DIVERSE MANUFACTURING ENTERPRISE BASED IN ADELAIDE, SOUTH AUSTRALIA, SUPPLYING QUALITY PRODUCTS AND SERVICES TO A VARIETY OF INDUSTRIES.

REMUNERATION REPORT (continued)

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, each of the five named Company and Group executives who receive the highest remuneration and other and key management personnel are:-

Name	Date	Short Term		Post employment
		Salary & Fees $	Bonus $	Superannuation benefits $
Specified Directors				
D.J. Simmons	2008	24,820	-	-
Non-executive (Chairman)	2007	22,750	-	-
G.L. Twartz	2008	24,820	-	-
Non-executive (Director)	2007	22,750	-	-
P. Brodribb	2008	24,820	-	2,234
Non-executive (Director)	2007	22,750	-	2,048
A.H. Kachellek (commenced June 07)	2008	201,472	60,000	23,547
Executive (Managing Director)	2007	11,193	5,000	1,007
Former Directors				
J.A. Easling (resigned April 2008)	2008	20,508	-	1,846
Non-executive (Director)	2007	17,063	-	1,536
N. Peake (resigned May 2008)	2008	142,996	5,000	13,320
Executive (Finance Director)	2007	154,004	-	13,724
Specified Executives				
D.M Salvaterra	2008	140,002	128,746	23,150
General Manager Ezystrut	2007	110,674	146,401	21,953
C.A. Hartwig (commenced Aug 06)	2008	158,003	50,336	19,323
General Manager Galvanising & Indax	2007	134,923	35,869	15,272
C.D. Peck	2008	120,002	63,414	16,018
General Manager Operations	2007	105,946	28,218	11,990
S.J.W. McGregor (commenced Apr 08)	2008	43,092	-	3,892
Chief Financial Officer & Company Secretary	2007	-	-	-

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 %
-	-	-	24,820	-	-
-	-	-	22,750	-	-
-	-	-	24,820	-	-
-	-	-	22,750	-	-
-	-	-	27,054	-	-
-	-	-	24,798	-	-
-	-	2,215	287,234	20.9	0.77
-	-	-	17,200	29.1	-
-	-	-	22,354	-	-
-	-	-	18,599	-	-
-	-	-	161,316	3.1	-
-	-	1,454	169,182	-	0.86
-	1,000	3,482	296,380	43.4	1.17
-	995	1,454	281,477	52.0	0.52
-	-	1,452	229,114	22.0	0.63
-	-	969	187,033	19.2	0.52
-	-	1,196	200,630	31.6	0.60
-	-	727	146,881	19.2	0.49
-	-	-	46,984	-	-
-	-	-	-	-	-

REMUNERATION REPORT (continued)

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 as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of Options vested during 2008 under AIFRS	Number of Options vested during 2008 under ASX
Directors							
N Peake	15,000	31 Mar 2008	0.426	6.00	Jan 2030	-	-
A Kachellek	30,000	31 Mar 2008	0.426	6.00	Jan 2030	-	-
A Kachellek	30,000	31 Mar 2008	0.312	5.48	Jan 2029	-	-
Executives							
D Salvaterra	10,000	31 Mar 2008	0.426	6.00	Jan 2030	-	-
C Hartwig	10,000	31 Mar 2008	0.426	6.00	Jan 2030	-	-
C Peck	10,000	31 Mar 2008	0.426	6.00	Jan 2030	-	-

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 Australian Securities Exchange in the five business days up to and including 31 December 2009 when added to the total dividends paid by the Company in the two year preceding periods exceeds an estimated $7.66.

After the vesting date and upon exercise 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 no shares were issued on the exercise of options previously granted as compensation.

REMUNERATION REPORT (continued)

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

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

	Options Granted				
	Number	Date	% vested in year	% forfeited in year	Year in which grant vests
Directors					
N Peake	15,000	31 May 2007	-%	100%	1 July 2008
	15,000	31 Mar 2008	-%	100%	1 July 2009
A Kachellek	30,000	31 Mar 2007	-%	-%	1 July 2008
	30,000	31 Mar 2008	-%	-%	1 July 2009
Executives					
D Salvaterra	15,000	31 Mar 2007	-%	-%	1 July 2008
	10,000	31 Mar 2008	-%	-%	1 July 2009
C Hartwig	10,000	31 Mar 2008	-%	-%	1 July 2008
	10,000	31 Mar 2008	-%	-%	1 July 2009
C Peck	7,500	31 Mar 2008	-%	-%	1 July 2008
	10,000	31 Mar 2008	-%	-%	1 July 2009

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 below.

	Value of Options		
	Granted in year $ (A)	Exercised in year $ (B)	Lapsed in year $ (C)
Directors			
N Peake	6,390	-	14,085
A Kachellek	22,152	-	-
Executives			
D Salvaterra	4,260	-	-
C Hartwig	4,260	-	-
C Peck	4,260	-	-

(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 2008 to 1 July 2013) which includes the minimum service period.

REMUNERATION REPORT (continued)

Analysis of Options and rights over equity instruments granted as compensation – audited

(B) The value of options exercised during the year is calculated as the market price of the Company on the Australian Securities 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 21 and 29 to the financial statements.

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 as follows:

	Korvest Ltd. Ordinary Shares	Korvest Ltd Share Options	Hills Industries Limited Ordinary Shares	Hills Industries Limited Share Options
David James Simmons	500	-	369,898	360,000
Alexander Henrik Wilhelm Kachellek	500	60,000	-	-
Peter Brodribb	15,781	-	10,130	-
Graham Lloyd Twartz	24,115	-	207,100	323,000

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:

- 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 9 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 24 to the financial statements.

ENVIRONMENT

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

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

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 60 and forms part of the directors' report for financial year ended 30 June 2008.

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 Thursday 21st of August 2008 in accordance with a resolution of the Directors.

D. J . SIMMONS, Director

A. H. W. KACHELLEK, Director

WE ENSURE OUR PRODUCTS ARE OF THE HIGHEST QUALITY BY MANUFACTURING AS MUCH AS WE CAN FROM RAW MATERIAL THAT MEET OUR STRINGENT STANDARDS OF QUALITY.

5 YEAR SUMMARY

Korvest Ltd and its controlled entities
for the year ended 30 June 2008

		2008	2007	2006	2005	2004
Sales Revenue	($'000)	**54,877**	45,434	40,667	32,058	43,107
Profit after tax	($'000)	**4,716**	4,583	4,122	3,061	2,727
Depreciation/Amortisation	($'000)	**695**	605	789	617	1,279
Cash flow from operations	($'000)	**2,178**	3,244	17	2,662	4,752
Profit from ordinary activities						
- As % of Shareholders' Equity		**18.1%**	21.1%	21.4%	17.9%	17.2%
- As % of Sales Revenue		**8.6%**	10.1%	10.1%	9.5%	6.3%
- Per issued share		**54.9c**	53.7c	48.4c	36.1c	32.7c
Dividend						
- Total amount	($'000)	**2,395**	2,219	2,131	1,784	1,424
- Per issued share		**28.0c**	27.0c	25.0c	21.0c	17.0c
- Times covered by profit from ordinary activities		**2.0**	2.0	1.9	1.7	1.9
Number of employees		**194**	187	164	161	158
Shareholders						
- Equity to total assets ratio		**75%**	75%	71%	67%	66%
- Number at year end		**1,056**	1,125	1,015	1,048	1,000
Net assets per issued ordinary share		**$3.06**	$2.54	$2.26	$2.02	$1.87

Information presented for 2004 has been prepared in accordance with Australian GAAP. Information for 2005 to 2008 has been calculated in accordance with Australian equivalents to IFRS.

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.

Commitment to ethical business practices

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

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

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

Commitment to good corporate governance

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

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

Board composition

The company constitution allows for a maximum of ten directors. The company Board currently comprises four directors, three being non-executive directors plus the Managing Director. The directors come from a variety of business and professional backgrounds and bring to the Board a range of skills and experience relevant to the consolidated entity. Details of the directors' experience, expertise and terms in office are set out on page 2 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.

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

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

The role of 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 46% of the shares in the company. Mr Simmons' considerable experience in the various industries within which the consolidated entity operates and the various positions and activities engaged in outside the entity are considered invaluable in his role as Chairman.

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

Nomination Committee

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

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

Board operations

During 2008 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.

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 page 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 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 29 to the financial statements.

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 Chief Financial Officer 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 Chief Financial Officer have declared, in writing to the Board, that the financial risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and 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, Chief Financial Officer 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 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 9 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.

Remuneration Committee

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 three non-executive, 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 29 to the financial statements.

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

Korvest Ltd and its controlled entities
for the year ended 30 June 2008

Income Statements for the year ended 30 June 2008

		Consolidated		The Company	
In thousands of AUD	*Note*	**2008**	**2007**	**2008**	**2007**
Revenue	*6*	54,877	45,434	54,613	45,112
Other income		134	142	116	142
		55,011	45,576	54,729	45,254
Expenses, excluding net financing costs	*7*	(48,466)	(39,183)	(48,872)	(38,725)
Profit before financing costs		6,545	6,393	5,857	6,529
Financial income	*10*	221	241	221	241
Net financing income		221	241	221	241
Profit before tax		6,766	6,634	6,078	6,770
Income tax expense	*11*	(2,050)	(2,051)	(2,050)	(2,051)
Profit for the year		**4,716**	**4,583**	**4,028**	**4,719**
Attributable to:					
Equity holders of the parent		4,716	4,583	4,028	4,719
Profit for the year		**4,716**	**4,583**	**4,028**	**4,719**
Earnings per share attributable to the ordinary equity holders of the Company:					
Basic earnings per share from continuing operations	*12*	0.55	0.54		
Diluted earnings per share from continuing operations	*12*	0.55	0.54		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 31 to 60.

Statements of Recognised Income and Expense for the year ended 30 June 2008

		Consolidated		The Company	
In thousands of AUD	*Note*	**2008**	**2007**	**2008**	**2007**
Revaluation of property		3,164	-	3,164	-
Tax effect of revaluation		(1,153)	-	(1,153)	-
Foreign exchange translation differences	*23*	(49)	(33)	-	-
Net income recognised directly in equity		**1,962**	**(33)**	**2,011**	**-**
Profit for the period		**4,716**	**4,583**	**4,028**	**4,719**
Total recognised income and expense for the period	*23*	**6,678**	**4,550**	**6,039**	**4,719**
Attributable to:					
Equity holders of the parent		6,678	4,550	6,039	4,719
Total recognised income and expense for the period	*23*	**6,678**	**4,550**	**6,039**	**4,719**

Other movements in equity arising from transactions with owners as owners are set out in note 23.

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 31 to 60.

Balance Sheets as at 30 June 2008

		Consolidated		The Company	
In thousands of AUD	*Note*	2008	2007	2008	2007
Assets					
Cash and cash equivalents	*13*	2,012	4,489	1,952	4,413
Trade and other receivables	*14*	12,647	8,864	12,647	8,872
Inventories	*15*	7,822	7,880	7,822	7,496
Total current assets		**22,481**	**21,233**	**22,421**	**20,781**
Deferred tax assets	*17*	-	269	-	269
Loans due from controlled entities	*14*	-	-	34	1,084
Property, plant and equipment	*18*	12,105	7,417	12,105	7,367
Total non-current assets		**12,105**	**7,686**	**12,139**	**8,720**
Total assets		**34,586**	**28,919**	**34,560**	**29,501**
Liabilities					
Trade and other payables	*19*	5,373	4,896	5,367	4,860
Employee benefits	*21*	1,203	1,125	1,203	1,124
Income tax payable	*16*	414	327	414	327
Provisions	*22*	189	289	189	289
Total current liabilities		**7,179**	**6,637**	**7,173**	**6,600**
Loans and borrowings	*20*	-	40	-	40
Employee benefits	*21*	274	239	274	239
Deferred tax liability	*17*	869	-	869	-
Provisions	*22*	262	328	262	328
Total non-current liabilities		**1,405**	**607**	**1,405**	**607**
Total liabilities		**8,584**	**7,244**	**8,578**	**7,207**
Net assets		**26,002**	**21,675**	**25,982**	**22,294**
Equity					
Issued capital		3,580	3,547	3,580	3,547
Reserves		3,201	1,228	3,302	1,280
Retained earnings		19,221	16,900	19,100	17,467
Total equity attributable to equity holders of the parent		**26,002**	**21,675**	**25,982**	**22,294**
Total equity	*23*	**26,002**	**21,675**	**25,982**	**22,294**

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 31 to 60.

Statement of Cash Flows for the year ended 30 June 2008

		Consolidated		The Company	
In thousands of AUD	*Note*	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities					
Cash receipts from customers		56,928	49,254	56,628	48,891
Cash paid to suppliers and employees		(52,993)	(43,931)	(52,924)	(43,390)
Cash generated from operations		3,935	5,323	3,704	5,501
Interest received		221	241	221	241
Income taxes paid		(1,978)	(2,320)	(1,978)	(2,320)
Net cash from operating activities	*28*	**2,178**	**3,244**	**1,947**	**3,422**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		225	37	204	32
Acquisition of property, plant and equipment	*18*	(2,439)	(1,185)	(2,439)	(1,169)
Loans provided to other entities		-	-	-	-
Net cash from investing activities		**(2,214)**	**(1,148)**	**(2,235)**	**(1,137)**
Cash flows from financing activities					
Loans (to) / repaid by controlled entities		-	-	222	(264)
Dividends paid	*23*	(2,395)	(2,219)	(2,395)	(2,219)
Net cash from financing activities		**(2,395)**	**(2,219)**	**(2,173)**	**(2,483)**
Net increase in cash and cash equivalents		(2,431)	(123)	(2,461)	(198)
Cash and cash equivalents at 1 July		4,489	4,645	4,413	4,611
Effect of exchange rate fluctuations on cash held		(46)	(33)	-	-
Cash and cash equivalents at 30 June	*13*	**2,012**	**4,489**	**1,952**	**4,413**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 31 to 60.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

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 2008 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 Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on 21st August 2008.

(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.

Notes to the Consolidated Financial Statements

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.

(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 impairment 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.

Notes to the Consolidated Financial Statements

(c) Financial instruments continued

(i) Non-derivative financial instruments continued

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 the income statement as incurred.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (continued)

(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.

(v) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(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.

(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 assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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.

Notes to the Consolidated Financial Statements

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(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.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (continued)

(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

(i) 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. Transfer of risks and rewards vary according to the terms of individual sale contracts. Transfer usually occurs when the product is received by the customer.

(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 expense 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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.

Notes to the Consolidated Financial Statements

(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 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations changes* the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement on non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operation Decision Maker in order to assess each segment's performance and to allocate resources to them. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost. With any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

Notes to the Consolidated Financial Statements

(p) New standards and interpretations not yet adopted continued

- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

4. Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings and trade references. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval. These limits are reviewed monthly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 24.

In most cases goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a priority claim. The Group does not require collateral in respect of trade and other receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Notes to the Consolidated Financial Statements

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. The Group also has banking facilities as detailed in note 20 to manage liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

With the closure of the New Zealand operations in November 2007 the Company now predominantly operates within Australia. The Company is exposed to currency risk with respect to some purchases that are denominated in currencies other than Australian Dollars (AUD). The currency in which these transactions are primarily denominated are US dollars (USD) and New Zealand Dollars (NZD).

Interest rate risk

The Group is not currently exposed in any material way to interest rate risk. The risk is limited to the re-pricing of short term deposits utilised for surplus funds. Such deposits generally re-price approximately every 30 days.

Other market price risk

The Group has no material financial instrument exposure to other market price risk as it is not exposed to either commodity price risk or equity securities price risk. The Group does not enter into commodity contracts other than to meet the Group's expected usage requirements.

Capital management

The Group's and the company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There were no changes in the Group's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

5. 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.

Notes to the Consolidated Financial Statements

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
6. Revenue and other income					
Revenue					
Sales of goods		54,877	45,434	54,613	45,112
Other income					
Other income		134	142	116	142
		55,011	45,576	54,729	45,254
7. Expenses					
Cost of goods sold		31,161	25,714	30,995	25,619
Distribution expenses		4,128	2,740	4,105	2,698
Sales and marketing expenses		9,940	8,247	9,781	8,017
Administration expenses		2,510	1,655	2,510	1,655
Occupancy expenses		608	569	535	480
Other expenses		119	258	118	256
Impairment loss on loan	*14*	-	-	828	-
		48,466	39,183	48,872	38,725
Profit from ordinary activities before income tax has been arrived at after charging / (crediting) the following items					
Depreciation of buildings		47	47	47	47
Depreciation of property, plant and equipment		648	558	638	549
	18	695	605	685	596
Increase in provisions	*22*	150	60	150	60
Executive share plan expense	*21, 23*	11	11	11	11
Employee share bonus plan expense	*21, 23*	33	41	33	41
Impairment loss/(reversal) on trade receivables	*14*	(251)	(111)	(251)	(111)
Impairment loss on inventories	*15*	62	71	62	71
(Profit) / loss on disposal of property, plant and equipment		(7)	(4)	(23)	(4)
8. Personnel expenses					
Wages and salaries		13,215	9,210	13,160	9,012
Other associated personnel expenses		2,579	2,115	2,572	2,104
Contributions to defined contribution superannuation funds	*21a*	889	755	889	755
Increase in liability for annual leave	*21*	79	524	81	524
Increase in liability for long service leave	*21*	33	185	33	185
Equity-settled transactions	*21b*	44	52	44	52
		16,839	12,841	16,779	12,632

Notes to the Consolidated Financial Statements

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
9. Auditor's remuneration					
Audit services					
Auditors of the Company					
KPMG Australia:					
Audit and review of financial reports		47,000	40,000	47,000	40,000
Overseas KPMG Firms:					
Audit and review of financial reports		5,155	6,438	-	-
		52,155	46,438	47,000	40,000
Other services					
Auditors of the Company					
KPMG Australia					
Taxation services		5,000	4,500	5,000	4,500
Overseas KPMG Firms:					
Taxation Services		3,032	2,934	-	-
		8,032	7,434	5,000	4,500
10. Net financing costs					
Interest income		221	241	221	241
Financial income		221	241	221	241
Interest expense		-	-	-	-
Financial expenses		-	-	-	-
Net financing income		221	241	221	241
11. Income tax expense					
Recognised in the income statement					
Current tax expense					
Current year		2,081	1,819	2,081	1,819
Adjustments for prior years		(16)	8	(16)	8
		2,065	1,827	2,065	1,827
Deferred tax expense					
Origination and reversal of temporary differences	*17*	(15)	224	(15)	224
Total income tax expense in income statement		2,050	2,051	2,050	2,051

Notes to the Consolidated Financial Statements

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
11. Income tax expense (continued)				
Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax	6,766	6,634	6,078	6,770
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	2,030	1,990	1,823	2,031
Increase in income tax expense due to:				
Non-deductible expenses	36	53	243	12
Under / (over) provided in prior years	(16)	8	(16)	8
Income tax expense on pre-tax net profit	2,050	2,051	2,050	2,051
Income tax recognised directly in equity				
Revaluation of property	1,153	-	1,153	-
Total income tax recognised directly in equity	1,153	-	1,153	-

12. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $4,715,752 (2007: $4,582,798) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 8,558,047 (2007: 8,541,381). The calculation of diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $4,726,416 (2007: $4,595,344) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 8,610,547 (2007: 8,562,956).

Weighted average number of ordinary shares

	Basic		Diluted	
In thousands of shares	**2008**	**2007**	**2008**	**2007**
Issued ordinary shares at 1 July	8,549	8,530	8,549	8,530
Effect of Employee Share Scheme	9	11	9	11
Effect of Executive Share Plan	-	-	52	22
Weighted average number of ordinary shares at 30 June	8,558	8,541	8,610	8,563

Earnings per share

Basic and diluted earnings per share		
In AUD	**2008**	**2007**
From continuing operations	0.55	0.54
	0.55	0.54

13. Cash and cash equivalents

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Bank balances	1,274	1,791	1,214	1,715
Call deposits	738	2,698	738	2,698
Cash and cash equivalents in the statement of cash flows	2,012	4,489	1,952	4,413

Notes to the Consolidated Financial Statements

	In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
14.	**Trade and other receivables**					
	Current					
	Other receivables and prepayments		172	87	172	85
	Trade receivables	*24*	12,475	8,777	12,475	8,787
			12,647	8,864	12,647	8,872
	Non-current					
	Loans to controlled entities	*24*	-	-	34	1,084
			-	-	34	1,084

Company and Group trade receivables are shown net of provided impairment losses amounting to $172,000 (2007: $423,000) arising from the likely bankruptcy of certain customers. Loans to controlled entities are shown net of impairment losses of $828,000 (2007: nil).

		Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
15.	**Inventories**				
	Raw materials and consumables	2,007	3,018	2,007	3,018
	Work in progress	303	130	303	130
	Finished goods	5,512	4,732	5,512	4,348
		7,822	7,880	7,822	7,496

Finished goods for the Company and Group are shown net of impairment losses amounting to $558,000 (2007: $620,000) recognised in the current year, and arising from the likely inability to sell a product range.

16. Current tax assets and liabilities

The current tax liability for the consolidated entity and the Company of $413,577 (2007: $326,612) represent the amount of income taxes payable in respect of current and prior periods.

17. 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	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	(175)	(254)	1,407	280	1,232	26
Inventories	(168)	(186)	431	614	263	428
Provisions / accruals	(575)	(597)	-	-	(575)	(597)
Other items	(51)	(126)	-	-	(51)	(126)
Tax (assets) / liabilities	(969)	(1,163)	1,838	894	869	(269)
Set off of tax	969	894	(969)	(894)	-	-
Net tax (assets) / liabilities	-	(269)	869	-	869	(269)

Notes to the Consolidated Financial Statements

17. Deferred tax assets and liabilities (continued)

The Company	Assets		Liabilities		Net	
In thousands of AUD	2008	2007	2008	2007	2008	2007
Property, plant and equipment	(175)	(254)	1,407	280	1,232	26
Inventories	(168)	(186)	431	614	263	428
Provisions / accruals	(575)	(597)	-	-	(575)	(597)
Other items	(51)	(126)	-	-	(51)	(126)
Tax (assets) / liabilities	(969)	(1,163)	1,838	894	869	(269)
Set off of tax	969	894	(969)	(894)	-	-
Net tax (assets) / liabilities	-	(269)	869	-	869	(269)

Movement in temporary differences during the year

	Consolidated				The Company			
In thousands of AUD	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08
Property, plant and equipment	(26)	(53)	(1,153)	(1,232)	(26)	(53)	(1,153)	(1,232)
Inventories	(428)	165	-	(263)	(428)	165	-	(263)
Provisions / accruals	597	(22)	-	575	597	(22)	-	575
Other items	126	(75)	-	51	126	(75)	-	51
	269	15	(1,153)	(869)	269	15	(1,153)	(869)

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 / accruals	622	(25)	-	597	622	(25)	-	597
Other items	160	(34)	-	126	160	(34)	-	126
	493	(224)	-	269	493	(224)	-	269

Notes to the Consolidated Financial Statements

18. Property, Plant and equipment

	Consolidated			The Company		
In thousands of AUD	Land and buildings (fair value)	Plant and equipment (cost)	Total	Land and buildings (fair value)	Plant and equipment (cost)	Total
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
Balance at 1 July 2007	3,925	9,558	13,483	3,925	9,440	13,365
Other acquisitions	53	2,386	2,439	53	2,386	2,439
Revaluation	2,977	-	2,977	2,977	-	2,977
Disposals	-	(535)	(535)	-	(424)	(424)
Effect of movements in exchange rates	-	(7)	(7)	-	-	-
Balance at 30 June 2008	6,955	11,402	18,357	6,955	11,402	18,357
Depreciation and impairment losses						
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
Balance at 1 July 2007	153	5,913	6,066	153	5,845	5,998
Depreciation charge for the year	47	648	695	47	638	685
Disposals	-	(317)	(317)	-	(244)	(244)
Effect of movements in exchange rates	-	(5)	(5)	-	-	-
Revaluation	(187)	-	(187)	(187)	-	(187)
Balance at 30 June 2008	13	6,239	6,252	13	6,239	6,252
Carrying amounts						
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
At 1 July 2007	3,772	3,645	7,417	3,772	3,595	7,367
At 30 June 2008	6,942	5,163	12,105	6,942	5,163	12,105

An independent valuation of Land and Buildings was carried out in March 2008 by Mr John Vestakis, AAPI, and Mr Adam Bald, GAPI of AON Valuation Services, on the basis of the open market value of the properties concerned in their existing use. Land was valued at $4,680,000 and buildings were valued at $2,275,000. The carrying amount of the Land and Buildings at cost at 30 June 2008 if not revalued would be $1,397,534.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

19. Trade and other payables

		Consolidated		The Company	
In thousands of AUD	*Note*	2008	2007	2008	2007
Other trade payables and accrued expenses	*24*	4,150	3,709	4,143	3,702
Non-trade payables and accrued expenses		1,223	1,187	1,224	1,158
		5,373	4,896	5,367	4,860

20. 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 24.

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Non-current liabilities				
Unsecured government loan at nominal value	40	40	40	40
Fair value adjustment	(40)	-	(40)	-
Unsecured government loan at fair value	-	40	-	40

Financing facilities

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
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 2008.

Unsecured bank facility

The unsecured bank facility is reviewed annually. No drawdowns against this facility had been made as at 30 June 2008.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

21. Employee benefits

Current

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Liability for annual leave	637	557	637	556
Liability for long service leave	566	568	566	568
	1,203	1,125	1,203	1,124

Non Current				
Liability for long-service leave	274	239	274	239
Total employee benefits	1,477	1,364	1,477	1,363

(a) Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $889,234 for the financial year ended 30 June 2008 (2007: $755,542).

(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	40,000	40,000
March 2008	120,000	100,000	100,000
Total share options	235,000	192,500	140,000

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.

Notes to the Consolidated Financial Statements

21. Employee benefits (continued)

Share based payments (continued)

Grant date	Exercise date	Expiry date	Exercise price	Number of Options at Beginning of Year	Options granted	Options lapsed / forfeited	Options exercised	Number of options at end of year on issue
Consolidated and Company 2008								
Feb 05	Jan 07	Jan 2027	$4.36	52,500	-	-	-	52,500
Feb 07	Jan 09	Jan 2029	$5.48	55,000	30,000	(15,000)	-	70,000
Mar 08	Jan 10	Jan 2030	$6.00	-	90,000	(20,000)	-	70,000
				107,500	120,000	(35,000)	-	192,500
Weighted average exercise price				$4.93	$5.87			$5.36
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

The fair value of services received in return for share options granted during the year was $51,120 (2007: $58,563). This amount is amortised over the life of the option and the three-year service 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	**2008**	**2007**	**2008**	**2007**
Share options granted in 2005	1	5	1	5
Share options granted in 2007	6	6	6	6
Share options granted in 2008	4	-	4	-
Expense arising from employee share scheme	33	41	33	41
Total expense recognised as employee costs	44	52	44	52

Notes to the Consolidated Financial Statements

22. Provisions

In thousands of AUD	Site restoration and safety
Consolidated	
Balance at 1 July 2007	617
Provisions made during the year	150
Provisions used during the year	(316)
Balance at 30 June 2008	451
Current	189
Non-current	262
	451
The Company	
Balance at 1 July 2007	617
Provisions made during the year	150
Provisions used during the year	(316)
Balance at 30 June 2008	451
Current	189
Non-current	262
	451

Site restoration and safety

An initial provision of $360,000 was made during the financial year ended 30 June 2003 and further provisions have made in the intervening years in respect of the consolidated entity's obligation to rectify potential environmental damage and site safety issues at the main site premises in Kilburn. Some required work was completed during the financial year ended 30 June 2008 at a cost of $316,000 (2007: $234,000). A further provision of $150,000 (2007: $60,000) was identified during the financial year ended 30 June 2008. These costs will be expended over the financial year ending 30 June 2009 and future periods.

23. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

Consolidated *In thousands of AUD*	*Note*	Share capital	Translation reserve	Revaluation reserve	Equity Compensation Reserve	Retained earnings	Total
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	*21b*	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

Notes to the Consolidated Financial Statements

23. Capital and reserves (continued)

Consolidated

In thousands of AUD	*Note*	Share capital	Translation reserve	Revaluation reserve	Equity Compensation Reserve	Retained earnings	Total
Balance at 1 July 2007		3,547	(52)	1,264	16	16,900	21,675
Total recognised income and expense		-	(49)	2,011	-	4,716	6,678
Equity-settled transactions, net of tax	*21b*	33	-	-	11	-	44
Dividends to shareholders		-	-	-	-	(2,395)	(2,395)
Balance at 30 June 2008		3,580	(101)	3,275	27	19,221	26,002

The Company

In thousands of AUD	*Note*	Share capital	Revaluation reserve	Equity Compensation Reserve	Retained earnings	Total equity
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	*21b*	41	-	11	-	52
Dividends to shareholders		-	-	-	(2,219)	(2,219)
Balance at 30 June 2007		3,547	1,264	16	17,467	22,294
Balance at 1 July 2007		3,547	1,264	16	17,467	22,294
Total recognised income and expense		-	2,011	-	4,028	6,039
Equity-settled transactions, net of tax	*21b*	33	-	11	-	44
Dividends to shareholders		-	-	-	(2,395)	(2,395)
Balance at 30 June 2008		3,580	3,275	27	19,100	25,982

Share capital

	The Company Ordinary shares	
In thousands of shares	**2008**	**2007**
On issue at 1 July	8,549	8,530
Issued under the Employee Share Bonus Plan	16	19
On issue at 30 June – fully paid	8,565	8,549

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.

Notes to the Consolidated Financial Statements

23. Capital and reserves (continued)

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 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 or retained earnings 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
2008				
Interim 2008 ordinary	14.0	1,197	Fully franked	7 March 2008
Final 2007 ordinary	14.0	1,198	Fully franked	3 September 2007
Total amount		2,395		
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 or paid during the year were franked at the tax rate of 30%.

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	1,199	Fully franked	1 September 2008
Total amount		1,199		

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2008 and will be recognised in subsequent financial reports.

Notes to the Consolidated Financial Statements

23. Capital and reserves (continued)

Dividends

	The Company	
In thousands of AUD	**2008**	**2007**
30% franking credits available to shareholders of Korvest Limited for subsequent financial years	9,381	8,344

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 $513,893 (2007: $512,957).

Notes to the Consolidated Financial Statements

24. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group and Company's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is summarised below:

		Consolidated		Company	
In thousands of AUD	*Note*	**2008**	**2007**	**2008**	**2007**
Cash and cash equivalents	*13*	2,012	4,489	1,952	4,413
Trade and other receivables	*14*	12,647	8,864	12,647	8,872
Loan to controlled entity	*14*	-	-	34	1,084

Impairment losses

The aging of the Group and Company's trade receivables at the reporting date was:

Group

	Gross	Impairment	Gross	Impairment
In thousands of AUD	**2008**	**2008**	**2007**	**2007**
Not past due	8,984	-	7,215	-
Past due 0-30 days	2,700	-	1,080	-
Past due 31-90 days	667	-	463	-
More than 91 days	296	(172)	442	(423)
	12,647	(172)	9,200	(423)

Company

	Gross	Impairment	Gross	Impairment
In thousands of AUD	**2008**	**2008**	**2007**	**2007**
Not past due	8,984	-	7,225	-
Past due 0-30 days	2,700	-	1,080	-
Past due 31-90 days	667	-	463	-
More than 91 days	296	(172)	442	(423)
	12,647	(172)	9,210	(423)

Notes to the Consolidated Financial Statements

24. Financial instruments (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Group

In thousands of AUD	**2008**	**2007**
Balance at 1 July	(423)	(534)
Impairment loss (recognised) / reversed	251	111
Balance at 30 June	(172)	(423)

Company

In thousands of AUD	**2008**	**2007**
Balance at 1 July	(423)	(534)
Impairment loss (recognised) / reversed	251	111
Balance at 30 June	(172)	(423)

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 91 days.

The movement in the allowance for impairment in respect of loans to subsidiary during the year was as follows:

Company

In thousands of AUD	**2008**	**2007**
Balance at 1 July	-	-
Impairment loss (recognised) / reversed	(828)	-
Balance at 30 June	(828)	-

The Group sells to a variety of customers including wholesalers and end users and does not have a concentration of credit risk in any one sector. The Group's entire credit risk is within the geographic region of Australia.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments. The amounts disclosed are the contractual undiscounted cash flows (inflows shown as positive, outflows as negative).

Consolidated

		2008			**2007**	
In thousands of AUD	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**Carrying amount**	**Contractual cash flows**	**6 mths or less**
Non-derivative financial liabilities						
Trade and other payables	5,373	(5,373)	(5,373)	4,896	(4,896)	(4,896)
	5,373	(5,373)	(5,373)	4,896	(4,896)	(4,896)

Company

		2008			**2007**	
In thousands of AUD	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**Carrying amount**	**Contractual cash flows**	**6 mths or less**
Non-derivative financial liabilities						
Trade and other payables	5,367	(5,367)	(5,376)	4,860	(4,860)	(4,860)
	5,367	(5,367)	(5,367)	4,860	(4,860)	(4,860)

Notes to the Consolidated Financial Statements

24. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

In thousands	NZD 30 June 2008	NZD 30 June 2007
Trade receivables	-	111
Trade payables	(6)	(131)
Gross balance sheet exposure	(6)	(20)

The Company did not have any material exposure to foreign currency risk.

As a result of the group's small net exposure to foreign currency movements in the Australian dollar against other currencies will not have a material impact on the Group's profit or equity.

Interest rate risk

Exposure to interest rate risk

Movements in interest rates will not have a material impact on the Group's profit or equity.

Fair values

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

Consolidated

In thousands of AUD	*Note*	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Trade and other receivables	*14*	12,475	12,475	8,777	8,777
Cash and cash equivalents	*13*	2,012	2,012	4,489	4,489
Trade and other payables	*19*	(4,150)	(4,150)	(3,709)	(3,709)
		10,337	10,337	9,557	9,557

The Company

In thousands of AUD	*Note*	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Trade and other receivables	*14*	12,475	12,475	8,787	8,787
Loans to controlled entities	*14*	34	34	1,084	1,084
Cash and cash equivalents	*13*	1,952	1,952	4,413	4,413
Trade and other payables	*19*	(4,143)	(4,143)	(3,702)	(3,702)
		10,318	10,318	10,582	10,582

Notes to the Consolidated Financial Statements

25. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Less than one year	639	297	614	231
Between one and five years	2,218	615	2,218	589
More than five years	184	-	184	-
	3,041	912	3,016	820

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 2008, $498,824 was recognised as an expense in the income statement in respect of operating leases (2007: $500,658).

26. Capital and other commitments

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	206	133	206	133
One year or later and no later than five years	-	-	-	-
Later than five years	-	-	-	-
	206	133	206	133

27. Consolidated entities

		Country of Incorporation	Ownership interest	
	Note		**2008**	**2007**
Ultimate Parent entity				
Hills Industries Limited		Australia	46	46
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.

Notes to the Consolidated Financial Statements

28. Reconciliation of cash flows from operating activities

		Consolidated		The Company	
In thousands of AUD	*Note*	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities					
Profit for the period		4,716	4,583	4,028	4,719
Adjustments for:					
Depreciation	*18, 7*	695	605	685	596
Impairment / (reversal) of trade receivables	*7*	(251)	(111)	(251)	(111)
Impairment / (reversal) of inventories	*7*	(62)	71	(62)	71
(Gain) / Loss on sale of property, plant and equipment	*7*	(7)	(4)	(23)	(4)
Impairment of receivable		-	-	828	-
Equity-settled share-based payment expenses	*21*	44	52	44	52
Add/(less) amounts set aside to provisions:					
- employee benefits		821	715	822	718
- other	*22*	150	60	150	60
Profit before changes in working capital		**6,106**	**5,971**	**6,221**	**6,101**
(Increase)/decrease in trade and other receivables		(3,532)	(922)	(3,546)	(885)
(Increase)/decrease in inventories		120	(805)	(264)	(811)
(Decrease)/increase in trade and other payables		478	128	216	145
(Increase)/decrease in deferred tax assets and liabilities		(15)	223	(15)	223
(Decrease)/increase in income taxes payable		87	(492)	87	(492)
Increase in provisions and employee benefits		(1,066)	(859)	(752)	(859)
Net cash from operating activities		**2,178**	**3,244**	**1,947**	**3,422**

29. 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	Executive Directors	Executives
David James Simmons (Chairperson)	Ric Gros (Managing Director), Resigned 12th June 2007	D M Salvaterra (General Manager, Ezystrut)
Graham Lloyd Twartz	Nicole Anne Peake (Finance Director), Resigned 8 May 2008	C A Hartwig (General Manager, Galvanising & Indax), Appointed 14th August 2006
Peter Brodribb	Alexander Henrik Wilhelm Kachellek (Managing Director), Appointed 12th June 2007	C D Peck (General Manager, Operations)
John Alistair Easling		G Clement (General Manager, Galvanising & Indax), Resigned 4th July 2006
		S J W McGregor (Chief Financial Officer and Company Secretary) Appointed 7th April 2008

Notes to the Consolidated Financial Statements

29. Key management personnel disclosures (continued)

The key management personnel compensation included in 'personnel expenses' (see note 8) are as follows:

	Consolidated		The Company	
In AUD	**2008**	**2007**	**2008**	**2007**
Short-term employee benefits	1,208,031	1,048,299	1,208,031	1,048,299
Other long term benefits	103,330	88,121	103,330	88,121
Termination benefits	-	-	-	-
Equity compensation benefits	9,345	6,594	9,345	6,594
	1,320,706	1,143,014	1,320,706	1,143,014

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

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 2007 IFRS	Granted as compen-sation	Exercised	Other changes	Held at 30 June 2008 IFRS	Held at 30 June 2008 ASX	ASX Vested and exercised during the year ended 30 June 2008
Directors							
Alexander Kachellek	-	60,000	-	-	60,000	60,000	-
Nicole Peake	15,000	15,000	-	(30,000)	-	-	-
Executives							
David Salvaterra	30,000	10,000	-	-	40,000	25,000	-
Chris Hartwig	10,000	10,000	-	-	20,000	20,000	-
Carey Peck	7,500	10,000	-	-	17,500	17,500	-
Steven McGregor	-	-	-	-	-	-	-

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

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

Notes to the Consolidated Financial Statements

29. Key management personnel disclosures (continued)

Options and rights over equity instruments granted as compensation continued

	Held at 1 July 2006 IFRS	Granted as compen-sation	Exercised	* Other changes	Held at 30 June 2007 IFRS	Held at 30 June 2007 ASX	ASX Vested and exercised during the year ended 30 June 2007
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.

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:

	Held at 1 July 2007	Purchases	Allocated under Employee share plan	Received on exercise of options	Sales	Held at 30 June 2008
Directors						
D. Simmons	500	-		-	-	500
G. Twartz	24,115	-		-	-	24,115
P. Brodribb	15,781	-		-	-	15,781
N. Peake	500	-		-	-	500
J. Easling	500	-		-	-	500
A. Kachellek	-	500		-	-	500
Executives						
D. Salvaterra	6,011	-	178	-	-	6,189
C. Hartwig	-	-	-	-	-	-
C. Peck	-	-	-	-	-	-
S McGregor	-	-	-	-	-	-

No shares were granted to key management personnel during the reporting period as compensation other than those provided under the employee share plan on the same terms and conditions as for all employees.

Notes to the Consolidated Financial Statements

30. Non-key management personnel disclosures

Identity of related parties

The consolidated entity has a related party relationship with its ultimate parent entity (see Note 27), its subsidiary (see Note 27) and with its key management personnel (see note 29).

Other related party transactions

Ultimate Parent Entity

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

	Consolidated		The Company	
	2008	**2007**	**2008**	**2007**
Sales	376,436	484,945	376,436	484,945
Purchases	831,697	743,472	822,192	728,892
Payment of Dividends	1,108,898	1,029,691	1,108,898	1,029,691
Amounts payable at balance date (current)	60,168	158,023	60,168	158,023
Amounts receivable at balance date (current)	68,984	70,521	68,984	70,521

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 2008, such loans to subsidiaries totalled net repayments of $221,640 (2007: $264,231 advanced). At 30 June 2008 an impairment loss of $828,000 was recognised in relation to the loan to the wholly owned subsidiary. 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 2008, such sales totalled $58,507 (2007 : $268,360) and at 30 June 2008 amounts owing to the Company for the inventory totalled $nil (2007: $110,158).

31. 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

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 2008 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 financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) 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 2008 pursuant to Section 295A of the Corporations Act 2001.

Dated at Adelaide this 21st day of August, 2008.

Signed in accordance with a resolution of directors:

David Simmons
Director

Independent auditor's report to the members of Korvest Limited

Report on the financial report

We have audited the accompanying financial report of Korvest Limited (the Company), which comprises the balance sheets as at 30 June 2008, 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 31 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.

Directors' responsibility for the financial 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. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

KPMG

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

Auditor's opinion

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 2008 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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Korvest Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

[illegible]. Savage
Partner

Dated at Adelaide, on this the 21 day of August 2008.

KPMG

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

To: the directors of Korvest Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 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

[illegible] Savage
Partner

Dated at Adelaide, on this the 21st day of August 2008.

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 21 August 2008)

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 23 in the financial statements

Options

Refer to note 21 in the financial statements

Distribution of equity security holders

	Number of Equity Security Holders		
Category	Total Holders	Units	% Issued Capital
1 - 1,000	554	194,866	2.26
1,001 - 5,000	392	995,159	11.55
5,001 - 10,000	72	550,987	6.39
10,000 - 100,000	64	1,599,386	18.56
100,000 and over	7	5,276,985	61.24
	1,089	8,617,383	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 46.

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.

ASX additional information (continued)

Twenty largest shareholders

Name	Number of ordinary Shares held	Percentage of capital held
Hills Finance Ltd	3,960,349	45.96
Donald Cant Pty Ltd	471,373	5.47
JP Morgan Nominees Australia Limited	258,191	3.00
Citicorp Nominees Pty Limited	189,478	2.20
(CFS WSLE 452 Aust Share a/c)		
Cogent Nominees Pty Limited	172,191	2.00
RBC Dexia Investor Services Australia Nominees Pty Limited	118,071	1.37
Mr John Frederick Bligh	112,840	1.31
Capucin Pty Ltd	91,182	1.06
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 (CFSIL CFSWS Gear 452 AU a/c)	59,676	0.69
Rotret Three Pty Ltd	54,108	0.63
Australian Reward Investment Alliance	51,500	0.60
Bond Street Custodians Limited	50,982	0.59
Mardie Pty Ltd	50,358	0.58
Howard Securities Pty Ltd	46,885	0.54
National Nominees Limited	41,508	0.48
LTM Nominees Pty Ltd	40,179	0.47
ANZ Nominees Limited	38,722	0.45
	6,001,601	69.66

KORVEST OFFERS NEARLY 40 YEARS' EXPERIENCE PRODUCING HIGH-QUALITY PRODUCTS THROUGH OUR THREE SPECIALIST DIVISIONS EZYSTRUT, KORVEST GALVANISING AND INDAX.

ASX additional information (continued)

Officers and offices

Company Secretary
Steven John William McGregor CA, BA(Acc)

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KORVEST LTD
EzyStrut
INDAX
korvest galvanisers