

## Appendix 4E

**Korvest Ltd**  
**ABN 20 007 698 106**

### **Preliminary Final Report** **Financial Year Ended 30 June 2016**

#### **Results for announcement to the market:**

\$A'000

|                                                                                                                                                                                                                                                                                                                                                                  |                     |       |                             |        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------|-----------------------------|--------|
| Revenues from ordinary activities                                                                                                                                                                                                                                                                                                                                | Down                | 12.8% | to                          | 54,981 |
| Profit from ordinary activities after tax attributable to members                                                                                                                                                                                                                                                                                                | Down                | 34.7% | to                          | 950    |
| Net profit for the period attributable to members                                                                                                                                                                                                                                                                                                                | Down                | 34.7% | to                          | 950    |
| Earnings per share                                                                                                                                                                                                                                                                                                                                               | Down                | 36.0% | to                          | 8.9¢   |
| <b>Dividends</b>                                                                                                                                                                                                                                                                                                                                                 | Amount per security |       | Franked amount per security |        |
| Final dividend (#)<br>- current reporting period<br>- previous corresponding period                                                                                                                                                                                                                                                                              | 10.0¢<br>12.0¢      |       | 10.0¢<br>12.0¢              |        |
| Interim dividend<br>- current reporting period<br>- previous corresponding period                                                                                                                                                                                                                                                                                | 10.0¢<br>17.0¢      |       | 10.0¢<br>17.0¢              |        |
| Special dividend<br>- current reporting period<br>- previous corresponding period                                                                                                                                                                                                                                                                                | -<br>-              |       | -<br>-                      |        |
| # Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.<br>The Dividend Reinvestment Plan is suspended for the final dividend.                                                                                                                              |                     |       |                             |        |
| Record date for determining entitlements to the dividend                                                                                                                                                                                                                                                                                                         | 26 August 2016      |       |                             |        |
| Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:<br><br><b>Refer attached press release.</b><br>This report is based on financial statements that have been audited. The audit report is included in the 30 June 2016 financial report. |                     |       |                             |        |

**This financial report is the preliminary final report provided to the Australian Stock Exchange under listing rule 4.3C.**

# **Annual Report**

Korvest Ltd  
and controlled entities  
(ABN 20 007 698 106)

30 June 2016

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## Directors' report

The directors present their report together with the consolidated financial statements of the Group comprising of Korvest Ltd ('the Company') and its subsidiaries for the financial year ended 30 June 2016 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:

| <b><i>Name, qualifications and independence status</i></b>                                                               | <b><i>Age</i></b> | <b><i>Experience, special responsibilities and other directorships</i></b>                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Graeme Billings</b><br>BCom FCA MAICD<br>Chairman                                                                     | 60                | Appointed Chairman 18 September 2014<br>A Director since May 2013<br>Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years where he was a senior partner in the Assurance practice<br>Director G.U.D. Holdings Limited<br>Director Clover Corporation Limited<br>Chairman Azure Healthcare Ltd |
| <b>Alexander Kachellek</b><br>BSc.CEng MIET FAICD<br>Managing Director                                                   | 63                | A Director since June 2007<br>Mr Kachellek has experience in a number of industries including Data Communications and Automotive, Lean Operations Consultancy and Manufacturing<br>Director Austmine Ltd                                                                                                        |
| <b>Peter Brodribb</b><br>F.I.E (Aust)<br>Non-Independent Non-Executive Director                                          | 71                | A Director since 1984<br>Appointed Non-Executive Director in January 2005 after retiring from the position of Managing Director that he had held since 1984<br>Retired 28 July 2016                                                                                                                             |
| <b>Gerard Hutchinson</b><br>MBA, MBL, MSc(IS), BEc, MA (research), FCA, FAID, FAIM<br>Independent Non-Executive Director | 48                | A Director since November 2014<br>Chairman of Audit Committee<br>Former Managing Director AusGroup Limited                                                                                                                                                                                                      |
| <b>Gary Francis</b><br>BSc.Hon. (Civil), MAICD<br>Independent Non-Executive Director                                     | 61                | A Director since February 2014<br>Chairman of Remuneration Committee<br>Mr Francis has worked in the construction industry at Senior Manager or Director level in Australia and Asia.                                                                                                                           |
| <b>Steven McGregor</b><br>BA (Acc), CA, AGIA, ACIS<br>Finance Director                                                   | 44                | Company Secretary since April 2008<br>Appointed as Finance Director 1 January 2009                                                                                                                                                                                                                              |

### COMPANY SECRETARY

Mr Steven J W McGregor CA, AGIA, ACIS, 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.

## Directors' Report

For the year ended 30 June 2016

### RETIREMENT AND RE-ELECTIONS

At the 2015 AGM Peter Brodribb indicated that he would be retiring prior to the 2016 AGM. Mr Brodribb retired from the Board on 28 July 2016. The Board would like to acknowledge the significant contribution that Mr Brodribb has made to Korvest over a significant period of time. He joined the Company in April 1978 and became Managing Director in 1984. On his retirement from this executive position in January 2005 he became a non-executive director and has served in this capacity until his retirement.

In accordance with the Articles of Association, Graeme Billings retires from the Board at the forthcoming Annual General Meeting on 28 October 2016 and offers himself for re-election. Mr Andrew Stobart has been appointed as a director commencing on 1 August 2016 to fill the casual vacancy created by the retirement of Peter Brodribb. As a director appointed since the last AGM Mr Stobart will also seek re-election at the 2016 AGM.

### 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:

| <i>Director</i> | <i>Board</i> |          | <i>Audit Committee</i> |          | <i>Remuneration Committee</i> |          | <i>Nomination Committee</i> |          |
|-----------------|--------------|----------|------------------------|----------|-------------------------------|----------|-----------------------------|----------|
|                 | <i>A</i>     | <i>B</i> | <i>A</i>               | <i>B</i> | <i>A</i>                      | <i>B</i> | <i>A</i>                    | <i>B</i> |
| Mr A Kachellek  | 14           | 14       | -                      | -        | -                             | -        | -                           | -        |
| Mr P Brodribb   | 14           | 14       | 3                      | 3        | 4                             | 4        | 3                           | 3        |
| Mr S McGregor   | 14           | 14       | -                      | -        | -                             | -        | -                           | -        |
| Mr G Billings   | 14           | 14       | 3                      | 3        | 4                             | 4        | 3                           | 3        |
| Mr G Francis    | 14           | 14       | 3                      | 3        | 4                             | 4        | 3                           | 3        |
| Mr G Hutchinson | 14           | 14       | 3                      | 3        | 4                             | 4        | 3                           | 3        |

A = Number of Board meetings attended

B = Total Number of Board meetings available for attendance

### FINANCIAL RESULTS

The revenue from trading activities for the year under review was \$55.0m, down 12.8% on the previous year. Profit after tax was \$0.95m compared to \$1.45m in the previous year.

The FY16 result was adversely impacted in the first half by costs associated with a significant acquisition opportunity which ultimately did not proceed. The after tax financial impact of these costs was \$475k.

In addition, as trading conditions softened during the year, the Company restructured its labour force with the restructuring costs having an after tax impact of \$488k during the year.

## Directors' Report

### For the year ended 30 June 2016

#### DIVIDENDS

The directors announced a fully franked dividend of 10.0 cents per share compared to 12.0 cents per share last year and 10.0 cents at the half year. The Dividend Reinvestment Plan (DRP) will be suspended for the final dividend. The dividend will be paid on 9 September 2016 with a record date of 26 August 2016.

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  |
|-----------------------------------------------|-----------------|---------------------|-------------------|------------------|
| <b>Declared and paid during the year 2016</b> |                 |                     |                   |                  |
| Interim 2016 ordinary                         | 10.0            | 1,066               | Fully franked     | 11 March 2016    |
| Final 2015 ordinary                           | 12.0            | 1,262               | Fully franked     | 4 September 2015 |
| Total amount                                  |                 | <u>2,328</u>        |                   |                  |

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

#### Declared after end of year

After the reporting date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences to the Company.

|                |      |              |               |                  |
|----------------|------|--------------|---------------|------------------|
| Final ordinary | 10.0 | <u>1,094</u> | Fully franked | 9 September 2016 |
| Total amount   |      | <u>1,094</u> |               |                  |

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial reports.

|                                                                   | Note | Total amount \$'000 |
|-------------------------------------------------------------------|------|---------------------|
| <b>Dividends have been dealt with in the financial report as:</b> |      |                     |
| Dividends                                                         | 19   | 2,328               |
| Dividends – subsequent to 30 June 2016                            | 19   | 1,094               |

#### STRATEGY AND FUTURE PERFORMANCE

Korvest's businesses service a number of major markets including infrastructure, commercial, utilities, mining, food processing, oil & gas, power stations, health and industrial. Historically these industries operate in cycles that sees Korvest's primary sources of revenue transition in line with those cycles. Over recent years activity has been mainly in the oil & gas sector whilst prior to that infrastructure and mining projects were the significant contributors. The majority of the work on the various LNG projects domestically is drawing to a close and the more significant upcoming projects are in the infrastructure sector. Korvest's strategy domestically remains to consolidate and build on market share through service and innovation.

The domestic market overall has been difficult for a number of years now since the end of the mining construction boom. As a result Korvest embarked on a strategy of pursuing international markets specifically targeting Singapore, Hong Kong, New Zealand and the Philippines. During the 2016 year relationships have been developed in these regions with a view to targeting medium to large project opportunities. Product development has also been undertaken to provide appropriate accredited products for targeted offshore projects. Late in the year a Singaporean subsidiary was created and a Singaporean business development resource employed to target the region.

Over recent years Korvest has actively sought and pursued acquisition opportunities. Given the current circumstances the focus has now shifted to maximising organic growth opportunities rather than specifically searching for an acquisition. However, should a suitable acquisition opportunity present itself it will be pursued.

## Directors' Report

### For the year ended 30 June 2016

Korvest continues to have a strong balance sheet providing the capacity for further growth. Should a compelling acquisition opportunity arise Korvest would consider taking on a prudent level of debt and in this regards restates its guidance that it would look to maintain a gearing ratio, measured as net debt/(net debt plus equity), at below 30%.

Korvest has a long history of paying franked dividends. The target dividend payout ratio range is 65-90% of after tax profits. The final dividend declared is at the upper end of the range as the Board recognises the benefit to shareholders in maximising the distribution of the Company's franking credits.

## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

The principal continuing activities of the Group consist of hot dip galvanising, sheet metal fabrication, manufacture of cable and pipe support systems and fittings, design and assembly of access systems for large mobile equipment and sale, repair and rental of high torque tools.

The Group is comprised of the Industrial Products Group which includes the EzyStrut, Power Step and Titan Technologies and the Production Group which includes the Korvest Galvanisers business.

### *Industrial Products*

In the Industrial Products group the EzyStrut cable and pipe support business supplies products for major infrastructure developments and also supplies products to contractors for small industrial developments. During FY16 the oil & gas sector remained the dominant source of revenue for EzyStrut due to the ongoing supply for large LNG projects. Day-to-day activity has remained relatively unchanged throughout the year albeit these levels are well below those of a few years ago. Small to mid-size project activity declined during the year resulting in all domestic regions reporting reduced revenue compared to the prior year. Internationally, sales to the New Zealand market showed pleasing improvement. During the second half of FY16 the development in the SE Asian market has seen the establishment of a Singapore subsidiary and employment of a local representative.

Power Step designs and assembles access systems for large mobile equipment. Titan Technologies supplies specialised tools in the form of torque wrenches, hydraulic pumps and related accessories. Both businesses rely principally on the mining industry and as a consequence the performance of both businesses during the year was again disappointing. Power Step has been working on diversifying into a new product range not associated with mining equipment. Late in the year a customer order was received for a prototype safety access system associated with the rail transport industry that will be made and delivered in early FY17. Should the trials of the prototype prove successful then a new significant market will be established. During the year a comprehensive review of the inventory of both businesses was undertaken. Difficult trading conditions over the past few years has resulted in many items being considered slow moving and as a result a provision of \$645k has been raised against these items.

### *Production*

In the Production group the Galvanising business volumes remained at the low level experienced in the second half of FY15 for the duration of FY16. This has resulted in annual plant volumes lower than any year over the past decade. External tonnes reduced as demand in the South Australian market declined despite the business having maintained our market share within the state. Internal demand also reduced with less activity in the EzyStrut business having a flow on impact on the Galvanising business. The management structure of the Galvanising business was changed in the second half and the benefits of this change will be realised in FY17.

## Risk

The Board and Management periodically review and update risk reviews that identify and assess the risks faced by the business and the controls that are in place to mitigate those risks. General Managers report to the board monthly on any changes to the risk profile of their business unit. There have been few if any changes to the risk environment faced by Korvest over the past year.

Operational risks relate principally to continuity of supply and continuity of production. To ensure continuity of supply Korvest monitors the performance of key suppliers and establishes more than one supply source for key products. For many bought in finished goods the ability for the product to also be manufactured in-house mitigates the risk.

Korvest's in-house engineering and maintenance department is responsible for preventative maintenance programmes to ensure that a high level of plant reliability and low down time. FY16 again showed the value of this in-house resource as the plant down time was again extremely low.

## **Directors' Report**

### **For the year ended 30 June 2016**

Financial risks faced by the business are typical of those faced by most businesses and centre around management of working capital. In particular trade receivables and inventory levels are constantly reviewed and performance is monitored with key performance indicators on an ongoing basis.

### **SIGNIFICANT CHANGES**

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

### **EVENTS SUBSEQUENT TO REPORTING DATE**

At the date of this report there is no matter or circumstance that has arisen since 30 June 2016, that has significantly affected, or may significantly affect:

- (i) the operations of the Group;
- (ii) the results of those operations; or
- (iii) the state of affairs of the Group;

in the financial years subsequent to 30 June 2016.

### **LIKELY DEVELOPMENTS**

The main focus of the next financial year will be to improve domestic market share through customer service and innovation. Internationally the aim will be to build on the good growth experienced in the New Zealand market. We now have our local Singaporean subsidiary in place with local representation together with product that is DNV certified making it suitable for off-shore oil & gas projects (Singapore is the regional centre for projects of this nature) together with shipbuilding. Our product standards also put us in a good position for the region's many on-shore infrastructure projects. The next phase of the regional strategy will be to expand into the Hong Kong market to build on the work already tendered in that market.

Innovation by way of new product development will be a focus area to broaden the markets serviced by Korvest's existing businesses. Process improvement will continue to be pursued to ensure that manufacturing processes are optimised resulting in lead time improvements to assist customer service and cost savings to ensure continued cost competitiveness.

The approach to acquisitions will be more passive than has been the case over the past couple of years. There is no longer a resource dedicated to seeking out acquisition opportunities however compelling acquisition opportunities will still be considered should the Company become aware of them.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### **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 and related entities. The insurance premiums relate to:

- a) costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- b) other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of all of the directors and officers of the Company. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

## REMUNERATION REPORT – Audited

For the year ended 30 June 2016

### *Principles of compensation*

Remuneration is referred to as compensation throughout this report.

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. KMP comprise the directors and senior executives of the Group.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- (a) the capability and experience of the KMP;
- (b) the KMP's ability to control performance; and
- (c) the Group's performance including the Group's earnings.

### *Fixed compensation*

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee.

### *Performance linked compensation*

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward KMP for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' cash bonus, while the long-term incentive (LTI) is provided as performance rights under the rules of the Korvest Performance Rights Plan.

### *Consequences of performance on shareholder wealth*

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the indices set out in the 5 Year Summary on page 20.

### *Short-term incentive bonus*

The key performance indicators (KPIs) for the KMP are set annually. The KPIs include measures relating to financial and operating performance, safety, strategy and risk measures.

The KPIs are chosen to directly align the individual's reward to the KPIs of the Group and to its strategy and performance. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance. The financial objectives relate to earnings before interest and tax (EBIT) for various parts of the business depending on the KMP.

The table below summarises the nature and weighting of the KPIs included in the STIs.

| <b>Managing Director</b>    | <b>Other KMP *</b>    |
|-----------------------------|-----------------------|
| Growth (20%)                | Financial performance |
| Group Reorganisation (45%)  | Process improvement   |
| Financial performance (20%) | Working Capital       |
| Market Share (15%)          | Innovation            |
|                             | Growth                |
|                             | Cost reductions       |
|                             | Market Share          |

\* Each KMP have different KPIs and weightings. Some individual's STI structures do not include all KPI categories listed.

## Remuneration Report

### For the year ended 30 June 2016

#### *Long-term incentive bonus*

Performance rights are issued under the Korvest Performance Rights Plan to employees (including KMP) as determined by the remuneration committee. Performance rights become vested performance rights if the Group achieves its performance hurdle. If rights become vested performance rights and do not lapse, the holder is able to acquire ordinary shares in the Company for no cash payment.

The performance hurdle relates to growth in basic earnings per share (EPS). EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year vesting period. The % growth is based on a base year which is the year prior to the commencement of the vesting period. For the most recent issue of Performance Rights the table below sets out the % of rights that vest depending on the level of EPS growth achieved.

| Compound annual EPS growth over 3 yr vesting period | % of rights that vest         |
|-----------------------------------------------------|-------------------------------|
| Less than 7.5%                                      | Nil                           |
| 7.5%                                                | 33.3%                         |
| Between 7.5% - 15%                                  | Pro rata between 33.3% – 100% |
| 15% or greater                                      | 100%                          |

The EPS objective was chosen because it is a good indicator of the Group's earnings growth and is aligned to shareholder wealth objectives.

The Company's securities trading policy prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

#### *Service contracts*

It is the Group's policy that service contracts for all KMP are unlimited in term but capable of termination by providing 1 to 6 months' notice depending on the KMP, and that the Group retains the right to terminate the contract immediately by making payment in lieu of notice. The Group has entered into a service contract with each executive KMP.

On termination of employment the KMP are also entitled to receive their statutory entitlements and accrued annual leave and long service leave, as well as any entitlement to incentive payments and superannuation benefits.

#### *Services from remuneration consultants*

The remuneration committee engaged the services of AON Hewitt as remuneration consultants to provide insight into current market practices for the structure of the executive LTI scheme as well as recommendations in relation to the hurdles and vesting scales. As a result of AON Hewitt's recommendations it is proposed that the performance rights issued in FY17 will include a second performance hurdle (Relative Total Shareholder Return) along with the existing EPS hurdle.

AON Hewitt was paid \$20,140 for their advice.

AON Hewitt were engaged by and reported directly to the Chairman of the remuneration committee. The only interaction between KMP and the consultants was at the remuneration committee meeting where the consultants presented their recommendations. The Executive Directors were in attendance at that meeting. The Executive Directors had not had any contact with the consultants prior to the presentation of their recommendations.

The Board was aware of the process undertaken by AON Hewitt and were present at the only time when KMP had interaction with the consultants. Accordingly, the Board is satisfied that the AON Hewitt report was made free from undue influence by members of the key management personnel.

The remuneration committee consists entirely of non-executive directors and is responsible for setting the remuneration levels for KMP.

The Board is satisfied that the remuneration committee is able to make a decision on remuneration levels without undue influence by the members of the KMP about whom the recommendations may relate.

## Remuneration Report

### For the year ended 30 June 2016

#### *Non-executive directors*

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 25 October 2013 and is not to exceed \$450,000.

The current base fees became effective on 1 July 2014 and are:

|          |           |
|----------|-----------|
| Chairman | \$123,600 |
| Director | \$61,800  |

The Chairman of a Board Committee receives a further \$10,300 p.a.

Superannuation is added to these fees where appropriate.

Non-executive directors do not receive performance-related compensation.

## Remuneration Report

For the year ended 30 June 2016

**Directors and Executive Remuneration**

Details of the nature and amount of each major element of remuneration of each director of the Company, and other KMP of the Group are:

|                                          |      | Short Term       |          | Post employment            | Other long term – Long Service leave \$ * | Share based payments Shares \$ | Share based payments Options & Rights \$ | Total \$ | Proportion of remuneration performance related % |
|------------------------------------------|------|------------------|----------|----------------------------|-------------------------------------------|--------------------------------|------------------------------------------|----------|--------------------------------------------------|
|                                          |      | Salary & Fees \$ | Bonus \$ | Superannuation benefits \$ |                                           |                                |                                          |          |                                                  |
| Name                                     |      |                  |          |                            |                                           |                                |                                          |          |                                                  |
| Directors                                |      |                  |          |                            |                                           |                                |                                          |          |                                                  |
| G Billings                               | 2016 | 123,600          | -        | 11,742                     | -                                         | -                              | -                                        | 135,342  | -                                                |
| Non-executive (Chairman)                 | 2015 | 110,725          | -        | 10,519                     | -                                         | -                              | -                                        | 121,244  | -                                                |
| P Brodribb                               | 2016 | 61,800           | -        | 5,871                      | -                                         | -                              | -                                        | 67,671   |                                                  |
| Non-executive (Director)                 | 2015 | 61,800           | -        | 5,871                      | -                                         | -                              | -                                        | 67,671   | -                                                |
| G Francis                                | 2016 | 78,948           | -        | -                          | -                                         | -                              | -                                        | 78,948   | -                                                |
| Non-executive (Director)                 | 2015 | 77,369           | -        | -                          | -                                         | -                              | -                                        | 77,369   | -                                                |
| G Hutchinson (appointed 19 Nov 2014)     | 2016 | 72,100           | -        | 6,849                      | -                                         | -                              | -                                        | 78,949   | -                                                |
| Non-executive (Director)                 | 2015 | 48,067           | -        | 4,566                      | -                                         | -                              | -                                        | 52,633   | -                                                |
| A Kachellek                              | 2016 | 309,000          | 62,502   | 30,874                     | 6,794                                     | -                              | -                                        | 409,170  | 15.3                                             |
| Executive (Managing Director)            | 2015 | 309,000          | 15,991   | 36,604                     | 9,293                                     | -                              | (39,763)                                 | 331,125  | (7.2)                                            |
| S McGregor                               | 2016 | 272,950          | 2,000    | 26,903                     | 6,140                                     | -                              | -                                        | 307,993  | 0.6                                              |
| Executive (Finance Director)             | 2015 | 272,950          | 10,236   | 26,417                     | 7,830                                     | -                              | (31,479)                                 | 285,954  | (7.4)                                            |
| Former Director                          |      |                  |          |                            |                                           |                                |                                          |          |                                                  |
| P Stancliffe (retired 18 September 2014) | 2016 | -                | -        | -                          | -                                         | -                              | -                                        | -        | -                                                |
| Non-executive (Director)                 | 2015 | 30,900           | -        | 2,936                      | -                                         | -                              | -                                        | 33,836   | -                                                |

\* This represents the accounting expense relating to the change in the provision for long service leave. It does not represent cash payments or statutory obligations.

The proportion of performance related remuneration is bonuses and share based payments divided by total remuneration.

## Remuneration Report

For the year ended 30 June 2016

|                                                            |      | Short Term       |          | Post employment            | Termination Payment | Other long term – Long Service leave \$ * | Share based payments Shares \$ | Share based payments Options & Rights \$ | Total \$ | Proportion of remuneration performance related % |
|------------------------------------------------------------|------|------------------|----------|----------------------------|---------------------|-------------------------------------------|--------------------------------|------------------------------------------|----------|--------------------------------------------------|
|                                                            |      | Salary & Fees \$ | Bonus \$ | Superannuation benefits \$ |                     |                                           |                                |                                          |          |                                                  |
| Name                                                       |      |                  |          |                            |                     |                                           |                                |                                          |          |                                                  |
| <i>Executives / other KMP</i>                              |      |                  |          |                            |                     |                                           |                                |                                          |          |                                                  |
| C Hartwig                                                  | 2016 | 261,900          | 59,700   | 31,970                     | -                   | 13,585                                    | 998                            | -                                        | 368,153  | 16.2                                             |
| <i>Executive General Manager</i>                           | 2015 | 236,900          | 39,800   | 26,230                     | -                   | 7,201                                     | 997                            | (21,538)                                 | 289,590  | 6.3                                              |
| S Evans (ceased 18 January 2016)                           | 2016 | 114,031          | -        | 16,365                     | 115,646             | (28,083)                                  | 499                            | -                                        | 218,458  | 0.0                                              |
| <i>General Manager Galvanising</i>                         | 2015 | 200,850          | 5,523    | 24,330                     | -                   | 10,182                                    | 997                            | (14,911)                                 | 226,971  | (4.1)                                            |
| G Christie (became KMP 18 January 2016)                    | 2016 | 61,880           | 23,800   | 5,879                      | -                   | 3,005                                     | 499                            | -                                        | 95,063   | 25.0                                             |
| <i>General Manager Operations</i>                          | 2015 | -                | -        | -                          | -                   | -                                         | -                              | -                                        | -        | -                                                |
| P Assaf                                                    | 2016 | 216,300          | -        | 20,549                     | -                   | 2,639                                     | 998                            | -                                        | 240,486  | -                                                |
| <i>General Manager Power Step &amp; Titan Technologies</i> | 2015 | 216,300          | 4,975    | 20,549                     | -                   | 12,856                                    | 997                            | (8,284)                                  | 247,393  | (1.3)                                            |

\* This represents the accounting expense relating to the change in the provision for long service leave. It does not represent cash payments or statutory obligations.

The proportion of performance related remuneration is bonuses and share based payments divided by total remuneration.

## Remuneration Report

For the year ended 30 June 2016

### *Options and rights over equity instruments granted as compensation during the reporting period*

Details on performance rights that were granted as compensation to each KMP during the reporting period are as follows:

|                   | Number of performance rights granted during the year | Grant date  | Fair value per right at grant date (\$) | Expiry date  |
|-------------------|------------------------------------------------------|-------------|-----------------------------------------|--------------|
| <b>Directors</b>  |                                                      |             |                                         |              |
| A Kachellek       | 36,400                                               | 20 Nov 2015 | 2.29                                    | 30 June 2018 |
| S McGregor        | 28,800                                               | 20 Nov 2015 | 2.29                                    | 30 June 2018 |
| <b>Executives</b> |                                                      |             |                                         |              |
| C Hartwig         | 21,200                                               | 20 Nov 2015 | 2.29                                    | 30 June 2018 |
| S Evans           | 18,400                                               | 20 Nov 2015 | 2.29                                    | 30 June 2018 |
| G Christie        | 5,000                                                | 20 Nov 2015 | 2.29                                    | 30 June 2018 |

All performance rights have a nil exercise price.

All performance rights expire on the earlier of their expiry date or termination of the individual's employment. The performance rights are exercisable for one year after the conclusion of the vesting period. In addition to the continuing employment service condition, the ability to exercise performance rights is conditional on the Group achieving performance hurdles. Details of the performance criterion are included in the long-term incentives discussion on page 9.

No equity-settled share-based payment transaction terms (including performance rights granted as compensation to KMP) have been altered or modified by the Group during the reporting period or the prior period.

### *Exercise of options granted as compensation*

No shares were issued on the exercise of performance rights previously granted as compensation during the reporting period.

## Remuneration Report

For the year ended 30 June 2016

### *Analysis of options and rights over equity instruments granted as compensation*

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

| Options / Rights Granted |         |        |                          |                                       |                           |
|--------------------------|---------|--------|--------------------------|---------------------------------------|---------------------------|
|                          | Number  | Date   | % vested in current year | % forfeited or lapsed in current year | Year in which grant vests |
| <b>Directors</b>         |         |        |                          |                                       |                           |
| A Kachellek              | 24,000  | Nov 13 | -%                       | 100%                                  | 30 Jun 16                 |
|                          | 24,000  | Nov 14 | -%                       | -%                                    | 30 Jun 17                 |
|                          | 36,400  | Nov 15 | -%                       | -%                                    | 30 Jun 18                 |
| S McGregor               | 19,000  | Nov 13 | -%                       | 100%                                  | 30 Jun 16                 |
|                          | 19,000  | Nov 14 | -%                       | -%                                    | 30 Jun 17                 |
|                          | 28,800  | Nov 15 | -%                       | -%                                    | 30 Jun 18                 |
| <b>Executives</b>        |         |        |                          |                                       |                           |
| C Hartwig                | 10,000* | Mar 09 | -%                       | -%                                    | 30 Jun 11                 |
|                          | 13,000  | Nov 13 | -%                       | 100%                                  | 30 Jun 16                 |
|                          | 14,000  | Nov 14 | -%                       | -%                                    | 30 Jun 17                 |
|                          | 21,200  | Nov 15 | -%                       | -%                                    | 30 Jun 18                 |
| S Evans                  | 9,000   | Nov 13 | -%                       | 100%                                  | 30 Jun 16                 |
|                          | 9,000   | Nov 14 | -%                       | 100%                                  | 30 Jun 17                 |
|                          | 18,400  | Nov 15 | -%                       | 100%                                  | 30 Jun 18                 |
| G Christie               | 5,000   | Nov 14 | -%                       | -%                                    | 30 Jun 17                 |
|                          | 5,000   | Nov 15 | -%                       | -%                                    | 30 Jun 18                 |
| P Assaf                  | 5,000   | Nov 13 | -%                       | 100%                                  | 30 Jun 16                 |
|                          | 5,000   | Nov 14 | -%                       | -%                                    | 30 Jun 17                 |

\* - These options were issued under the previous Korvest Ltd Executive Share Plan. They vested during the year ended 30 June 2011 and were exercised in January 2011. Restricted ordinary shares were issued at an exercise price of \$3.79 per share. Under the terms of the previous Korvest Ltd Executive Share Plan upon exercise of the options the individual must pay the exercise price over a maximum term of 20 years. Dividends, after deduction of an amount intended for the participant's 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). As a result of these arrangements, under AASBs, the instruments are treated as options until such time as the associated non-recourse loan is fully repaid. The shares remain restricted until such time as the loan is fully paid.

## Remuneration Report

For the year ended 30 June 2016

### *Analysis of movements in options and rights granted as compensation*

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each company director and KMP are detailed below.

|                   | Value of Rights/Options |                          |
|-------------------|-------------------------|--------------------------|
|                   | Granted in year \$ (A)  | Exercised in year \$ (B) |
| <b>Directors</b>  |                         |                          |
| A Kachellek       | 83,468                  | -                        |
| S McGregor        | 66,040                  | -                        |
| <b>Executives</b> |                         |                          |
| C Hartwig         | 48,613                  | -                        |
| S Evans           | 42,192                  | -                        |
| G Christie        | 11,465                  | -                        |

(A) The value of performance rights granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount will be allocated to remuneration over the vesting period (i.e. in years 1 July 2015 to 30 June 2018) subject to meeting the associated performance conditions.

(B) The value of the options exercised during the year is calculated as the market price of shares as at the close of trading on the date the options were exercised after deducting the price to exercise the option.

Further details regarding options granted to executives under the Executive Share Plan are in Note 10 to the financial statements.

## Remuneration Report

### For the year ended 30 June 2016

#### 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 KMP, including their related parties, is as follows:

|                   | Held at<br>1 July<br>2015<br>IFRS | Granted as<br>compensation | Exercised | Lapsed   | Held at<br>30 June<br>2016<br>IFRS | Held at<br>30 June<br>2016<br>ASX | Vested<br>during<br>the year | ASX<br>Vested and<br>exercised<br>during the<br>year ended<br>30 June 2016 |
|-------------------|-----------------------------------|----------------------------|-----------|----------|------------------------------------|-----------------------------------|------------------------------|----------------------------------------------------------------------------|
| <b>Directors</b>  |                                   |                            |           |          |                                    |                                   |                              |                                                                            |
| A Kachellek       | 48,000                            | 36,400                     | -         | (24,000) | 60,400                             | 60,400                            | -                            | -                                                                          |
| S McGregor        | 38,000                            | 28,800                     | -         | (19,000) | 47,800                             | 47,800                            | -                            | -                                                                          |
| <b>Executives</b> |                                   |                            |           |          |                                    |                                   |                              |                                                                            |
| C Hartwig         | 37,000                            | 21,200                     | -         | (13,000) | 45,200                             | 35,200                            | -                            | -                                                                          |
| S Evans           | 18,000                            | 18,400                     | -         | (36,400) | -                                  | -                                 | -                            | -                                                                          |
| G Christie *      | N/A                               | N/A                        | -         | -        | 10,000                             | 10,000                            | -                            | -                                                                          |
| P Assaf           | 10,000                            | -                          | -         | (5,000)  | 5,000                              | 5,000                             | -                            | -                                                                          |

No options held by KMP are vested but not exercisable.

|                   | Held at<br>1 July<br>2014<br>IFRS | Granted as<br>compensation | Exercised | Lapsed   | Held at<br>30 June<br>2015<br>IFRS | Held at<br>30 June<br>2015<br>ASX | Vested<br>during<br>the year | ASX<br>Vested and<br>exercised<br>during the<br>year ended<br>30 June 2015 |
|-------------------|-----------------------------------|----------------------------|-----------|----------|------------------------------------|-----------------------------------|------------------------------|----------------------------------------------------------------------------|
| <b>Directors</b>  |                                   |                            |           |          |                                    |                                   |                              |                                                                            |
| A Kachellek       | 62,895                            | 24,000                     | (13,895)  | (25,000) | 48,000                             | 48,000                            | -                            | 13,895                                                                     |
| S McGregor        | 48,925                            | 19,000                     | (9,925)   | (20,000) | 38,000                             | 38,000                            | -                            | 9,925                                                                      |
| <b>Executives</b> |                                   |                            |           |          |                                    |                                   |                              |                                                                            |
| C Hartwig         | 47,925                            | 14,000                     | (9,925)   | (15,000) | 37,000                             | 27,000                            | -                            | 9,925                                                                      |
| S Evans           | 20,470                            | 9,000                      | (3,970)   | (7,500)  | 18,000                             | 18,000                            | -                            | 3,970                                                                      |
| P Assaf           | 5,000                             | 5,000                      | -         | -        | 10,000                             | 10,000                            | -                            | -                                                                          |

No options held by KMP are vested but not exercisable.

\* Holding has been noted as N/A where the person was not a member of KMP at that date. Transactions have only been recorded where they occurred whilst the person was a member of KMP.

## Remuneration Report

### For the year ended 30 June 2016

#### 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 KMP, including their related parties, is as follows:

|                   | Held at<br>1 July 2015 | Purchases | Allocated under<br>Employee/<br>Exec share plan | Allocated<br>under DRP | Held at 30<br>June 2016 | Shares held subject<br>to<br>non-recourse loans |
|-------------------|------------------------|-----------|-------------------------------------------------|------------------------|-------------------------|-------------------------------------------------|
| <b>Directors</b>  |                        |           |                                                 |                        |                         |                                                 |
| G Billings        | 590                    | -         | -                                               | 52                     | 642                     | -                                               |
| P Brodribb        | 24,559                 | -         | -                                               | 2,196                  | 26,755                  | -                                               |
| S McGregor        | 28,243                 | -         | -                                               | 2,526                  | 30,769                  | -                                               |
| A Kachellek       | 53,408                 | -         | -                                               | 2,927                  | 56,335                  | -                                               |
| G Francis         | 5,534                  | -         | -                                               | 495                    | 6,029                   | -                                               |
| G Hutchinson      | 500                    | -         | -                                               | -                      | 500                     | -                                               |
| <b>Executives</b> |                        |           |                                                 |                        |                         |                                                 |
| C Hartwig         | 11,437                 | -         | 378                                             | 1,029                  | 12,844                  | 10,000                                          |
| S Evans *         | 4,704                  | -         | 154                                             | 27                     | N/A                     | -                                               |
| G Christie *      | N/A                    | -         | 224                                             | -                      | 1,271                   | -                                               |
| P Assaf           | 381                    | -         | 378                                             | -                      | 759                     | -                                               |

No shares were granted to KMP 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.

|                   | Held at<br>1 July 2014 | Purchases | Allocated under<br>Employee/ Exec<br>share plan | Held at<br>30 June 2015 | Shares held subject to<br>non-recourse loans |
|-------------------|------------------------|-----------|-------------------------------------------------|-------------------------|----------------------------------------------|
| <b>Directors</b>  |                        |           |                                                 |                         |                                              |
| P Stancliffe *    | 5,435                  | -         | -                                               | N/A                     | -                                            |
| G Billings        | 590                    | -         | -                                               | 590                     | -                                            |
| P Brodribb        | 24,559                 | -         | -                                               | 24,559                  | -                                            |
| S McGregor        | 18,318                 | -         | 9,925                                           | 28,243                  | -                                            |
| A Kachellek       | 38,498                 | 1,015     | 13,895                                          | 53,408                  | -                                            |
| G Francis         | 1,684                  | 3,850     | -                                               | 5,534                   | -                                            |
| G Hutchinson *    | N/A                    | 500       | -                                               | 500                     | -                                            |
| <b>Executives</b> |                        |           |                                                 |                         |                                              |
| C Hartwig         | 1,305                  | -         | 10,132                                          | 11,437                  | 10,000                                       |
| S Evans           | 527                    | -         | 4,177                                           | 4,704                   | -                                            |
| P Assaf           | 174                    | -         | 207                                             | 381                     | -                                            |

No shares were granted to KMP 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.

\* Shareholding has been noted as N/A where the person was not a member of KMP at that date. Purchase and sale transactions have only been recorded where they occurred whilst the person was a member of KMP.

## Remuneration Report

For the year ended 30 June 2016

### Analysis of bonuses included in remuneration

Executive bonuses are paid on the achievement of specified performance targets. Those targets vary for each executive and are aligned to each executive's role and responsibilities. The targets relate to financial, operational, strategic and safety measures.

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company, and to other key management personnel are detailed below.

| KMP         | Maximum possible STI | Short-term incentive bonus      |                  |                         |
|-------------|----------------------|---------------------------------|------------------|-------------------------|
|             |                      | Included in remuneration \$ (A) | % vested in year | % forfeited in year (B) |
| A Kachellek | 132,098              | 62,502                          | 47%              | 53%                     |
| S McGregor  | 40,943               | 2,000                           | 5%               | 95%                     |
| C Hartwig   | 99,498               | 59,700                          | 60%              | 40%                     |
| G Christie  | 35,000               | 23,800                          | 68%              | 32%                     |
| P Assaf     | 68,260               | -                               | 0%               | 100%                    |

(A) Amounts included in remuneration for the financial year represent the amount related to the financial year based on the achievement of specified performance criteria. The remuneration committee approved these amounts on 28 July 2016.

(B) The amounts forfeited are due to the performance criteria not being met in relation to the current financial year.

### DIRECTORS' INTERESTS

The relevant interest of each director over the shares and rights over such instruments issued by the Company 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<br>Ordinary Shares | Korvest Ltd<br>Performance Rights<br>Unvested |
|--------------|--------------------------------|-----------------------------------------------|
| A Kachellek  | 53,838                         | 84,400                                        |
| P Brodribb   | 20,318                         | -                                             |
| G Billings   | 642                            | -                                             |
| S McGregor   | 30,769                         | 66,800                                        |
| G Francis    | 6,029                          | -                                             |
| G Hutchinson | 500                            | -                                             |

### NON-AUDIT SERVICES

During the year KPMG, the Group'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 with 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 Group; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risk and rewards.

For details of non-audit services fees charged refer to Note 5 to the financial statements.

### LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 65 and forms part of the Directors' report for the financial year ended 30 June 2016.

## Remuneration Report

For the year ended 30 June 2016

### **ROUNDING OFF**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **CORPORATE GOVERNANCE**

The Company's Corporate Governance Statement can be found on the Korvest website at [www.korvest.com.au/index.php?PID=110](http://www.korvest.com.au/index.php?PID=110)

Signed at Adelaide this Thursday 28<sup>th</sup> of July 2016 in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'G. A. BILLINGS', with a long horizontal flourish extending to the right.

G. A. BILLINGS, Director

A handwritten signature in black ink, appearing to read 'A. H. W. KACHELLEK', with a long horizontal flourish extending to the right.

A. H. W. KACHELLEK, Director

## 5 Year Summary

|                                                      |          | 2016          | 2015   | 2014                | 2013   | 2012   |
|------------------------------------------------------|----------|---------------|--------|---------------------|--------|--------|
| <b>Sales revenue</b>                                 | (\$'000) | <b>54,981</b> | 63,025 | 73,756              | 61,723 | 72,322 |
| <b>Profit after tax</b>                              | (\$'000) | <b>950</b>    | 1,455  | 5,603               | 3,825  | 6,201  |
| <b>Depreciation/Amortisation</b>                     | (\$'000) | <b>1,716</b>  | 1,642  | 1,774               | 1,652  | 1,542  |
| <b>Cash flow from operations</b>                     | (\$'000) | <b>7,432</b>  | 5,115  | 4,228               | 7,524  | 8,681  |
| <b>Profit from ordinary activities</b>               |          |               |        |                     |        |        |
| - As % of Shareholders' Equity                       |          | <b>2.9%</b>   | 4.4%   | 15.1%               | 10.8%  | 17.1%  |
| - As % of Sales Revenue                              |          | <b>1.7%</b>   | 2.3%   | 7.6%                | 6.2%   | 8.6%   |
| <b>Dividend</b>                                      |          |               |        |                     |        |        |
| - Total amount paid                                  | (\$'000) | <b>2,328</b>  | 5,032  | 12,830              | 4,863  | 3,299  |
| - Per issued share                                   |          | <b>21.0c</b>  | 48.0c  | 146.0c              | 56.0c  | 38.0c  |
| - Times covered by profit from ordinary activities   |          | <b>0.4</b>    | 0.3    | 0.4                 | 0.8    | 1.9    |
| <b>Earnings per share</b>                            |          | <b>8.9c</b>   | 13.9c  | 64.1c               | 44.0c  | 71.6c  |
| <b>Number of employees</b>                           |          | <b>193</b>    | 225    | 242                 | 217    | 259    |
| <b>Shareholders</b>                                  |          |               |        |                     |        |        |
| - Number at year end                                 |          | <b>1,882</b>  | 2,029  | 2,034               | 1,627  | 1,271  |
| <b>Net assets per issued ordinary share</b>          |          | <b>\$2.97</b> | \$3.13 | \$3.50 <sup>1</sup> | \$4.01 | \$4.13 |
| <b>Net tangible assets per issued ordinary share</b> |          | <b>\$2.97</b> | \$3.13 | \$3.33 <sup>2</sup> | \$3.77 | \$4.13 |
| <b>Share price as at 30 June</b>                     |          | <b>\$2.19</b> | \$3.55 | \$5.60              | \$5.80 | \$4.65 |

<sup>1</sup> Net assets per issued ordinary share figure was impacted by the issue of 1,607,000 new shares in June 2014 in relation to the Special dividend and Dividend Reinvestment Plan. Had these not been issued, the figure would have been \$4.14.

<sup>2</sup> Net tangible assets per issued ordinary share figure was impacted by the issue of 1,607,000 new shares in June 2014 in relation to Special dividend and Dividend Reinvestment Plan. Had these not been issued, the figure would have been \$3.94.

## Financial Statements

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## Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

|                                                                                       | <i>Note</i> | <b>2016</b><br><b>\$'000</b> | <b>2015</b><br><b>\$'000</b> |
|---------------------------------------------------------------------------------------|-------------|------------------------------|------------------------------|
| <b>Continuing operations</b>                                                          |             |                              |                              |
| Sales revenue                                                                         | 1           | 54,981                       | 63,025                       |
| Other income                                                                          | 1           | 10                           | -                            |
|                                                                                       |             | 54,991                       | 63,025                       |
| Expenses, excluding net finance costs                                                 | 2           | (53,688)                     | (60,305)                     |
| <b>Profit before financing costs</b>                                                  |             | <b>1,303</b>                 | <b>2,720</b>                 |
| Finance income                                                                        | 3           | 42                           | 41                           |
| Finance expenses                                                                      | 3           | (3)                          | (3)                          |
| <b>Net finance income</b>                                                             |             | <b>39</b>                    | <b>38</b>                    |
| <b>Profit before income tax</b>                                                       |             | <b>1,342</b>                 | <b>2,758</b>                 |
| Income tax expense                                                                    | 20          | (392)                        | (1,303)                      |
| <b>Profit from continuing operations</b>                                              |             | <b>950</b>                   | <b>1,455</b>                 |
| <b>Profit for the year</b>                                                            |             | <b>950</b>                   | <b>1,455</b>                 |
| <b>Total comprehensive income for the period</b>                                      |             | <b>950</b>                   | <b>1,455</b>                 |
| <b>Attributable to:</b>                                                               |             |                              |                              |
| Equity holders of the Company                                                         |             | 950                          | 1,455                        |
| <b>Total comprehensive income for the period</b>                                      |             | <b>950</b>                   | <b>1,455</b>                 |
| <b>Earnings per share attributable to the ordinary equity holders of the Company:</b> |             |                              |                              |
|                                                                                       |             | <b>Cents</b>                 | <b>Cents</b>                 |
| Basic earnings per share from continuing operations                                   | 4           | 8.9                          | 13.9                         |
| Diluted earnings per share from continuing operations                                 | 4           | 8.9                          | 13.9                         |

The notes on pages 26 to 61 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As at 30 June 2016

|                                                                   | <i>Note</i> | <b>2016</b><br><b>\$'000</b> | <b>2015</b><br><b>\$'000</b> |
|-------------------------------------------------------------------|-------------|------------------------------|------------------------------|
| <b>Assets</b>                                                     |             |                              |                              |
| Cash and cash equivalents                                         | 16          | 5,088                        | -                            |
| Trade and other receivables                                       | 7           | 8,238                        | 13,592                       |
| Inventories                                                       | 8           | 11,492                       | 13,611                       |
| Tax receivable                                                    |             | 971                          | 273                          |
| <b>Total current assets</b>                                       |             | <b>25,789</b>                | <b>27,476</b>                |
| Property, plant and equipment                                     | 13          | 14,631                       | 15,907                       |
| Intangible assets                                                 | 12          | 17                           | 25                           |
| <b>Total non-current assets</b>                                   |             | <b>14,648</b>                | <b>15,932</b>                |
| <b>Total assets</b>                                               |             | <b>40,437</b>                | <b>43,408</b>                |
| <b>Liabilities</b>                                                |             |                              |                              |
| Bank overdrafts                                                   | 16          | -                            | 500                          |
| Trade and other payables                                          | 9           | 4,224                        | 6,359                        |
| Employee benefits                                                 | 10          | 2,340                        | 2,743                        |
| Provisions                                                        | 11          | 26                           | 42                           |
| <b>Total current liabilities</b>                                  |             | <b>6,590</b>                 | <b>9,644</b>                 |
| Employee benefits                                                 | 10          | 372                          | 438                          |
| Deferred tax liability                                            | 20          | 513                          | 51                           |
| Provisions                                                        | 11          | 433                          | 333                          |
| <b>Total non-current liabilities</b>                              |             | <b>1,318</b>                 | <b>822</b>                   |
| <b>Total liabilities</b>                                          |             | <b>7,908</b>                 | <b>10,466</b>                |
| <b>Net assets</b>                                                 |             | <b>32,529</b>                | <b>32,942</b>                |
| <b>Equity</b>                                                     |             |                              |                              |
| Issued capital                                                    | 18          | 13,798                       | 12,833                       |
| Reserves                                                          | 18          | 18,731                       | 20,109                       |
| Retained earnings                                                 |             | -                            | -                            |
| <b>Total equity attributable to equity holders of the Company</b> |             | <b>32,529</b>                | <b>32,942</b>                |
| <b>Total equity</b>                                               |             | <b>32,529</b>                | <b>32,942</b>                |

The notes on pages 26 to 61 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 30 June 2016

|                                                                              | Note  | 2016<br>\$'000 | 2015<br>\$'000 |
|------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>                                  |       |                |                |
| Cash receipts from customers                                                 |       | 65,592         | 73,394         |
| Cash paid to suppliers and employees                                         |       | (57,576)       | (66,273)       |
| Cash generated from operations                                               |       | 8,016          | 7,121          |
| Interest received                                                            | 3     | 39             | 38             |
| Income taxes paid                                                            |       | (623)          | (2,044)        |
| <b>Net cash from operating activities</b>                                    | 16    | 7,432          | 5,115          |
| <b>Cash flows from investing activities</b>                                  |       |                |                |
| Proceeds from sale of property, plant and equipment and assets held for sale |       | 47             | 287            |
| Acquisition of property, plant and equipment and intangible assets           | 12,13 | (481)          | (1,367)        |
| <b>Net cash from investing activities</b>                                    |       | (434)          | (1,080)        |
| <b>Cash flows from financing activities</b>                                  |       |                |                |
| Repayment of borrowings                                                      |       | -              | -              |
| Proceeds from issue of share capital                                         |       | -              | -              |
| Transaction costs related to issue of share capital                          |       | (5)            | -              |
| Dividends paid                                                               |       | (1,405)        | (5,032)        |
| <b>Net cash from financing activities</b>                                    |       | (1,410)        | (5,032)        |
| Net increase / (decrease) in cash and cash equivalents                       |       | 5,588          | (997)          |
| Cash and cash equivalents at 1 July                                          |       | (500)          | 497            |
| <b>Cash and cash equivalents / (bank overdrafts) at 30 June</b>              | 16    | 5,088          | (500)          |

The notes on pages 26 to 61 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 30 June 2016

| <i>In thousands of AUD</i>                                                   | Share<br>capital<br>\$'000 | Equity<br>compensation<br>reserve<br>\$'000 | Asset<br>revaluation<br>reserve<br>\$'000 | Profits<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------------------|----------------------------|---------------------------------------------|-------------------------------------------|------------------------------|--------------------------------|-----------------|
| Balance at 1 July 2015                                                       | 12,833                     | 211                                         | 3,585                                     | 16,313                       | -                              | 32,942          |
| <b>Total comprehensive income for the year</b>                               |                            |                                             |                                           |                              |                                |                 |
| Profit                                                                       | -                          | -                                           | -                                         | -                            | 950                            | 950             |
| <b>Total comprehensive income for the year</b>                               | -                          | -                                           | -                                         | -                            | 950                            | 950             |
| <b>Transactions with owners of the Company recognised directly in equity</b> |                            |                                             |                                           |                              |                                |                 |
| <b>Contributions by and distributions to owners of the Company</b>           |                            |                                             |                                           |                              |                                |                 |
| Shares issued under the Share Plans                                          | 60                         | -                                           | -                                         | -                            | -                              | 60              |
| Issue of ordinary shares                                                     | 905                        | -                                           | -                                         | -                            | -                              | 905             |
| Dividends to shareholders                                                    | -                          | -                                           | -                                         | (2,328)                      | -                              | (2,328)         |
| Total contributions by and distributions to owners of the Company            | 965                        | -                                           | -                                         | (2,328)                      | -                              | (1,363)         |
| Transfer to profits reserve                                                  | -                          | -                                           | -                                         | 950                          | (950)                          | -               |
| <b>Balance at 30 June 2016</b>                                               | <b>13,798</b>              | <b>211</b>                                  | <b>3,585</b>                              | <b>14,935</b>                | <b>-</b>                       | <b>32,529</b>   |
| Balance at 1 July 2014                                                       | 12,764                     | 343                                         | 3,585                                     | 19,890                       | -                              | 36,582          |
| <b>Total comprehensive income for the year</b>                               |                            |                                             |                                           |                              |                                |                 |
| Profit                                                                       | -                          | -                                           | -                                         | -                            | 1,455                          | 1,455           |
| <b>Total comprehensive income for the year</b>                               | -                          | -                                           | -                                         | -                            | 1,455                          | 1,455           |
| <b>Transactions with owners of the Company recognised directly in equity</b> |                            |                                             |                                           |                              |                                |                 |
| <b>Contributions by and distributions to owners of the Company</b>           |                            |                                             |                                           |                              |                                |                 |
| Shares issued under the Share Plans                                          | 69                         | -                                           | -                                         | -                            | -                              | 69              |
| Dividends to shareholders                                                    | -                          | -                                           | -                                         | (5,032)                      | -                              | (5,032)         |
| Share options exercised                                                      | -                          | (132)                                       | -                                         | -                            | -                              | (132)           |
| Total contributions by and distributions to owners of the Company            | 69                         | (132)                                       | -                                         | (5,032)                      | -                              | (5,095)         |
| Transfer to profits reserve                                                  | -                          | -                                           | -                                         | 1,455                        | (1,455)                        | -               |
| <b>Balance at 30 June 2015</b>                                               | <b>12,833</b>              | <b>211</b>                                  | <b>3,585</b>                              | <b>16,313</b>                | <b>-</b>                       | <b>32,942</b>   |

The notes on pages 26 to 61 are an integral part of these consolidated financial statements.

## Notes to the financial statements

### Basis of preparation

#### *Reporting entity*

Korvest Ltd (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 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and is primarily involved in manufacturing businesses as detailed in the Segment Reporting (Note 6).

#### *Basis of accounting*

#### **Statement of compliance**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 28th July 2016.

#### **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings, which are measured at fair value.

#### **Functional and presentation currency**

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

#### *Use of estimates and judgements*

The preparation of the consolidated financial statements in conformity with AASBs and IFRS 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 7 – Trade and other receivables
- Note 8 – Inventories
- Note 11 – Provisions
- Note 13 – Tangible assets

## Notes to the financial statements

### For the year ended 30 June 2016

#### Foreign currency

##### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group at exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

##### New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early, and continues to assess the impact on the entity.

| New or amended standard                              | Summary of requirements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Possible impact on consolidated financial statements                                                                        |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| IFRS 9 <i>Financial Instruments</i>                  | <p>IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial instruments: Recognition and Measurement</i>. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p> | The standard is not expected to have a significant impact on the Group's consolidated financial statements.                 |
| IFRS 15 <i>Revenue from Contracts with Customers</i> | <p>IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i>.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>                                                                                                                                                                                                    | The Group is assessing the potential impact on its consolidated financial statements resulting from application of IFRS 15. |

## Notes to the financial statements

### For the year ended 30 June 2016

| New or amended standard | Summary of requirements                                                                                                                                                                                                                                                                                                                                                                                          | Possible impact on consolidated financial statements                                                                               |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 16 <i>Leases</i>   | <p>IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting requirements in IFRS 117 Leases.</p> <p>IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.</p> | <p>The Group is assessing the potential impact on its consolidated financial statements resulting from application of IFRS 16.</p> |

## Notes to the financial statements

For the year ended 30 June 2016

### Results for the Year

This section focuses on the Group's performance. Disclosures in this section include analysis of the Group's profit before tax by reference to the activities performed by the Group and analysis of key revenues and operating costs, segmental information, net finance costs and earnings per share.

Underlying earnings before interest, tax ("EBIT") and before exceptional items remain the Group's key profit indicator. This reflects how the business is managed and how the Directors assess the performance of the Group.

#### 1. Revenue and other income

##### *Accounting policies*

##### **Sale of goods**

Revenue from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of the revenue can be measured reliably. 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 or upon completion when the customer requests delayed delivery.

##### **Good and services tax**

Revenues are recognised net of amount of goods and services tax (GST).

|                                | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Sales revenue</b>           |                |                |
| Sales of goods                 | 54,981         | 63,025         |
|                                | <b>54,981</b>  | <b>63,025</b>  |
| <b>Other income</b>            |                |                |
| Profit on sale of fixed assets | 10             | -              |
|                                | <b>10</b>      | <b>-</b>       |

#### 2. Expenses

##### *Accounting policies*

##### **Depreciation**

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the carrying value of property, plant and equipment less the estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Buildings 40 years
- Plant and equipment 3-12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Notes to the financial statements

## For the year ended 30 June 2016

## 2. Expenses (continued)

**Amortisation**

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful life of patents and trademarks for the current and comparative years is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Good and services tax**

Expenses 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 expense.

**Expenses by nature**

|                                           | <i>Note</i> | <b>2016</b>   | 2015          |
|-------------------------------------------|-------------|---------------|---------------|
|                                           |             | <b>\$'000</b> | <b>\$'000</b> |
| Cost of goods sold                        |             | <b>34,037</b> | 36,515        |
| Sales, marketing and warehousing expenses |             | <b>12,585</b> | 14,769        |
| Administration expenses                   |             | <b>3,494</b>  | 2,876         |
| Distribution expenses                     |             | <b>3,572</b>  | 4,253         |
| Goodwill impairment                       |             | -             | 1,721         |
| Other expenses                            |             | -             | 171           |
|                                           |             | <b>53,688</b> | 60,305        |

**Profit before income tax has been arrived at after charging / (crediting) the following expenses:****Depreciation and amortisation:**

|                                     |    |              |       |
|-------------------------------------|----|--------------|-------|
| Depreciation of buildings           | 13 | <b>39</b>    | 36    |
| Depreciation of plant and equipment | 13 | <b>1,659</b> | 1,582 |
| Amortisation                        | 12 | <b>18</b>    | 24    |

**Employee benefits:**

|                                                            |  |               |        |
|------------------------------------------------------------|--|---------------|--------|
| Wages and salaries                                         |  | <b>13,330</b> | 16,466 |
| Other associated personnel expenses                        |  | <b>2,099</b>  | 2,161  |
| Contributions to defined contribution superannuation funds |  | <b>1,314</b>  | 1,493  |
| Expense relating to annual and long service leave          |  | <b>1,052</b>  | 1,452  |
| Termination benefits                                       |  | <b>624</b>    | 140    |
| Employee share bonus plan expense                          |  | <b>61</b>     | 69     |
| Executive share bonus plan expense                         |  | -             | (132)  |

**Other:**

|                                                   |   |             |     |
|---------------------------------------------------|---|-------------|-----|
| Bad debts written off                             | 7 | <b>247</b>  | (8) |
| Change in allowance for impairment of receivables | 7 | <b>(50)</b> | 65  |
| Loss on disposal of property, plant and equipment |   | -           | 34  |
| Research and development expense                  |   | <b>4</b>    | 64  |

## Notes to the financial statements

## For the year ended 30 June 2016

## 3. Net finance income

*Accounting policies***Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method.

**Finance costs**

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

|                                       | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Interest income on bank deposits held | 42             | 41             |
| Interest expense from bank overdrafts | (3)            | (3)            |
| <b>Net financing income</b>           | <b>39</b>      | <b>38</b>      |

## 4. Earnings per share

The Company 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.

*Basic and diluted earnings per share*

The calculation of basic earnings per share at 30 June 2016 was based on the net profit attributable to ordinary shareholders of \$949,674 (2015: \$1,454,245) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2016 of 10,719,520 (2015: 10,484,041). The calculation of diluted earnings per share at 30 June 2016 was based on the profit attributable to ordinary shareholders of \$949,674 (2015: \$1,454,245) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2016 of 10,719,520 (2015: 10,484,416).

*Weighted average number of ordinary shares (basic)*

|                                                       | 2016<br>Shares '000 | 2015<br>Shares '000 |
|-------------------------------------------------------|---------------------|---------------------|
| Issued ordinary shares at 1 July                      | 10,507              | 10,427              |
| Effect of shares issued during year                   | 213                 | 57                  |
| Weighted average number of ordinary shares at 30 June | <b>10,720</b>       | <b>10,484</b>       |

*Weighted average number of ordinary shares (diluted)*

|                                                       | 2016          | 2015          |
|-------------------------------------------------------|---------------|---------------|
| Weighted average number of ordinary shares (basic)    | 10,720        | 10,484        |
| Effect of Executive Share Plan                        | -             | -             |
| Weighted average number of ordinary shares at 30 June | <b>10,720</b> | <b>10,484</b> |

*Basic and diluted earnings per share*

|                                                       | 2016<br>Cents per share | 2015<br>Cents per share |
|-------------------------------------------------------|-------------------------|-------------------------|
| Basic earnings per share from continuing operations   | 8.9                     | 13.9                    |
| Diluted earnings per share from continuing operations | <b>8.9</b>              | <b>13.9</b>             |

## Notes to the financial statements

### For the year ended 30 June 2016

#### 5. Auditor's remuneration

##### Audit services:

Auditors of the Group (KPMG Australia)  
– audit and review of financial statements

##### Other services:

Auditors of the Group (KPMG Australia)  
– other taxation, consulting and due diligence services

| 2016<br>\$     | 2015<br>\$    |
|----------------|---------------|
| 87,350         | 93,300        |
| <b>87,350</b>  | <b>93,300</b> |
|                |               |
| 191,557        | 9,900         |
| <b>191,557</b> | <b>9,900</b>  |

#### 6. Segment Reporting

Segment results that are reported to the Group's Managing Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

##### *Business segments*

The Group has two reportable segments. The business is organised based on products and services. The following summary describes the operations in each of the Company's reportable segments.

##### **Industrial Products**

Industrial Products segment includes the manufacture of electrical and cable support systems, steel fabrication and access systems. It also includes the sale, hire and repair of high torque tools. It includes the businesses trading under the EzyStrut, Power Step and Titan Technologies names and formerly the Indax name.

##### **Production**

Production segment represents the Korvest Galvanising business, which provides hot dip galvanising services.

Both reportable segments consist of the aggregation of a number of operating segments in accordance with AASB 8 Operating Segments.

##### *Geographical segments*

The Group operates in Australia.

## Notes to the financial statements

## For the year ended 30 June 2016

## 6. Segment reporting (continued)

*Customers*

Revenue from one customer of the Group's Industrial Products segment represented \$13,910,000 (2015: \$13,029,000) of the Group's total revenues.

Information regarding the operations of each reportable segment is included below in the manner reported to the chief operating decision maker as defined in AASB 8. Performance is measured based on segment profit before tax (PBT). Inter-segment transactions are not recorded as revenue. Instead a cost allocation relating to the transactions is made based on negotiated rates.

| Business segments                             | Industrial Products |                | Production     |                | Total          |                |
|-----------------------------------------------|---------------------|----------------|----------------|----------------|----------------|----------------|
|                                               | 2016<br>\$'000      | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Sales revenue                                 | 50,701              | 58,338         | 4,280          | 4,687          | 54,981         | 63,025         |
| Depreciation and amortisation                 | 1,143               | 1,157          | 278            | 291            | 1,421          | 1,448          |
| Reportable segment profit / (loss) before tax | 2,989               | 5,155          | (48)           | 697            | 2,941          | 5,852          |
| Reportable segment assets                     | 21,470              | 29,561         | 3,519          | 3,896          | 24,990         | 33,457         |
| Capital expenditure                           | 182                 | 692            | 102            | 209            | 284            | 901            |

*Reconciliation of reportable segment profit, assets and other material items*

|                                                                          | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------------------------------------------------|----------------|----------------|
| <b>Profit</b>                                                            |                |                |
| Total profit for reportable segments                                     | 2,941          | 5,852          |
| Impairment of goodwill                                                   | -              | (1,721)        |
| Unallocated amounts – other corporate expenses (net of corporate income) | (1,599)        | (1,373)        |
| Profit before income tax                                                 | 1,342          | 2,758          |
| <b>Assets</b>                                                            |                |                |
| Total assets for reportable segments                                     | 24,990         | 33,457         |
| Land and buildings                                                       | 7,207          | 7,246          |
| Cash and cash equivalents                                                | 5,088          | -              |
| Other unallocated amounts                                                | 3,152          | 2,705          |
| Total assets                                                             | 40,437         | 43,408         |
| <b>Capital expenditure</b>                                               |                |                |
| Capital expenditure for reportable segments                              | 284            | 901            |
| Other corporate capital expenditure                                      | 197            | 466            |
| Total capital expenditure                                                | 481            | 1,367          |
| <b>Other material items</b>                                              |                |                |
| Depreciation and amortisation for reportable segments                    | 1,421          | 1,448          |
| Unallocated amounts – corporate depreciation                             | 295            | 194            |
| Total                                                                    | 1,716          | 1,642          |

## Notes to the financial statements

### For the year ended 30 June 2016

### Working Capital

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as inventory, trade and other receivables, trade and other payables and provisions.

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

This section provides further information regarding working capital management and analysis of the elements of working capital.

### 7. Trade and other receivables

#### *Accounting policies*

##### **Trade receivables**

Trade receivables are non-derivative financial instruments that are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any identified impairment losses.

The fair values of trade and other receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

##### **Goods and services tax**

Trade receivables are recognised inclusive of the amount of goods and services tax (GST) which is payable to taxation authorities. The net amount of GST payable to the taxation authority is included as part of receivables or payables.

|                                   | <b>2016</b>   | 2015   |
|-----------------------------------|---------------|--------|
|                                   | <b>\$'000</b> | \$'000 |
| <b>Current</b>                    |               |        |
| Trade receivables                 | <b>8,594</b>  | 13,970 |
| Less: Allowance for impairment    | <b>(567)</b>  | (627)  |
| Net trade receivables             | <b>8,027</b>  | 13,343 |
| Other receivables and prepayments | <b>211</b>    | 249    |
|                                   | <b>8,238</b>  | 13,592 |

##### **Impairment**

Debtors are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. An allowance for impairment is recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor or indications that a debtor will enter administration.

|                                             | <b>2016</b>   | 2015   |
|---------------------------------------------|---------------|--------|
|                                             | <b>\$'000</b> | \$'000 |
| <b>Movement in allowance for impairment</b> |               |        |
| Balance at 1 July                           | <b>(627)</b>  | (562)  |
| Amounts written off against allowance       | <b>247</b>    | 25     |
| Impairment loss recognised                  | <b>(187)</b>  | (90)   |
| Balance at 30 June                          | <b>(567)</b>  | (627)  |

## Notes to the financial statements

### For the year ended 30 June 2016

#### 7. Trade and other receivables (continued)

The impairment loss at 30 June 2016 relates to a number of customers where an assessment has been made that the amounts are likely to be uncollectable.

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.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

The ageing of the trade receivables at the reporting date that were not impaired was as follows:

|                           | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>Gross amounts</b>      |                |                |
| Not past due nor impaired | 5,499          | 7,902          |
| Past due 0-30 days        | 2,054          | 3,125          |
| Past due 31-90 days       | 474            | 2,354          |
| More than 91 days         | -              | 211            |
|                           | <b>8,027</b>   | <b>13,592</b>  |

#### 8. Inventories

##### *Accounting policies*

##### **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average cost and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs incurred in 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 estimated costs necessary to make the sale.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

##### **Goods and services tax**

Non-financial assets such as inventories are recognised net of amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from taxation authority, it is recognised as part of the cost of acquisition of the asset.

|                               | 2016<br>\$'000 | 2015<br>\$'000 |
|-------------------------------|----------------|----------------|
| <b>Current</b>                |                |                |
| Raw materials and consumables | 2,045          | 2,623          |
| Work in progress              | 222            | 506            |
| Finished goods                | 9,225          | 10,482         |
|                               | <b>11,492</b>  | <b>13,611</b>  |

Finished goods are shown net of an impairment provision amounting to \$1,449,000 (2015: \$891,000) arising from the likely inability to sell a product range at or equal to the cost of inventory.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 9. Trade and other payables

##### *Accounting policies*

##### **Payables**

Trade and other accounts payable are non-derivative financial instruments measured at cost.

##### **Goods and services tax**

Trade payables are recognised inclusive of the amount of goods and services tax (GST) which is recoverable from taxation authorities. The net amount of GST recoverable from the taxation authority is included as part of receivables or payables.

|                                           | <b>2016</b>   | 2015   |
|-------------------------------------------|---------------|--------|
|                                           | <b>\$'000</b> | \$'000 |
| <b>Current</b>                            |               |        |
| Other trade payables and accrued expenses | <b>2,074</b>  | 3,139  |
| Non-trade payables and accrued expenses   | <b>2,150</b>  | 3,220  |
|                                           | <b>4,224</b>  | 6,359  |

#### 10. Employee benefits

##### *Accounting policies*

##### **Short-term benefits**

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

##### **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 high quality corporate bonds at the reporting date which have maturity dates approximating to the terms of the Company's obligations.

|                                  | <b>2016</b>   | 2015   |
|----------------------------------|---------------|--------|
|                                  | <b>\$'000</b> | \$'000 |
| <b>Current</b>                   |               |        |
| Liability for annual leave       | <b>1,018</b>  | 1,271  |
| Liability for long service leave | <b>1,322</b>  | 1,472  |
|                                  | <b>2,340</b>  | 2,743  |
| <b>Non-current</b>               |               |        |
| Liability for long service leave | <b>372</b>    | 438    |
| Total employee benefits          | <b>2,712</b>  | 3,181  |

Accrued wages and salaries are included in accrued expenses in note 9.

##### **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 an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 10. Employee benefits (continued)

##### Share based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the performance rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of the Company's share prices, adjusted for changes expected due to publicly available information), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

##### Employee Share Bonus Plan

The Employee Share Bonus Plan allows Group employees to receive 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 and the Performance Rights Plan allow Group employees to receive shares of the Company. The fair value of options or rights 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/right.

##### Executive Share Plan (ESP) – discontinued

In March 2005, the Group established a share option plan that entitled selected senior executives 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. The plan was discontinued in 2010 with no new issues made under the plan since that time. The plan remains in operation for those employees granted options under that plan prior to 2010.

The options were exercisable if the total shareholder return (measured as share price growth plus dividends paid) over a two-year period from the grant date exceeded ten per cent plus CPI per annum. The shares issued pursuant to these options are financed by an interest free loan from the Company repayable within twenty years from the proceeds of dividends declared by the 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 were offered only to selected senior executives. Details of the options are below:

## Notes to the financial statements

## For the year ended 30 June 2016

## 10. Employee benefits (continued)

## Korvest Performance Rights Plan (KPRP)

In August 2011 the Company established a performance rights plan to replace the ESP. In November 2011 the first performance rights were granted under the plan and further issues have been granted annually since. The plan is designed to provide long term incentives to eligible senior employees of the Group and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles related to earnings per share (EPS).

Under the plan, eligible employees are offered Performance Rights, which enables the employee to acquire one fully paid ordinary share in the Company for no monetary consideration, once the Performance Rights vest. The conditions attached to the Performance Rights are measured over the three year period commencing at the beginning of the financial year in which the Performance Rights are granted. If the performance conditions at the end of the three year period are met, in whole or in part, all or the relevant percentage of the Performance Rights will vest.

|                                                 | Plan | Number of options<br>/ rights initially<br>granted | Number<br>outstanding at<br>balance date<br>AASBs | Number<br>outstanding at<br>balance date<br>ASX |
|-------------------------------------------------|------|----------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| <b>Grant date</b>                               |      |                                                    |                                                   |                                                 |
| March 2005                                      | ESP  | 60,000                                             | 15,000                                            | -                                               |
| March 2009                                      | ESP  | 85,000                                             | 10,000                                            | -                                               |
| November 2014                                   | KPRP | 99,000                                             | 85,000                                            | 85,000                                          |
| November 2015                                   | KPRP | 142,400                                            | 114,000                                           | 114,000                                         |
| <b>Total share options / performance rights</b> |      | <b>465,900</b>                                     | <b>224,000</b>                                    | <b>199,000</b>                                  |

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.

## Measurement of fair values

The fair value of the rights granted through the KPRP was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic share price volatility over the twelve months prior to grant date.

The inputs used in the measurement of the fair value at grant date of the KPRP were as follows:

|                                            | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| Fair value at grant date                   | \$2.29         | \$3.76         |
| Share price at grant date                  | \$3.05         | \$5.22         |
| Exercise price                             | -              | -              |
| Share price volatility                     | 28.0%          | 32.0%          |
| Dividend yield                             | 9.51%          | 10.92%         |
| Risk free interest rate                    | 2.90%          | 3.34%          |
| Life of options                            | 3 yrs          | 3 yrs          |
| Advised restriction period (after vesting) | 2 yrs          | 2 yrs          |

## Notes to the financial statements

## For the year ended 30 June 2016

## 10. Employee benefits (continued)

## Reconciliation of outstanding share options/rights

| Grant date                             | Exercise date | Expiry date | Exercise price | Number of options /rights at beginning of year | Rights granted | Lapsed   | Forfeited | Exercised | Number of options at end of year on issue | Exercisable at 30 June |
|----------------------------------------|---------------|-------------|----------------|------------------------------------------------|----------------|----------|-----------|-----------|-------------------------------------------|------------------------|
| <b>2016</b>                            |               |             |                |                                                |                |          |           |           |                                           |                        |
| <b>Previous plan</b>                   |               |             |                |                                                |                |          |           |           |                                           |                        |
| Mar 05                                 | Jan 07        | Jan 27      | \$4.36         | 15,000                                         | -              | -        | -         | -         | 15,000                                    | -                      |
| Mar 09                                 | Jan 11        | Jan 31      | \$3.79         | 10,000                                         | -              | -        | -         | -         | 10,000                                    | -                      |
|                                        |               |             |                | 25,000                                         | -              | -        | -         | -         | 25,000                                    | -                      |
| <i>Weighted average exercise price</i> |               |             |                | \$4.13                                         |                |          |           |           | \$4.13                                    |                        |
| <b>Current plan</b>                    |               |             |                |                                                |                |          |           |           |                                           |                        |
| Nov 13                                 | Jul 16        | Jun 16      | -              | 79,500                                         | -              | (70,500) | (9,000)   | -         | -                                         | -                      |
| Nov 14                                 | Jul 17        | Jun 17      | -              | 99,000                                         | -              | -        | (14,000)  | -         | 85,000                                    | -                      |
| Nov 15                                 | Jul 18        | Jul 18      | -              | -                                              | 142,400        | -        | (28,400)  | -         | 114,000                                   | -                      |
|                                        |               |             |                | 178,500                                        | 142,400        | (70,500) | (51,400)  | -         | 199,000                                   | -                      |
| <i>Weighted average exercise price</i> |               |             |                | \$Nil                                          | \$Nil          | \$Nil    | \$Nil     |           | \$Nil                                     |                        |
| <b>2015</b>                            |               |             |                |                                                |                |          |           |           |                                           |                        |
| <b>Previous plan</b>                   |               |             |                |                                                |                |          |           |           |                                           |                        |
| Mar 05                                 | Jan 07        | Jan 27      | \$4.36         | 15,000                                         | -              | -        | -         | -         | 15,000                                    | -                      |
| Mar 09                                 | Jan 11        | Jan 31      | \$3.79         | 10,000                                         | -              | -        | -         | -         | 10,000                                    | -                      |
|                                        |               |             |                | 25,000                                         | -              | -        | -         | -         | 25,000                                    |                        |
| <i>Weighted average exercise price</i> |               |             |                | \$4.13                                         |                |          |           |           | \$4.13                                    |                        |
| <b>Current plan</b>                    |               |             |                |                                                |                |          |           |           |                                           |                        |
| Nov 12                                 | Jul 15        | Jun 15      | -              | 73,000                                         | -              | (73,000) | -         | -         | -                                         | -                      |
| Nov 13                                 | Jul 16        | Jun 16      | -              | 79,500                                         | -              | -        | -         | -         | 79,500                                    | -                      |
| Nov 14                                 | Jul 17        | Jun 17      | -              | -                                              | 99,000         | -        | -         | -         | 99,000                                    | -                      |
|                                        |               |             |                | 152,500                                        | 99,000         | (73,000) | -         | -         | 178,500                                   | -                      |
| <i>Weighted average exercise price</i> |               |             |                | \$Nil                                          | \$Nil          | \$Nil    |           |           | \$Nil                                     |                        |

## Notes to the financial statements

### For the year ended 30 June 2016

#### 11. Provisions

##### *Accounting policies*

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 risk adjusted future expected cash flows at a pre-tax discount rate that reflects the time value of money. The unwinding of the discount is recognised as a finance cost.

##### **Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. Power Step assemblies are sold with a warranty period of 12 months from installation date or 18 months from invoice date, whichever occurs first. The provision is based on estimates made from historical warranty data associated with similar products. The entire warranty provision has been treated as current.

##### **Site restoration and safety**

A provision of \$433,000 (2015: \$333,000) is held in respect of the Company's obligation to rectify potential environmental damage at the main site premises in Kilburn. The provision is reassessed annually and is based on an estimate of the current day cost to rectify the site. It has been assumed that the rectification would occur in 15 years (2015: 10 years). Provisions are determined by discounting risk adjusted future expected cash flows at a pre-tax discount rate that reflects the time value of money. A discount rate of 3.0% (2015: 6.5%) and an inflation rate of 2.0% (2015: 3%) have been used for the calculation at 30 June 2016.

|                    | <b>2016</b>   | 2015   |
|--------------------|---------------|--------|
|                    | <b>\$'000</b> | \$'000 |
| <b>Current</b>     |               |        |
| Warranties         | <b>26</b>     | 42     |
| <b>Non-current</b> |               |        |
| Site restoration   | <b>433</b>    | 333    |
|                    | <b>459</b>    | 375    |

## Notes to the financial statements

### For the year ended 30 June 2016

### Tangible and intangible assets

The following section shows the physical tangible and non-physical intangible assets used by the Group to operate the business, generating revenues and profits. Intangible assets include patents, trademarks and goodwill.

This section explains the accounting policies applied and specific judgments and estimates made by the Directors in arriving at the net book value of these assets.

#### 12. Intangible assets

##### *Accounting policies*

##### **Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets.

Goodwill is measured at cost less accumulated impairment losses.

##### **Other intangible assets**

Other intangible assets that are required by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

##### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

|                                                       | Goodwill | Patents &<br>Trademarks | Total   |
|-------------------------------------------------------|----------|-------------------------|---------|
|                                                       | \$'000   | \$'000                  | \$'000  |
| <b>Cost</b>                                           |          |                         |         |
| Balance at 1 July 2014                                | 1,721    | 44                      | 1,765   |
| Impairment                                            | (1,721)  | -                       | (1,721) |
| Acquisitions                                          |          | 15                      | 15      |
| Balance at 30 June 2015                               | -        | 59                      | 59      |
| Balance at 1 July 2015                                | -        | 59                      | 59      |
| Acquisitions                                          | -        | 10                      | 10      |
| Balance at 30 June 2016                               | -        | 69                      | 69      |
| <b>Accumulated amortisation and impairment losses</b> |          |                         |         |
| Balance at 1 July 2014                                | -        | 10                      | 10      |
| Amortisation for the year                             | -        | 24                      | 24      |
| Balance at 30 June 2015                               | -        | 34                      | 34      |
| Balance at 1 July 2015                                | -        | 34                      | 34      |
| Amortisation for the year                             | -        | 18                      | 18      |
| Balance at 30 June 2016                               | -        | 52                      | 52      |
| <b>Carrying amounts</b>                               |          |                         |         |
| At 1 July 2014                                        | 1,721    | 34                      | 1,755   |
| At 30 June 2015                                       | -        | 25                      | 25      |
| At 30 June 2016                                       | -        | 17                      | 17      |

Amortisation is recognised as an expense in Note 2.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 13. Tangible assets

##### *Accounting policies*

##### **Recognition and measurement**

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings is measured at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Group has an obligation to remove the assets or restore the site, as estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

##### **Fair value measurement**

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. Land and buildings are valued by an independent valuer every three years. In the intervening years between independent valuations the directors make an assessment of the value of the land and buildings having regard for the most recent independent valuation.

## Notes to the financial statements

## For the year ended 30 June 2016

## 13. Tangible assets (continued)

## Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

|                                                       | Land &<br>Buildings<br>(fair value)<br>\$'000 | Plant &<br>Equipment<br>(cost)<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------|-----------------------------------------------|------------------------------------------|-----------------|
| <b>Cost</b>                                           |                                               |                                          |                 |
| Balance at 1 July 2014                                | 7,080                                         | 18,408                                   | 25,488          |
| Acquisitions                                          | 202                                           | 1,150                                    | 1,352           |
| Disposals                                             | -                                             | (131)                                    | (131)           |
| Transfer from assets held for sale                    | -                                             | 581                                      | 581             |
| Transfer of equipment to inventory                    | -                                             | (44)                                     | (44)            |
| Balance at 30 June 2015                               | 7,282                                         | 19,964                                   | 27,246          |
| Balance at 1 July 2015                                | 7,282                                         | 19,964                                   | 27,246          |
| Acquisitions                                          | -                                             | 471                                      | 471             |
| Disposals                                             | -                                             | (226)                                    | (226)           |
| Transfer of equipment to inventory                    | -                                             | (14)                                     | (14)            |
| Balance at 30 June 2016                               | 7,282                                         | 20,195                                   | 27,477          |
| <b>Accumulated depreciation and impairment losses</b> |                                               |                                          |                 |
| Balance at 1 July 2014                                | -                                             | 9,576                                    | 9,576           |
| Depreciation charge for the year                      | 36                                            | 1,582                                    | 1,618           |
| Disposals                                             | -                                             | (77)                                     | (77)            |
| Transfer from assets held for sale                    | -                                             | 225                                      | 225             |
| Transfer of equipment to inventory                    | -                                             | (3)                                      | (3)             |
| Balance at 30 June 2015                               | 36                                            | 11,303                                   | 11,339          |
| Balance at 1 July 2015                                | 36                                            | 11,303                                   | 11,339          |
| Depreciation charge for the year                      | 39                                            | 1,659                                    | 1,698           |
| Disposals                                             | -                                             | (189)                                    | (189)           |
| Transfer of equipment to inventory                    | -                                             | (2)                                      | (2)             |
| Balance at 30 June 2016                               | 75                                            | 12,771                                   | 12,846          |
| <b>Carrying amounts</b>                               |                                               |                                          |                 |
| At 1 July 2014                                        | 7,080                                         | 8,832                                    | 15,912          |
| At 30 June 2015                                       | 7,246                                         | 8,661                                    | 15,907          |
| At 30 June 2016                                       | 7,207                                         | 7,424                                    | 14,631          |

Depreciation is recognised as an expense in Note 2.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 13. Tangible assets (continued)

##### *Fair value hierarchy of land and buildings*

At least every three years the directors obtain an independent valuation to support the fair value of Land and Buildings. This valuation is used by the directors as a guide in determining the directors' valuation for the Land and Buildings. An independent valuation of Land and Buildings was carried out in March 2014 by Mr Mark Klenke, AAPI MRICS FFIN of AON Valuation Services on the basis of the open market value of the properties concerned in their highest and best use and was used as a reference for director's valuation as at 30 June 2016.

The carrying amount of the Land and Buildings at cost at 30 June 2016 if not revalued would be \$1,163,449.

The following table shows a reconciliation from the opening balances to the closing balances for Land and Buildings being based on Level 3 fair values:

|                                  | <b>\$'000</b> |
|----------------------------------|---------------|
| Balance at 1 July 2014           | 7,080         |
| Acquisitions                     | 202           |
| Depreciation charge for the year | (36)          |
| Balance at 30 June 2015          | <u>7,246</u>  |
| Balance at 1 July 2015           | 7,246         |
| Additions                        | -             |
| Depreciation charge for the year | (39)          |
| Balance at 30 June 2016          | <u>7,207</u>  |

##### *Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of Land and Buildings, as well as the significant unobservable inputs used.

| <b>Valuation technique</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Significant unobservable inputs</b>                                                          | <b>Inter-relationship between key unobservable inputs and fair value measurement</b>                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capitalised income approach: the valuation model applies a yield to the property's value to assess its value less any required capital expenditure. The yield applied to the potential rental return from the property is based on recent sales and has been calculated by dividing the estimated rental return from comparable sales to derive a fair market sales price. Capitalised value has been increased by value of a vacant land as the property has below average site coverage indicating further capacity for development. | Market yield - 9.5%<br>Potential rental rate - \$56/m2<br>Land value for vacant land - \$150/m2 | The estimated market value would increase if: <ul style="list-style-type: none"> <li>• Market yields were higher</li> <li>• Potential rental return was higher</li> <li>• Land value was higher</li> </ul> |

## Notes to the financial statements

### For the year ended 30 June 2016

#### 14. Impairment testing

##### *Accounting policies*

The carrying amounts of the Group's tangible and intangible 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. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For impairment testing assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

Any impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amounts does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### *Results*

During the year ended 30 June 2015 the Group recognised an impairment of goodwill in relation to the Power Step and Titan Technologies businesses. The carrying amount of the cash generating unit (CGU) was determined to be higher than its recoverable amount and an impairment loss of \$1,721,000 was recognised. The impairment loss was allocated fully to goodwill and reduced the goodwill to \$nil. The amount has been separately disclosed in Note 12.

The value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit based on the following key assumptions:

- Discount rate 14.6%
- Terminal growth rate 3.0%
- Sales growth rate (average of next five years) 7.2%

The values assigned to the key assumptions represented Management's assessment of future trends in the industry and are based on historical data from both internal and external sources.

Following the impairment loss relating to the Power Step and Titan Technologies businesses the recoverable amount is equal to the carrying amount and accordingly an impairment test was not performed at 30 June 2016.

Other CGU's were not tested for impairment as there were no impairment indicators at 30 June 2016 or 30 June 2015.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 15. Commitments for expenditure

##### *Operating leases*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### **Leases as lessee**

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

|                            | <b>2016</b>   | 2015   |
|----------------------------|---------------|--------|
|                            | <b>\$'000</b> | \$'000 |
| Less than one year         | <b>987</b>    | 838    |
| Between one and five years | <b>1,832</b>  | 1,580  |
| More than five years       | -             | -      |
|                            | <b>2,819</b>  | 2,418  |

The Group 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 periodically to reflect market rentals. None of the leases includes contingent rentals. Rentals are increased by CPI or similar each year.

During the financial year ended 30 June 2016, \$930,154 was recognised as an expense in the Statement of profit and loss and comprehensive income in respect of operating leases (2015: \$929,913).

## Notes to the financial statements

For the year ended 30 June 2016

### Capital Structure

This section outlines how the Group manages its capital structure, including its balance sheet liquidity and access to capital markets.

The directors determine the appropriate capital structure of the Group, specifically how much is realised from shareholders and how much is borrowed from the financial institutions to finance the Group's activities now and in the future.

#### 16. Cash and cash equivalents / (Bank overdraft)

##### *Accounting policies*

Cash and cash equivalents and Bank overdrafts comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

##### *Goods and services tax*

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.

|                                                                             | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------------------------------------------------------------------|----------------|----------------|
| Cash in hand                                                                | 1              | 1              |
| Bank balances                                                               | 317            | (640)          |
| Call deposits                                                               | 4,770          | 139            |
| Cash and cash equivalents / (Bank overdraft) in the statement of cash flows | 5,088          | (500)          |

The Group had an overdraft facility of \$0.75m as at 30 June 2016.

##### *Reconciliation of cash flows from operating activities*

##### **Cash flows from operating activities**

|                                                                           | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------------------------------------------------------|----------------|----------------|
| Profit for the period                                                     | 950            | 1,455          |
| <i>Adjustment for:</i>                                                    |                |                |
| Depreciation and amortisation                                             | 1,716          | 1,642          |
| Impairment of trade receivables                                           | 196            | 62             |
| Impairment of inventories classified as held for sale                     | 558            | -              |
| Impairment of goodwill                                                    | -              | 1,721          |
| Increase in provision for site rectification                              | 100            | -              |
| Disposal of property, plant and equipment including transfer to inventory | 2              | 34             |
| Equity-settled share-based payment expense / (reversal)                   | 60             | (63)           |
|                                                                           | 3,582          | 4,851          |
| Changes in:                                                               |                |                |
| Trade and other receivables                                               | 5,151          | 4,052          |
| Inventories                                                               | 1,561          | (1,438)        |
| Trade and other payables                                                  | (2,142)        | (1,825)        |
| Deferred tax liabilities                                                  | 462            | 231            |
| Income taxes payable                                                      | (697)          | (972)          |
| Provisions and employee benefits                                          | (485)          | 216            |
| <b>Net cash from operating activities</b>                                 | <b>7,432</b>   | <b>5,115</b>   |

## Notes to the financial statements

### For the year ended 30 June 2016

#### 17. Financial instruments

##### *Accounting policies*

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group applies IFRS 13 Fair Value Measurement, which establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs. As a result, the Group has applied additional disclosures in this regard (see Notes 6 and 17).

The Group has an established control framework with respect to the measurement of fair values. The Finance Director has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The Finance Director regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Finance Director assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)
- *Level 3:* inputs for asset or liability that are not based on observable market data (unobservable inputs).

If inputs used to measure fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

##### **Non-derivative financial assets**

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or if it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through the profit or loss, held to maturity financial assets, loans and receivables and available-for-sale financial assets.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 17. Financial instruments (continued)

##### Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and other borrowings, bank overdrafts, and trade and other payables.

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 statement of cash flows.

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

##### Financial risk management

###### Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- 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 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.

###### Exposure to credit risk

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

|                             | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------------------|----------------|----------------|
| Cash and cash equivalents   | 5,088          | -              |
| Trade and other receivables | 8,238          | 13,592         |

###### Cash and cash equivalents / (Bank overdraft)

The Group had a bank overdraft of \$nil (2015: \$500,000) at 30 June 2016, which represents its maximum credit exposure on these assets. The cash and cash equivalents / bank overdrafts are held with major Australian banks.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 17. Financial instruments (continued)

##### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

There is an established 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 in some trade references when applicable and available. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval. These limits are subject to on-going review. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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

The Group establishes an allowance for impairment that represents its 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.

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by geographic region was as follows:

|                        | 2016<br>\$'000 | 2015<br>\$'000 |
|------------------------|----------------|----------------|
| <b>Carrying values</b> |                |                |
| Australia              | 7,905          | 12,657         |
| South East Asia        | 203            | 807            |
| Other                  | 130            | 128            |
|                        | <b>8,238</b>   | <b>13,592</b>  |

At 30 June 2016, the Group's most significant customer, located in Australia, accounted for \$1,739,600 of the trade and other receivables carrying amount (2015: \$1,981,900).

##### Impairment losses

The ageing of the trade and other receivables at the reporting date that were not impaired is set out in note 7.

|                           | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>Gross</b>              |                |                |
| Not past due nor impaired | 5,710          | 7,902          |
| Past due 0-30 days        | 2,054          | 3,125          |
| Past due 31-90 days       | 474            | 2,354          |
| More than 91 days         | -              | 211            |
|                           | <b>8,238</b>   | <b>13,592</b>  |

## Notes to the financial statements

### For the year ended 30 June 2016

#### 17. Financial instruments (continued)

##### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

In addition, the Group maintains the following lines of credit:

- \$0.75m overdraft facility that is unsecured.

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

|                                                 | 2016                         |                                     |                             |                          | 2015                         |                                     |                             |                          |
|-------------------------------------------------|------------------------------|-------------------------------------|-----------------------------|--------------------------|------------------------------|-------------------------------------|-----------------------------|--------------------------|
|                                                 | Carrying<br>amount<br>\$'000 | Contractual<br>cash flows<br>\$'000 | 6 mths or<br>less<br>\$'000 | 6 – 12<br>mnts<br>\$'000 | Carrying<br>amount<br>\$'000 | Contractual<br>cash flows<br>\$'000 | 6 mths or<br>less<br>\$'000 | 6 – 12<br>mnts<br>\$'000 |
| <b>Non-derivative<br/>financial liabilities</b> |                              |                                     |                             |                          |                              |                                     |                             |                          |
| Bank overdraft                                  | -                            | -                                   | -                           | -                        | 500                          | (500)                               | (500)                       | -                        |
| Trade and other<br>payables                     | 4,224                        | (4,224)                             | (4,224)                     | -                        | 6,359                        | (6,359)                             | (6,359)                     | -                        |
|                                                 | 4,224                        | (4,224)                             | (4,224)                     | -                        | 6,859                        | (6,859)                             | (6,859)                     | -                        |

##### 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

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the Australian dollar (AUD). The currency in which these transactions primarily are denominated is US dollars (USD).

##### Exposure to currency risk

The Group did not have any material exposure to foreign currency risk and as a result movements in the Australian dollar against other currencies will not have a material impact on the Group's profit or equity.

##### 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.

##### Exposure to interest rate risk

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

## Notes to the financial statements

### For the year ended 30 June 2016

#### 17. Financial instruments (continued)

##### 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 objectives when managing capital (net debt and equity) are to safeguard its ability to continue as a going concern, so that it 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.

During the year the Group was not subject to externally imposed capital requirements.

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

##### **Accounting classifications and fair values**

The carrying amounts of the Group's financial assets and liabilities are considered to be a reasonable approximation of their fair values.

#### 18. Capital and reserves

##### **Accounting policies**

##### **Ordinary shares**

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

##### **Asset revaluation reserve**

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

##### **Profits reserve**

The profits reserve represents current year and accumulated profits transferred to a reserve to preserve the characteristic as a profit and not appropriate against prior year accumulated losses. Such profits are available to enable payment of franked dividends in the future.

##### **Equity compensation reserve**

The Equity compensation reserve represents the accumulated expense recognised for share-based payments granted by the Company to date. 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 Company's own equity instruments.

## Notes to the financial statements

## For the year ended 30 June 2016

## 18. Capital and reserves (continued)

*Share capital*

|                                            | 2016<br>Shares '000 | 2015<br>Shares '000 |
|--------------------------------------------|---------------------|---------------------|
| <b>Ordinary shares</b>                     |                     |                     |
| On issue at 1 July                         | 10,507              | 10,427              |
| Issued under the Employee Share Bonus Plan | 59                  | 43                  |
| Issued under the Executive Share Plan      | -                   | 37                  |
| Issued under Dividend Reinvestment Plan    | 373                 | -                   |
| On issue at 30 June – fully paid           | 10,940              | 10,507              |

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.

## 19. Dividends

*Accounting policies*

Dividends paid are classified as distribution of profit consistent with the balance sheet classification of the related debt or equity instrument.

*Recognised amounts*

|                       | Cents<br>per share | Total amount<br>\$'000 | Percentage<br>franked | Tax<br>rate | Date of<br>payment |
|-----------------------|--------------------|------------------------|-----------------------|-------------|--------------------|
| <b>2016</b>           |                    |                        |                       |             |                    |
| Interim 2016 ordinary | 10.0               | 1,066                  | 100%                  | 30%         | 11 March 2016      |
| Final 2015 ordinary   | 12.0               | 1,262                  | 100%                  | 30%         | 4 September 2015   |
| Total amount          |                    | 2,328                  |                       |             |                    |
| <b>2015</b>           |                    |                        |                       |             |                    |
| Interim 2015 ordinary | 17.0               | 1,786                  | 100%                  | 30%         | 13 March 2015      |
| Final 2014 ordinary   | 31.0               | 3,246                  | 100%                  | 30%         | 5 September 2014   |
| Total amount          |                    | 5,032                  |                       |             |                    |

*Unrecognised amounts*

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided.

|                     | Cents<br>per share | Total amount<br>\$'000 | Percentage<br>franked | Tax<br>rate | Date of<br>payment |
|---------------------|--------------------|------------------------|-----------------------|-------------|--------------------|
| <b>2016</b>         |                    |                        |                       |             |                    |
| Final 2016 ordinary | 10.0               | 1,094                  | 100%                  | 30%         | 9 September 2016   |

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2016 and will be recognised in subsequent financial reports.

## Notes to the financial statements

## For the year ended 30 June 2016

## 19. Dividends (continued)

*Dividend franking account*

|                                                                                              | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------------------------------------------------------------------------------|----------------|----------------|
| 30% franking credits available to shareholders of Korvest Ltd for subsequent financial years | 9,567          | 9,939          |

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 being able to declare dividends. The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by \$469,918 (2015: reduce by \$541,662).

## Notes to the financial statements

### For the year ended 30 June 2016

#### Taxation

This section outlines the tax accounting policies, current and deferred tax impacts, a reconciliation of profit before tax to the tax charge and the movement in deferred tax assets and liabilities.

#### 20. Current and deferred taxes

##### *Accounting policies*

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

##### **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

##### **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at 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 taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

##### **Tax consolidation**

The Company and the wholly owned Australian subsidiaries set out in Note 21 are part of a tax-consolidated group with Korvest Ltd as the head entity. The implementation date of the tax consolidation system for the tax-consolidated group was 1 March 2013.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are allocated to the Company and recognised using a 'group allocation' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of a member of the tax consolidation group are assumed by the head entity of the tax-consolidated group and are recognised as amounts payable (receivable) to other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the member of the tax consolidated group as an equity contribution from or distribution to the head entity.

## Notes to the financial statements

## For the year ended 30 June 2016

## 20. Current and deferred taxes (continued)

*Income tax recognised in the income statement*

|                                                                                          | 2016<br>\$'000 | 2015<br>\$'000 |
|------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Current tax expense</b>                                                               |                |                |
| Current year                                                                             | 291            | 1,381          |
| Adjustments for prior year                                                               | (361)          | -              |
|                                                                                          | (70)           | 1,381          |
| <b>Deferred tax expense</b>                                                              |                |                |
| Origination and reversal of temporary differences                                        |                |                |
| - relating to current year                                                               | 103            | (78)           |
| - relating to prior year                                                                 | 359            | -              |
|                                                                                          | 462            | (78)           |
| <b>Total income tax expense in Statement of profit and loss and comprehensive income</b> | <b>392</b>     | <b>1,303</b>   |

*Numerical reconciliation between tax expense and pre-tax net profit*

|                                                                      | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------------------------------------------------------|----------------|----------------|
| Profit before tax                                                    | 1,342          | 2,758          |
| Income tax using the domestic corporation tax rate of 30% (2015:30%) | 403            | 827            |
| Non-deductible expenses – impairment of goodwill                     | -              | 516            |
| Adjustments relating to prior years                                  | (3)            | -              |
| Non-deductible expenses                                              | (8)            | (40)           |
| Income tax expense on pre-tax net profit                             | 392            | 1,303          |

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

|                                       | Assets       |              | Liabilities  |              | Net          |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                       | 2016<br>'000 | 2015<br>'000 | 2016<br>'000 | 2015<br>'000 | 2016<br>'000 | 2015<br>'000 |
| Property, plant and equipment         | -            | -            | 1,932        | 1,552        | 1,932        | 1,552        |
| Inventories                           | (435)        | (269)        | 471          | 453          | 36           | 184          |
| Provisions / accruals                 | (995)        | (1,119)      | -            | -            | (995)        | (1,119)      |
| Other items                           | (212)        | (319)        | 2            | 3            | (210)        | (316)        |
| Tax loss carried forward              | (250)        | (250)        | -            | -            | (250)        | (250)        |
| Tax (assets) / liabilities            | (1,892)      | (1,957)      | 2,405        | 2,008        | 513          | 51           |
| Set off of tax                        | 1,892        | 1,957        | (1,892)      | (1,957)      | -            | -            |
| <b>Net tax (assets) / liabilities</b> | <b>-</b>     | <b>-</b>     | <b>513</b>   | <b>51</b>    | <b>513</b>   | <b>51</b>    |

## Notes to the financial statements

For the year ended 30 June 2016

## 20. Current and deferred taxes (continued)

*Movement in deferred tax balances during the year*

|                               | Balance<br>30 June 15 | Recognised in profit<br>Relating to<br>current year | Adjustment relating<br>to prior year | Balance<br>30 June 16 |
|-------------------------------|-----------------------|-----------------------------------------------------|--------------------------------------|-----------------------|
|                               | \$'000                | \$'000                                              | \$'000                               | \$'000                |
| Property, plant and equipment | (1,552)               | (32)                                                | (348)                                | (1,932)               |
| Inventories                   | (184)                 | 148                                                 | -                                    | (36)                  |
| Provisions / accruals         | 1,119                 | (124)                                               | -                                    | 995                   |
| Other items                   | 316                   | (95)                                                | (11)                                 | 210                   |
| Tax loss carried forward      | 250                   | -                                                   | -                                    | 250                   |
|                               | (51)                  | (103)                                               | (359)                                | (513)                 |

|                               | Balance<br>30 June 14 | Recognised<br>in profit | Balance<br>30 June 15 |
|-------------------------------|-----------------------|-------------------------|-----------------------|
|                               | \$'000                | \$'000                  | \$'000                |
| Property, plant and equipment | (1,488)               | (64)                    | (1,552)               |
| Inventories                   | 110                   | (294)                   | (184)                 |
| Provisions / accruals         | 1,053                 | 66                      | 1,119                 |
| Other items                   | 255                   | 61                      | 316                   |
| Tax loss carried forward      | 250                   | -                       | 250                   |
|                               | 180                   | (231)                   | (51)                  |

## Notes to the financial statements

For the year ended 30 June 2016

### Business Combinations

This section outlines the Group's structure and changes thereto.

#### 21. Investment in subsidiaries

##### *Accounting policies*

##### **Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The fair value of contingent consideration arising in a business combination is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it is discounted to present value.

There were no business combinations in the current or prior years.

##### **Basis of consolidation**

These financial statements are the financial statements for all the entities that comprise the Group, being the Company and its subsidiaries as defined in Accounting Standard AASB10 Consolidated financial statements.

##### **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its investment with the entity and has the ability affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

## Notes to the financial statements

For the year ended 30 June 2016

## 21. Investments in subsidiaries (continued)

*Group entities*

|                                      | Country of Incorporation | Ownership interest |           |
|--------------------------------------|--------------------------|--------------------|-----------|
|                                      |                          | 2016<br>%          | 2015<br>% |
| <b>Parent entity</b>                 |                          |                    |           |
| Korvest Ltd                          | Australia                |                    |           |
| <b>Subsidiaries</b>                  |                          |                    |           |
| Power Step (Australia) Pty Ltd       | Australia                | 100                | 100       |
| Power Step (Chile) SpA               | Chile                    | 100                | 100       |
| Titan Technologies (SE Asia) Pty Ltd | Australia                | 100                | 100       |
| EzyStrut Pte. Ltd                    | Singapore                | 100                | -         |

## Notes to the financial statements

For the year ended 30 June 2016

### Other Notes

#### 22. Key management personnel

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

##### Non-executive Directors

- Graeme Billings (Chairman)
- Peter Brodribb (Retired 28 July 2016)
- Peter Stancliffe (Retired 18 September 2014)
- Gary Francis
- Gerard Hutchinson

##### Executive Directors

- Alexander Kachellek (Managing Director)
- Steven McGregor (Finance Director and Company Secretary)

##### Executives

- Chris Hartwig (Executive General Manager, Sales & Marketing)
- Gavin Christie (General Manager, Operations) – became a member of KMP on 18 January 2016
- Paul Assaf (General Manager, Power Step & Titan Technologies)
- Steven Evans (General Manager, Korvest Galvanisers) – ceased as a member of KMP on 18 January 2016

#### *Key management personnel compensation policy*

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

#### *Key management personnel compensation*

The key management personnel compensation comprised:

|                              | 2016             | 2015             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 1,720,511        | 1,641,386        |
| Post-employment benefits     | 157,002          | 158,022          |
| Termination payments         | 115,646          | -                |
| Long term benefits           | 4,080            | 47,362           |
| Equity compensation benefits | -                | (112,984)        |
| Share based payments         | 2,995            | 2,991            |
|                              | <b>2,000,234</b> | <b>1,736,777</b> |

#### *Individual directors and executives compensation disclosures*

Information regarding individual directors' and executives' compensation and some equity instrument disclosure as permitted by Corporations Regulations 2M.3 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 since the end of the previous year and there were no material contracts involving directors' interests existing at year-end.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 22. Key management personnel - (continued)

##### *Other key management personnel transactions with the Group*

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

#### 23. Related party disclosures

##### *Identity of related parties*

The Company has a related party relationship with its key management personnel (see Note 22). Hills Limited was considered a related party until 18 September 2014 by virtue of Peter Stancliffe being a director of both companies. Hills Limited ceased to be a related party on 18 September 2014 when Peter Stancliffe retired as a Korvest Director. Transactions between the Company and Hills Limited were carried out under normal commercial terms and conditions.

#### 24. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2016 the parent entity of the Group was Korvest Ltd.

|                                                        | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| <b>Result of parent entity</b>                         |                |                |
| Profit for the period                                  | 233            | 2,027          |
| Other comprehensive income                             | -              | -              |
| <b>Total comprehensive income for the period</b>       | <b>233</b>     | <b>2,027</b>   |
| <b>Financial position of parent entity at year end</b> |                |                |
| Current Assets                                         | 25,338         | 25,055         |
| Total Assets                                           | 42,208         | 45,015         |
| Current Liabilities                                    | 6,349          | 8,786          |
| Total liabilities                                      | 9,525          | 11,201         |
| Share capital                                          | 13,798         | 12,833         |
| Reserves                                               | 18,885         | 20,981         |
| Retained earnings                                      | -              | -              |
| <b>Total Equity</b>                                    | <b>32,683</b>  | <b>33,814</b>  |

##### *Guarantees entered into by the Company*

Bank guarantees given by the Company in favour of customers amounted to \$66,109 (2015: \$124,899).

The Group's bankers have provided an overdraft facility that is interchangeable between the Australian Group entities. The Company has guaranteed the subsidiaries' debt under this facility.

##### *Contingent liabilities of the Company*

The Company does not have any contingent liabilities other than the guarantees disclosed above.

##### *Parent entity capital commitments for acquisition of property, plant and equipment*

At 30 June 2016, the Company had no significant contractual commitments for the acquisition of property, plant and equipment (2015: \$nil).

#### 25. 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 nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group in subsequent financial periods.

## Directors' declaration

### For the year ended 30 June 2016

1. In the opinion of the Directors of Korvest Ltd (the Company):
  - (a) the consolidated financial statements and notes that are set out on pages 22 to 61 and the Remuneration report in the Directors' report, set out on pages 8 to 18, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 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.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2016.
3. The Directors draw attention to the Basis of preparation note on page 26, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 28th July 2016

Signed in accordance with resolution of directors:

A handwritten signature in black ink, appearing to read 'Graeme Billings', with a long horizontal flourish extending to the right.

Graeme Billings  
Director



## **Independent auditor's report to the members of Korvest Ltd**

### **Report on the financial report**

We have audited the accompanying financial report of Korvest Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the basis of preparation note, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the basis of preparation note.

*Report on the remuneration report*

We have audited the Remuneration Report included in pages 8 to 18 of the directors' report for the year ended 30 June 2016. 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 Ltd for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Fleming  
Partner

Adelaide

28 July 2016



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

To: the directors of Korvest Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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.

A handwritten signature in black ink, appearing to read 'S. Fleming'.

KPMG

A handwritten signature in black ink, appearing to read 'S. Fleming'.

Scott Fleming

*Partner*

Adelaide

28 July 2016

## ASX Additional information

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

### Shareholdings (as at 26 July 2016)

#### Substantial shareholders

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

| Shareholder                                               |        | Number    |
|-----------------------------------------------------------|--------|-----------|
| Perpetual Limited                                         | 11.12% | 1,218,843 |
| Colonial First State Asset Management (Australia) Limited | 10.52% | 1,150,462 |
| Donald Cant Pty Ltd                                       | 6.2%   | 677,009   |

#### Voting rights

##### Ordinary shares

Refer to note 18 in the financial statements.

##### Options

Refer to note 10 in the financial statements.

#### Distribution of equity security holders

| Category         | NUMBER OF EQUITY SECURITY HOLDERS |            |                  |
|------------------|-----------------------------------|------------|------------------|
|                  | Total Holders                     | Units      | % Issued Capital |
| 1 - 1,000        | 934                               | 370,738    | 3.52             |
| 1,001 - 5,000    | 759                               | 1,896,903  | 18.01            |
| 5,001 - 10,000   | 195                               | 1,448,663  | 13.75            |
| 10,001 - 100,000 | 131                               | 2,938,250  | 27.90            |
| 100,001 and over | 10                                | 3,877,766  | 36.82            |
|                  | 2,029                             | 10,532,320 | 100.00           |

The number of shareholders holding less than a marketable parcel of ordinary shares is 252.

#### 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.

#### On Market Buy Back

There is no current on-market buy back.

**ASX Additional information****For the year ended 30 June 2016****Twenty largest shareholders**

| <b>Name</b>                                                  | <b>Number of ordinary<br/>Shares held</b> | <b>Percentage of<br/>capital held</b> |
|--------------------------------------------------------------|-------------------------------------------|---------------------------------------|
| RBC Investor Services Australia Nominees Pty Ltd <PICREDIT>  | 1,221,143                                 | 11.14                                 |
| Citicorp Nominees Pty Limited                                | 1,175,129                                 | 10.72                                 |
| Donald Cant Pty Ltd                                          | 677,009                                   | 6.17                                  |
| J P Morgan Nominees Australia Limited                        | 356,982                                   | 3.26                                  |
| De Bruin Securities Pty Ltd                                  | 348,638                                   | 3.18                                  |
| Brazil Farming Pty Ltd                                       | 227,906                                   | 2.08                                  |
| Angueline Capital Pty Limited                                | 195,000                                   | 1.78                                  |
| Brazil Farming Pty Ltd                                       | 119,745                                   | 1.09                                  |
| South Hong Nominees Pty Ltd <Hong Super Fund A/C>            | 109,738                                   | 1.00                                  |
| Keiser Investments Pty Ltd <Gann Family Retirement A/C>      | 87,919                                    | 0.80                                  |
| Gotterdamerung Pty Limited <Gotterdamerung Family A/C>       | 84,327                                    | 0.77                                  |
| Allegro Two Super Fund Pty Ltd <Allegro Super Fund No 2 A/C> | 70,322                                    | 0.64                                  |
| Bourgeoisie Calypso Pty Ltd <Col Clints Super Ben A/C>       | 65,000                                    | 0.59                                  |
| Mr William Francis Cannon                                    | 64,213                                    | 0.59                                  |
| Mrs Helen Elizabeth Rollinson                                | 64,061                                    | 0.58                                  |
| Mr John Frederick Bligh                                      | 60,720                                    | 0.55                                  |
| Rathvale Pty Limited                                         | 56,758                                    | 0.52                                  |
| Mr Geoffrey Neil Huddleston + Mrs Raelene Jane Huddleston    | 54,644                                    | 0.50                                  |
| Fosterton Holdings Pty Limited <Fosterton A/C>               | 50,000                                    | 0.46                                  |
| Mr Francis Stephen Rudolph Sullivan                          | 50,000                                    | 0.46                                  |
|                                                              | <b>5,139,254</b>                          | <b>46.87</b>                          |

**Offices and officers****Company Secretary**

Steven John William McGregor BA(Acc), CA, AGIA, ACIS

**Principal Registered Office**

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

**Locations of Share Registry**

Adelaide

Computershare Investor Services Pty Ltd  
Level 5  
115 Grenfell Street  
Adelaide, South Australia, 5000  
Ph: (08) 8236 2300  
Fax: (08) 8236 2305