SWEPDRI LIMITED
ABN 64 099 851 653

ANNUAL REPORT 2004

Contents

SWEPDRI LIMITED
ABN 64 099 851 653

DIRECTORS' REPORT

The Directors present their report on SwepDri Limited ('SDL') for the year to 30 June 2004.

Directors

The Directors of SDL during the financial period and until the date of this report are:

Hans Eberhard Graf (Chairman and Managing Director)
Anne Muriel Jensen (Executive Director and Company Secretary)
Tanvanth Singh Sandhu (Non-Executive Director)

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Principal Activities

The principal activity of SDL during the financial year was the commercialisation and distribution of the Spanish Drizoro Product range in Australia, and developing markets in areas other than Australia.

Results

SDL incurred a pre-tax operating loss of $569,001 (2003 Loss: ($208,047)).

Dividends

No dividend has been paid during the financial year and no dividend is recommended for the current year.

Review of Operations

SDL acquired the existing supply contracts of a Director related entity, Swepdri International Pty Limited (A.C.N. 003 944 803) ("SWI") and the distribution for SWEPCO products during August 2003.

SDL listed on the Stock Exchange of Newcastle (NSX) on 23rd October 2003.

The assembling of Handi-Packs by SDL has commenced with the first Handi-Packs sold and distributed from February 2004.

SDL has formalised the documentation with all director related corporations in relation to leasing of realty and equipment and inter company borrowings.

Significant Changes in State of Affairs

1. During the financial period there were significant changes in SDL's state of affairs with the listing on the NSX and increased borrowings for operations.
2. SDL raised a net amount of $535,136 in float proceeds prior to listing in October 2003.
3. SDL entered into a factoring agreement with ORIX Australia Corporation Limited ('ORIX') on 17 September 2003. On 18 September 2003 ORIX registered a fixed and floating charge over SDL's assets. SWI, a Director related entity, and Mr Hans Graf, a Director are guarantors under the factoring agreement.
4. On 5 February 2004 the NSX placed the Company into a trading halt at the request of the Australian Securities and Investments Commission ('ASIC').
5. SDL borrowed from a third party ('the Lender') an amount of $150,000 over February and March 2004, repayable before the end of the calendar year 2004 at an interest rate of 7% per annum, payable monthly. Subject to approval of the shareholders and compliance with the Corporations Act 2001 ('the Act') and the NSX Listing Rules ('the Rules'), SDL granted options to the Lender and agreed to provide the right for the Lender to be issued Convertible Notes in lieu of SDL repaying the loan. On 24th June 2004, the terms of the loan were varied and the loan extended to June 2005 and the rate of interest varied to a rate of 3% per month. The right to Convertible Notes was cancelled and the right to grant options in SDL was cancelled prior to the approval of shareholders and compliance with the Act and the Rules.
6. On 24th June 2004, SDL acquired the Head Licence from the Director related entity SWI, with the consent of Drizoro, together with an assignment of sales contracts made by SWI in Cambodia, the Maldives, Sri Lanka, Vietnam, and the Peoples Republic of China. The arrangement formally commenced on 1st July 2004.
7. On 24th June 2004, SDL entered into a Consultancy Agreement with the Lender referred to in point 5 above, to offer services to SDL and to assist in the raising of up to $500,000 for the purposes of working capital for SDL.
8. On 24th June 2004, SDL agreed with the Lender referred to in point 5 above, to borrow up to $500,000 from him by draw-downs to be made in multiples of $10,000 upon the giving of 10 days prior written notice of draw-down. The Lender has no further obligation to make available loans after 31 December 2004. Each draw-down is for a period of 12 months from the date of draw-down together with interest payable at the rate of 5% per month paid in arrears on calendar monthly rests. SDL had drawn a sum of $200,000 of that facility as at 24th June 2004.
9. To secure the borrowing in point 8, SDL has entered into a Fixed and Floating Charge over its assets and requested another Director related entity, Hanma Investments Pty Limited (A.C.N. 086 715 264) ("Hanma") to offer a guarantee to secure the performance of SDL. Hanma has granted a second mortgage of realty it owns and is leased to SDL with the consent of the first mortgagee, Westpac Banking Corporation Limited, to secure the performance of the guarantee.
10. On 24th June 2004, a Director, Hans Graf, agreed with SDL that he seek to have the Constitution of SDL amended at the Annual General Meeting to cancel his one (1) A Class Management Share in the capital of SDL with the attached rights without consideration.
11. SDL has incurred extraordinary expenses since February, 2004 in professional fees for legal expenses, valuation expenses, management consultancy expenses and accounting services in excess of $180,000 to date.
12. On the 24th June, 2004 the Board of SDL resolved to call up in full all unpaid amounts on partly paid shares on issue by SDL and the call was made to those shareholders that day.

After Balance Date Events

1. On 14th July 2004 SDL cancelled all shares on which calls had been made but remained unpaid by the relevant shareholders as provided by Article 7 of SDL's Constitution subject to the approval of the NSX to the removal of escrow conditions attached to such shares which was a requirement of the NSX at the time of listing of SDL. In addition SDL is to comply with the provisions of Chapter 2E, Related Party Transactions of the Corporations Act 2001 ("Act") and the NSX Listing Rules.
2. On the 14 July 2004, a Director, Hans Graf, transferred his one (1) A Class Share in the capital of SDL thereby cancelling the special powers attached to it as referred to in Note 15(b).
3. On the 15th October, 2004 SDL made application to the NSX to consider the removal of the escrow on the shares to be cancelled.
4. On the 18th October, 2004 the NSX agreed to the application and notified SDL in writing on the 19th October, 2004 of the successful application. On 1st November 2004 the NSX notified SDL that the escrow provisions could not be released until SDL had complied with Chapter 2E of the Act and NSX Listing Rules
5. On the 19th October, 2004 the Board of SDL confirmed the cancellation of the shares as approved by the NSX.
6. SDL has been re-appointed as an agent for Swepco products in Australia on the 1st day of August, 2004.
7. SDL has drawn down a further $250,000 under the loan facilities entered into by it on 24 June 2004.
8. Ten (10) containers of Drizoro stock had been paid for and received as at the date of this report.
9. SDL has obtained an overdraft from the National Australia Bank on their Trust Account. As at the date of this report the account was overdrawn by $35,424. The terms of this overdraft have not been confirmed by the bank.
10. Shares in SDL were suspended from trading by the NSX on 16 September 2004.
11. On 29th October 2004, SDL was served by the Australian Securities & Investments Commission (ASIC) with a Notice pursuant to Subsection 1274(11) of the Act and proposed determination under subsection 713(6) for failure to lodge the financial, directors and auditors reports for the year ended 30 June 2004 within the prescribed period.
12. SDl has been required to confirm to ASIC by 5 November 2004, submissions in relation to action available to ASIC under subsection 713(6) of the Act for the breach as listed in point 11.
13. On 1 November 2004 the Board of SDL resolved to comply with the provisions of Chapter 2E of the Act and NSX Listing Rules before proceeding with the cancellation of shares as required by the NSX.
14. A Notice convening an Extraordinary General Meeting of SDL was authorised by the Board to be prepared and issued to the Shareholders as soon as practicable to consider a resolution of Shareholders to cancel issued shares in SDL.
15. SDL will incur penalty fees for the late filing of the Financial Statements for the year ended 30 June 2004.

To the Directors' knowledge, with the exception of the above, no other events have occurred subsequent to reporting date which have or are likely to have a material effect on the operations of SDL.

Future Developments

SDL has been advised by two Queensland Statutory Authorities that further orders of Swepco products will be made by the Authorities to comply with relevant legislation and the treatment of statutory infrastructure.

SDL is continuing to add retail stores to the customer base at the rate of five per week.

Environmental Issues.

SDL's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Information on Directors

(a) Qualifications and Experience

Hans Eberhard Graf,
Chairman, Managing Director

Mr. Graf has a wealth of experience gained over 40 years as a business proprietor in manufacturing and specifically in the building maintenance industry. Hans has developed an extensive knowledge of management and marketing and has successfully set up agencies both in Australia and overseas.

In 1977 Mr. Graf established H Graf Services Pty Ltd to import and distribute roofing materials to a network of regional agents in Australia. In 1990 he established SDI as an exclusive Australian importer and distributor of the Drizoro Product Range and during the 90's he succeeded in establishing national distribution.

Mr. Graf is a member of the Nomination and Audit Committees.

Tanvanth Singh Sandhu
Non-Executive Director

Mr. Sandhu is a qualified practicing accountant having spent several years gaining experience with Coopers & Lybrand and in 1983 established his own accounting practice eventually employing 14 staff. Since 1987 Mr. Sandhu has concentrated on international trade and corporate restructuring. He now provides his expertise to those companies seeking to raise capital and obtain stock exchange listing.

Mr. Sandhu is a member of the Audit, Remuneration and Nomination Committees.

Anne Jensen
Executive Director and Company Secretary

Ms. Jensen has extensive secretarial and administrative experience. She has been associated with the Drizoro Product Range for over eight years and is currently Company Secretary / Administration Manager in overall charge of operations.

Ms. Jensen is a member of the Audit Committee and Remuneration Committees.

(b) Relevant Interests in Ordinary Shares of SDL at the date of this Report

Director	**Share Class**	
	Ordinary Fully Paid	A Class Fully Paid
H Graf and related entities	25,545,000	1
T Sandhu and related entities	2,000,000	-
A Jensen	1,030,000	-

(c) Remuneration of Directors and Executive Officers

The Board of SDL sets all remuneration packages. The broad remuneration policy is to ensure that each senior staff member's remuneration package properly reflects the person's duties and responsibilities. Current market conditions are also taken into account in determining the appropriate remuneration package.

SDL employed Executive Officers and Directors, who were involved in, concerned with, and took part in the management of SDL's affairs. Details of the nature and amount of the remuneration of each Director of SDL for the period are set out below:

	Direct salaries $	**Superannuation $**	**Directors Fees $**	**Share Options Issued $**	**Total $**
H Graf	107,504	-	-	-	**107,504**
T Sandhu	-	-	-	-	**-**
A Jensen	63,636	5,727	-	-	**69,363**
	171,140	**5,727**	**-**	**-**	**176,867**

(d) Meetings of Directors

The following table sets out the number of meetings of the Directors of SDL during the period ended 30 June 2004 and the number of meetings attended by each Director.

Director	***Board Meetings***	
	Held	***Attended***
H Graf	15	15
T Sandhu	15	15
A Jensen	15	15

1 Remuneration and 2 Audit Committee Meetings were held during the period, with all relevant matters being considered by the full Board of Directors.

Indemnifying Officers or Auditor

During or since the end of the financial year SDL has not given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums.

Proceedings on Behalf of SDL

No person has applied for leave of Court to bring proceedings on behalf of SDL or intervene in any proceedings to which SDL is a party for the purpose of taking responsibility on behalf of SDL for all or any part of those proceedings.

SDL was not a party to any such proceedings during the year.

This report is made in accordance with a resolution of the Directors of SDL.

Hans Graf
Chairman

Tanvanath Sandhu
Non-Executive Director

Anne Jensen
Executive Director

Dated this 2nd day of November 2004

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 $	2003 $
Revenue from ordinary activities	2	**1,055,719**	788,630
Cost of sales		**(492,907)**	(321,423)
Selling expenses		**(186,608)**	(177,043)
Depreciation and amortisation		**(13,367)**	(3,132)
Administration		**(367,097)**	(135,190)
Occupancy costs		**(147,532)**	(125,818)
Borrowing cost expense		**(40,720)**	(6,058)
Staff costs		**(376,489)**	(228,013)
Loss from ordinary activities before income tax expense	3	**(569,001)**	(208,047)
Income tax expense relating to ordinary activities	4	**-**	-
Loss from ordinary activities after income tax expense		**(569,001)**	(208,047)
Net loss	16	**(569,001)**	(208,047)
Total revenues, expenses and valuation adjustments attributable to members of SwepDri Limited and recognised directly in equity		**-**	-
Total changes in equity other than those resulting from transactions with owners as owners		**(569,001)**	(208,047)
Basic earnings per share	24	**(1.54)**	(0.72)
Diluted earnings per share	24	**(1.54)**	(0.72)

The accompanying notes form an integral part of this Statement of Financial Performance.

SWEPDRI LIMITED
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STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2004

	Note	2004 $	2003 $
CURRENT ASSETS			
Cash assets	5	**145,958**	105,767
Receivables	6	**209,839**	279,731
Inventories	7	**281,227**	63,171
Other	8	**54,414**	9,110
Total Current Assets		**691,438**	457,779
NON-CURRENT ASSETS			
Property, plant and equipment	9	**29,821**	9,852
Intangible assets	10	**277,480**	1,200
Total Non-Current Assets		**307,301**	11,052
Total Assets		**998,739**	468,831
CURRENT LIABILITIES			
Payables	11	**245,781**	284,690
Interest bearing liabilities	12	**465,386**	60,000
Provisions	13	**18,079**	16,117
Other	14	**21,000**	72,000
Total Current Liabilities		**750,246**	432,807
NON-CURRENT LIABILITIES			
Payables	11	**172,758**	-
Total Non-Current Liabilities		**172,758**	-
Total Liabilities		**923,004**	432,807
Net Assets		**75,735**	36,024
EQUITY			
Contributed equity	15	**852,783**	244,071
Accumulated losses	16	**(777,048)**	(208,047)
Total Equity		**75,735**	36,024

The accompanying notes form an integral part of this Statement of Financial Position.

SWEPDRI LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 $	2003 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**1,060,151**	729,321
Payments to suppliers and employees		**(1,919,604)**	(896,305)
Interest received		**20,094**	16,260
Interest paid		**(34,373)**	(6,058)
Net cash flows used in operating activities	20(b)	**(873,732)**	(156,782)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(33,036)**	(12,684)
Payments for intangibles		**(276,580)**	(1,500)
Net cash flows used in investing activities		**(309,616)**	(14,184)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issue of shares		**557,712**	316,071
Borrowings repaid		**(127,277)**	-
Loans provided		**(11,655)**	(166,615)
Proceeds from borrowings		**638,144**	127,277
Loans repaid		**166,615**	-
Net cash flows from financing activities		**1,223,539**	276,733
Net increase (decrease) in cash held		**40,191**	105,767
Cash at the beginning of the financial year		**105,767**	-
Cash at the end of the financial year	20(a)	**145,958**	105,767

The accompanying notes form an integral part of this Statement of Cash Flows.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared on an accruals basis and is based on historical costs, except for certain assets which, as noted, are at valuation. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report.

(a) Going Concern

The financial statements have been prepared on a going concern basis.

At balance date the Company had an excess of current liabilities over current assets of $58,808.

The Company is at a stage of its development where the cash flows generated by its sales do not yet cover the operating costs that are being incurred.

The ability of the Company to continue as a going concern depends upon the generation of additional cash inflows through incurring additional debt or the receipt of equity funds.

The Company's existing cash flow projections show that anticipated cash inflows from current operations, collection of receivables and ongoing commercial negotiations with customers and financiers will enable the Company to fund its ongoing activities for the twelve months from the date of signing of these financial statements. As the Company is in its early start-up stage, there is inherent uncertainty associated with the key assumptions in those cash flow projections.

Any inability to obtain these additional cash inflows may have a material adverse effect on the Company's ability to continue as a going concern.

(b) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statements of Financial Performance is matched with the accounting profit or loss (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Cash assets

For the purpose of the statement of cash flows, cash includes term deposits which are readily convertible to cash on hand and are subject to insignificant risks of changes in value, net of outstanding bank overdrafts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 90 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(e) Acquisitions of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

(f) Property, Plant and Equipment

Property, plant and equipment is depreciated so as to write off the cost of each asset over its expected economic life. Additions during the year are depreciated on a pro-rata basis from the date of acquisition.

The depreciation rates used are as follows:

Plant and equipment	20-25% diminishing value
Office furniture and equipment	40% diminishing value

(g) Intangibles

Formation Expenses
Formation expenses are amortised on a straight-line basis over five years, being the period during which benefits are expected to arise. The carrying value of the formation expenses will be reviewed by directors at least annually to ensure that the carrying value does not exceed its recoverable amount.

Licence at Cost
Licences are amortised on a straight-line basis over ten years, being the term of the licence. The carrying value of the licence will be reviewed by directors at least annually to ensure that the carrying value does not exceed its recoverable amount.

(h) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the economic entity up to the end of the financial year. The amounts are unsecured and are usually paid within 90 days of recognition.

(i) Employee Entitlements

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to balance date, and are measured as the amount unpaid at that date at pay rates expected to apply when the leave is taken.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue Recognition

Sale of Goods and Disposal of Assets
Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provisions of products and services to entities outside the Company. Sales revenue is recognised when the control of goods and services passes to the customer.

Interest Revenue
Interest income is recognised as it accrues.

(k) Earnings Per Share

Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(m) Foreign Currency Translation

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable on the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

(n) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for the financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. Shareholders will be kept informed as to the impact of these new standards as they are determined.

	2004 $	2003 $
2. REVENUE		
Operating activities		
- sale of goods	**1,035,625**	772,370
- interest received (a)	**20,094**	16,260
Total revenue	**1,055,719**	788,630
(a) Interest revenue from:		
– third parties	**482**	241
– related parties	**19,612**	16,019
Total interest revenue	**20,094**	16,260

3. LOSS FROM ORDINARY ACTIVITIES

The loss from ordinary activities before income tax has been determined after:

(a) **Expenses**

	2004 $	2003 $
Cost of sales	**492,907**	321,423
Depreciation of non-current assets:		
- plant & equipment, fixtures & fittings	**13,067**	2,832
Amortisation of non-current assets:		
- formation costs	**300**	300
Borrowing costs:		
- related parties	**931**	6,027
- other people	**39,789**	31
Total borrowing costs	**40,720**	6,058
Foreign currency translation losses	**987**	-
Bad and doubtful debts:		
- trade debtors	**(6,032)**	7,170
Rental expense on operating leases		
- minimum lease payments	**202,542**	187,536
Remuneration of auditor		
- audit or review	**50,305**	30,000

4. INCOME TAX EXPENSE

(a) **Income Tax Expense**	**2004**	**2003**
	$	**$**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating loss before income tax	**(569,001)**	(208,047)
Prima facie income tax benefit at 30% on operating loss	**170,700**	62,414
Income tax losses carried forward not recognised as a benefit	**(170,700)**	(62,414)
Income tax expense (credit) attributable to operating loss	**-**	-

(b) **Future income tax benefit not recognised**	**233,114**	62,414

The benefit for the above tax losses will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

	Note	2004 $	2003 $
5. CASH ASSETS			
Cash at bank and on hand		**95,958**	105,767
Term deposit		**50,000**	-
		145,958	105,767
6. RECEIVABLES			
Trade debtors		**199,322**	120,286
Less: Provision for doubtful debts		**(1,138)**	(7,170)
Related party loans	18	**11,655**	166,615
		209,839	279,731
7. INVENTORIES			
Finished goods, at cost		**299,772**	63,171
Less: Provision for obsolescence		**(18,545)**	-
		281,227	63,171
8. OTHER			
Prepayments		**54,414**	9,110
9. PROPERTY, PLANT & EQUIPMENT			
Plant and equipment - at cost		**45,720**	12,684
Less: Accumulated depreciation		**(15,899)**	(2,832)
		29,821	9,852

Reconciliation

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are as follows:

	Plant & Equipment $
Carrying value at start of year	**9,852**
Additions	**33,036**
Disposals	**-**
Depreciation	**(13,067)**
Carrying value at end of year	**29,821**

	Note	2004 $	2003 $
10. INTANGIBLE ASSETS			
Formation expenses at cost		**1,409**	1,500
Less: Accumulated amortisation		**(600)**	(300)
Licences at cost (a)		**276,671**	-
Less: Accumulated amortisation		**-**	-
		277,480	1,200

(a) The Company obtained a third party valuation on the licence prior to completing the purchase on 24 June 2004. The valuation report dated May 2004 indicated the licence would be valued between $2,402,540 and $4,805,080.

	Note	2004 $	2003 $
11. PAYABLES			
Current			
Trade creditors and accruals (a)		**245,781**	217,413
Related party loans	18	**-**	67,277
		245,781	284,690
(a) Includes foreign currency liabilities not effectively hedged.			
- Euros		**44,885**	-
Non-Current			
Related party loans	18	**172,758**	-

	Note	2004 $	2003 $
12. INTEREST BEARING LIABILITIES			
Secured			
Factoring facility (a)		**113,804**	-
Loan facility (b), (c)		**350,000**	-
Total secured current interest bearing liabilities		**463,804**	-
Unsecured			
Other loans		**1,582**	60,000
Total unsecured current interest bearing liabilities		**1,582**	60,000
Total current interest bearing liabilities		**465,386**	60,000

(a) The factoring facility is secured by a fixed and floating charge over the Company's assets.

(b) The loan facility is secured by a second fixed and floating charge over the Company's assets other than all existing and future rights of the Company to receive payment of any amount from its customers for goods and/or services provided.

	Note	2004 $	2003 $
12. INTEREST BEARING LIABILITIES cont.			
(c) Loan Facility			
Loan facility		**650,000**	-
Amount utilised		**(350,000)**	-
Unused loan facility		**300,000**	-
13. PROVISIONS			
Employee leave entitlements		**18,079**	16,117
Number of employees at year end		**7**	5
14. OTHER			
Funds held in trust for future equity raising		**21,000**	72,000
15. CONTRIBUTED EQUITY			
37,052,000 fully paid ordinary shares	15(a)	**852,782**	244,070
1 fully paid A class share	15(b)	**1**	1
		852,783	244,071
(a) Ordinary Shares			
At the beginning of the reporting period		**244,070**	-
Share issues during the year		**658,000**	280,330
Transaction costs relating to share issues		**(49,288)**	(36,260)
		852,782	244,070
		No.	**No.**
At the beginning of the reporting period		**28,807,000**	-
Shares issues during the year:			
- Issue of shares at an issue price of 10 cents each		-	2,800,000
- Issue of shares at an issue price of 20 cents each		**3,285,000**	-
- Issue of shares at an issue price of nil cents each		**3,960,000**	-
- Issue of shares at an issue price of 1 cent each		-	7,000
- Issue of shares at an issue price of 0.1 of a cent each		**1,000,000**	-
- Issue of shares at an issue price of 0.001 of a cent each		-	26,000,000
		37,052,000	28,807,000

15. CONTRIBUTED EQUITY cont.

	2004 $	2003 $

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Refer to subsequent events at note 26.

(b) A Class Share

	2004 $	2003 $
At the beginning of the reporting period	**1**	-
Share issues during the year	-	1
Transaction costs relating to share issues	-	-
	1	1

	No.	No.
At the beginning of the reporting period	**1**	-
Shares issues during the year:		
- Issue of shares at an issue price of 1 dollar each	-	1
	1	1

A Class shares do not entitle the holder to participate in dividends. A Class shares entitle the holder to proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

In the case of a resolution other than a special resolution, on a show of hands the holder of the A Class share present at a meeting in person or by proxy is entitled to one vote, and on every poll to a number of votes equal to 51% of the total of all votes able to be cast by the holders of shares of all classes in respect of the resolution.

In the case of a special resolution on a show of hands the holder of the A Class share present at a meeting in person or by proxy is entitled to one vote, and on every poll to a number of votes equal to 76% of the total of all votes able to be cast by the holders of shares of all classes in respect of the resolution.

Refer to subsequent events at note 26.

	2004 $	2003 $
16. ACCUMULATED LOSSES		
Opening balance	**(208,047)**	-
Net loss for year	**(569,001)**	(208,047)
Closing balance	**(777,048)**	(208,047)

17. REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Directors Remuneration

	2004 $	2003 $
Income paid or payable to all Directors by the Company and any related parties.	**171,140**	59,232

The number of Directors of the Company included in these figures is shown below in their relevant income bands:

Income of:	2004 Number	2003 Number
$Nil to $9,999	1	2
$50,000 to $59,999	-	1
$60,000 to 69,999	1	-
$100,000 to $110,999	1	-

The names of persons who were Directors of SwepDri Limited at any time during the financial year are:

Hans Eberhard Graf
Tanvanth Singh Sandhu
Anne Muriel Jensen

(b) Retirement Superannuation Payments

No retirement benefits were paid to or for Directors during the year.

18. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

1) Director Related Entities

	Note	2004 $	2003 $
Stock purchased from SwepDri International Pty Limited, a Director related entity.		**254,921**	317,436
Stock purchased from Hanma Investments Pty Limited, a Director related entity.		**190,000**	-
Rental paid for premises located at Units 1 & 2, 10-14 Lilian Fowler Place, Marrickville NSW, to Hanma Investments Pty Limited, a Director related entity.	3	**117,398**	117,400
Rental paid for machinery and office equipment to Hanma Investments Pty Limited, a Director related entity.	3	**14,880**	14,880
Rental paid for vehicles, plant & equipment to Hanma Investments Pty Limited, a Director related entity.	3	**70,264**	39,056
Rental paid for vehicles, plant & equipment to SwepDri International Pty Limited, a Director related entity.	3	**-**	16,200
Long term unsecured loan advanced from SwepDri International Pty Limited, a Director related entity, outstanding at year end, with interest charged at the rate of 12% p.a.	11	**108,716**	-
Short term unsecured loan advanced to SwepDri International Pty Limited, a Director related entity, outstanding at year end, with interest charged at the rate of 12% p.a.	6	**-**	166,615
Interest received on loan advanced to SwepDri International Pty Limited, a Director related entity.	2	**17,452**	16,019
Long term unsecured loan advanced from Hanma Investments Pty Limited, a Director related entity, outstanding at year end, with interest charged at the rate of 12% p.a.	11	**64,042**	-
Short term unsecured loan advanced from Hanma Investments Pty Limited, a Director related entity, outstanding at year end, with interest charged at the rate of 12% p.a.	11	**-**	28,615

18. RELATED PARTY TRANSACTIONS cont.

	Note	2004 $	2003 $
Interest paid on loan advanced from Hanma Investments Pty Limited, a Director related entity.	3	-	2,365
Interest received on loan advanced to Hanma Investments Pty Limited, a Director related entity.	2	**1,812**	-
Distribution licence purchased from SwepDri International Pty Limited, a Director related entity.	10	**276,671**	-

2) Directors

	Note	2004 $	2003 $
Short term unsecured loan advanced from Mr Tanvanth Sandhu, a Director, outstanding at year end, with interest charged at the rate of 12% p.a.	11	-	38,662
Interest paid on loan advanced from Mr Tanvanth Santhu, a Director.	3	**931**	3,662
Short term unsecured loan advanced to Mr Tanvanth Sandhu, a Director outstanding at year end, with interest charged at the rate of 12% p.a.	6	**11,655**	-
Interest received on loan advanced to Mr Tanvanth Sandhu, a Director.	2	**348**	-

3) Share Transactions of Directors

Directors and Director related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the Company:

	2004	2003
- ordinary shares	**341,050**	26,050
- A class share	**1**	1
	341,051	26,051

Directors and their related entities acquired 6,530,000 (2003: 26,005,000) ordinary shares in the Company under the issues described in 15(a) to the financial report and on the following issue prices:

	No.	No.
- Issue of shares at an issue price of 0.001 of a cent each	-	26,000,000
- Issue of shares at an issue price of 0.1 of a cent each	**1,000,000**	-
- Issue of shares at an issue price of 1 cents each	-	5,000
- Issue of shares at an issue price of 20 cents each	**1,570,000**	-
- Issue of shares at an issue price of nil cents each	**3,960,000**	-
	6,530,000	26,005,000

19. SEGMENT INFORMATION

Business Segments

The Company operates in the supply and distribution of building products exclusively in Australia and the Asia Pacific region.

Primary Reporting – Business Segments

	2004 $	2003 $
Sales to external customers	**1,035,625**	772,370
Total sales revenue	**1,035,625**	772,370
Other revenue	**20,094**	16,260
Total segment revenue	**1,055,719**	788,630
Segment result	**(569,001)**	(208,047)
Unallocated revenue less unallocated expenses	**-**	-
Loss from ordinary activities before income tax expense	**(569,001)**	(208,047)
Income tax expense	**-**	-
Net loss	**(569,001)**	(208,047)
Segment assets	**998,739**	468,831
Unallocated assets	**-**	-
Total assets	**998,739**	468,831
Segment liabilities	**923,004**	432,807
Unallocated liabilities	**-**	-
Total liabilities	**923,004**	432,807
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	**33,036**	14,184
Depreciation and amortisation expense	**13,367**	3,132
Other non-cash expenses	**15,762**	23,287

19. SEGMENT INFORMATION (cont.)

Secondary Reporting – Geographical Segments

The Company operates in two geographical segments, being Australia and the Asia Pacific region.

Segment information is prepared in conformity with the accounting policies of the Company as disclosed in Note 1 and the revised segment-reporting standard, AASB 1005 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and intellectual property, net of related provisions. Segment liabilities consist primarily of trade and other creditors, and employee entitlements. Segment assets and liabilities do not include income taxes.

20. CASH FLOW INFORMATION

	2004 $	2003 $
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank	**145,714**	105,523
Cash on hand	**244**	244
	145,958	105,767
(b) Reconciliation of cash flow from operations with operating profit after income tax		
Operating profit after income tax	**(569,001)**	(208,047)
Non-cash flows in profit from operating activities		
- Amortisation	**300**	300
- Depreciation	**13,067**	2,832
Changes in assets and liabilities		
- Decrease (increase) in receivables	**(79,036)**	(120,286)
- Decrease (increase) in inventories	**(236,601)**	(63,171)
- Decrease (increase) in other assets	**(45,304)**	(9,110)
- Increase (decrease) in payables	**28,368**	217,413
- Increase (decrease) in provisions	**14,475**	23,287
Net cash outflows from operating activities	**(873,732)**	(156,782)

21. CONTINGENT LIABILITIES

Since the commencement of the financial year, the Company breached a number of NSX Listing Rules. The financial impact of these breaches on the Company if any, cannot be quantified at this time.

During the financial year commencing 1 July 2003 the Company has breached provisions of the Corporations Act 2001. Where possible the Company has acted to remedy the breaches.

	2004 $	2003 $
22. COMMITMENTS FOR EXPENDITURE		

Operating Leases (Premises)

Non cancellable operating leases contracted for but not capitalised in the financial statements

	2004 $	2003 $
Payable		
- not later than 1 year	**117,400**	117,400
- later than 1 year but not later than 5 years	**469,600**	469,600
- later than 5 years	**352,200**	469,600
	939,200	1,056,600

The property lease is a non cancellable lease with a 10 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased annually by the consumer price index. Two consecutive options exist to renew the lease at the end of the 10 year term for additional period of 5 years each. The lease commenced on 1 July 2002.

Operating Leases (Plant, equipment & vehicles)

Non cancellable operating leases contracted for but not capitalised in the financial statements

	2004 $	2003 $
Payable		
- not later than 1 year	**70,135**	70,135
- later than 1 year but not later than 5 years	**-**	70,135
- later than 5 years	**-**	-
	70,135	140,270

The leases are non cancellable leases with a 3 year term, with rent payable monthly in advance. The leases commenced on 1 July 2002.

23. FINANCIAL INSTRUMENT DISCLOSURES

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest Bearing	Total
			Within 1 year	Over 1 year		
	%	$	$	$	$	$
2004						
FINANCIAL ASSETS						
Cash assets	**2.36**	**95,958**	**50,000**	**-**	**-**	**145,958**
Receivables		**-**	**-**	**-**	**199,322**	**199,322**
Related party loan	**12.00**	**-**	**11,655**	**-**	**-**	**11,655**
		95,958	**61,655**	**-**	**199,322**	**356,935**
FINANCIAL LIABILITIES						
Interest bearing liabilities	**60.00**	**-**	**465,386**	**-**	**-**	**465,386**
Payables		**-**	**-**	**-**	**245,781**	**245,781**
Related party loans	**12.00**	**-**	**-**	**172,758**	**-**	**172,758**
Other		**-**	**-**	**-**	**21,000**	**21,000**
Provisions		**-**	**-**	**-**	**18,079**	**18,079**
		-	**465,386**	**172,758**	**284,860**	**923,004**
NET FINANCIAL ASSETS (LIABILITIES)		**95,958**	**(403,731)**	**(172,758)**	**(85,538)**	**(566,069)**

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest Bearing	Total
			Within 1 year	Over 1 year		
	%	$	$	$	$	$
2003						
FINANCIAL ASSETS						
Cash assets	0.75	105,767	-	-	-	105,767
Receivables		-	-	-	120,767	120,767
Related party loan	12.00	-	166,615	-	-	166,615
		105,767	166,615	-	120,767	393,149
FINANCIAL LIABILITIES						
Interest bearing liabilities	10.00	60,000	-	-	-	60,000
Payables		-	-	-	217,413	217,413
Related party loans	12.00	-	67,277	-	-	67,277
Provisions		-	-	-	16,117	16,117
		60,000	67,277	-	233,530	360,807
NET FINANCIAL ASSETS (LIABILITIES)		45,767	99,338	-	(112,763)	32,342

(b) *Credit Risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial assets, is the carrying amount as disclosed in the statements of financial position and notes to the financial statements.

(c) *Net Fair Values*

The net fair values of the financial assets and financial liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statements of financial position and in the notes to the financial statements.

24. EARNINGS PER SHARE

	2004 Cents per Share	**2003 Cents per Share**
Basic earnings per share	**(1.54)**	(0.72)
Diluted earnings per share	**(1.54)**	(0.72)
	Number	**Number**
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basis earnings per share and alternative basis earnings per share	**37,052,000**	28,807,000
	$	**$**
Reconciliation of earnings used in calculating earnings per share		
Basic and alternative basic earnings per share		
Earnings used in calculating basic and diluted earnings per share	**(569,001)**	(208,047)

25. OTHER INFORMATION

SwepDri Limited is a Public Company limited by shares, registered and domiciled in Australia.

The registered office is at Unit 1, 10-14 Lilian Fowler Place, Marrickville, NSW, 2204.

The principal place of business is Units 1 and 2, 10-14 Lilian Fowler Place, Marrickville, NSW, 2204.

26. SUBSEQUENT EVENTS

1. On 14th July 2004 SDL cancelled all shares on which calls had been made but remained unpaid by the relevant shareholders as provided by Article 7 of SDL's Constitution subject to the approval of the NSX to the removal of escrow conditions attached to such shares which was a requirement of the NSX at the time of listing of SDL. In addition SDL is to comply with the provisions of Chapter 2E, Related Party Transactions of the Corporations Act 2001 ("Act") and the NSX Listing Rules.
2. On the 14 July 2004, a Director, Hans Graf, transferred his one (1) A Class Share in the capital of SDL thereby cancelling the special powers attached to it as referred to in Note 15(b).
3. On the 15th October, 2004 SDL made application to the NSX to consider the removal of the escrow on the shares to be cancelled.
4. On the 18th October, 2004 the NSX agreed to the application and notified SDL in writing on the 19th October, 2004 of the successful application. On 1st November 2004 the NSX notified SDL that the escrow provisions could not be released until SDL had complied with Chapter 2E of the Act and NSX Listing Rules
5. On the 19th October, 2004 the Board of SDL confirmed the cancellation of the shares as approved by the NSX.
6. SDL has been re-appointed as an agent for Swepco products in Australia on the 1st day of August, 2004.
7. SDL has drawn down a further $250,000 under the loan facilities entered into by it on 24 June 2004.
8. Ten (10) containers of Drizoro stock had been paid for and received as at the date of this report.
9. SDL has obtained an overdraft from the National Australia Bank on their Trust Account. As at the date of this report the account was overdrawn by $35,424. The terms of this overdraft have not been confirmed by the bank.
10. Shares in SDL were suspended from trading by the NSX on 16 September 2004.
11. On 29th October 2004, SDL was served by the Australian Securities & Investments Commission (ASIC) with a Notice pursuant to Subsection 1274(11) of the Act and proposed determination under subsection 713(6) for failure to lodge the financial, directors and auditors reports for the year ended 30 June 2004 within the prescribed period.
12. SDl has been required to confirm to ASIC by 5 November 2004, submissions in relation to action available to ASIC under subsection 713(6) of the Act for the breach as listed in point 11.
13. On 1 November 2004 the Board of SDL resolved to comply with the provisions of Chapter 2E of the Act and NSX Listing Rules before proceeding with the cancellation of shares as required by the NSX.
14. A Notice convening an Extraordinary General Meeting of SDL was authorised by the Board to be prepared and issued to the Shareholders as soon as practicable to consider a resolution of Shareholders to cancel issued shares in SDL.
15. SDL will incur penalty fees for the late filing of the Financial Statements for the year ended 30 June 2004.

To the Directors' knowledge, with the exception of the above, no other events have occurred subsequent to reporting date which have or are likely to have a material effect on the operations of SDL.

SWEPDRI LIMITED
ABN 64 099 851 653

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 9 to 29:

(a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. Those grounds are discussed in Note 1(a) of the financial statements. As stated in Note 1(a), there is uncertainty associated with the key assumptions in the cash flow projections considered by the directors in the Directors' positive solvency statement.

This declaration is made in accordance with a resolution of the Directors.

Hans Graf
Chairman

Tanvanth Sandhu
Non-Executive Director

Anne Jensen
Executive Director

Dated this 2nd day of November 2004

BKR
WALKER WAYLAND

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(NSW Partnership)
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SWEPDRI LIMITED

Scope

We have audited the financial report of SwepDri Limited for the financial year ended 30 June 2004 as set out on pages 9 to 30. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the Members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualification

Note 1(a) discusses a number of matters that may affect the ability of the entity to continue as a going concern. In that Note, the Directors state their opinion that the going concern basis used in the preparation of the financial report is appropriate. In our opinion however, it is highly improbable that SwepDri Limited will be able to continue as a going concern on the information available to us and therefore we believe the going concern basis should not be used.

Had the going concern basis not been used, adjustments would need to be made relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities, to reflect the fact that SwepDri Limited may be required to realise its assets and extinguish its liabilities other than in the normal course of business, and at amounts different from those stated in the financial report.

Qualified Audit Opinion

In our opinion, because of the matter referred to in the qualification paragraph, the financial report of SwepDri Limited does not present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements and the Corporations Act 2001 the financial position of SwepDri Limited as at 30 June 2004 and the results of its operations and its cash flows for the year then ended.

BKR Walker Wayland

BKR WALKER WAYLAND
(NSW PARTNERSHIP)
Chartered Accountants

ARoger

A S ROGER
Partner

Dated this the 2nd day of November 2004

Partners: AS Roger, HC Thomas, RS Woods, SE Arnold, TF Tyler
Consultants: JE Walker, PM Greenwood, TR Little, PJ Longhurst
Independent member of BKR International and the BKR Walker Wayland National Association Inc