

Appendix 4E

Korvest Ltd
ABN 20 007 698 106

Preliminary Final Report **Financial Year Ended 30 June 2022**

Results for announcement to the market:

\$A'000

Revenues from ordinary activities	Up	42.2%	to	99,223
Profit from ordinary activities after tax attributable to members	Up	87.2%	to	11,336
Net profit for the period attributable to members	Up	87.2%	to	11,336
Earnings per share	Up	85.0%	to	99.0¢
Dividends	Amount per security		Franked amount per security	
Final dividend (#) - current reporting period - previous corresponding period	35.0¢ 20.0¢		35.0¢ 20.0¢	
Interim dividend - current reporting period - previous corresponding period	25.0¢ 15.0¢		25.0¢ 15.0¢	
Special dividend - current reporting period - previous corresponding period	- -		- -	
# Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period. The Dividend Reinvestment Plan is suspended for the final dividend.				
Record date for determining entitlements to the dividend	19 August 2022			
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: Refer attached press release. This report is based on financial statements that have been audited. The audit report is included in the 30 June 2022 financial report.				

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

The announcement was approved for release by the Board.

Annual Report

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

30 June 2022

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ESG Strategy Statement and Core Values

Our ESG Vision is as follows:

Korvest aims to integrate ESG considerations into all facets of our business activities. We conduct our business in a socially responsible and ethical manner, aiming to protect the environment and benefit the communities where we work. We look after the health, safety and wellbeing of our employees and ensure effective corporate governance, whilst achieving strong financial performance.

Korvest has developed a set of values that underpin the way in which we operate and help to achieve our vision. The core values are as follows:

- Always Safe & Environmentally Focussed
- Act with Integrity
- Work as One Team
- Think Customer
- Pursue Excellence
- Financially Responsible

Social

Safety performance

Through ongoing continuous improvement and consultation Korvest drove down the numbers of lost time injuries compared to FY21, reducing the lost time injury frequency rate by 49%

This was in part achieved through the delivery of Safety “Back to Basics” training to the factory workforce. This training was developed and delivered in house and focuses on the safety principles we all need to implement on a daily basis to keep ourselves and our co-workers safe at work. A further roll-out of this training to interstate branches will be conducted in FY23.

Automation of manual handling tasks is a key area of improvement with some repetitive welding and stacking tasks completed during FY22. This is an ongoing focus with further investment planned for FY23.

Manual lifting of products and raw materials during our manufacturing processes is a specific risk in our business and we have also invested in additional jibs and hoists in our welding and fettling bays to further decrease the manual handling required.

Employee health & wellbeing

In addition to safety, Korvest undertakes a number of programmes aimed to improve the health and wellbeing of our employees, including:

- Employee Assistance Program allowing employees to access free counselling sessions for any reason
- Ongoing health surveillance program to monitor the hearing of employees
- Voluntary health screening including cholesterol and blood sugar readings
- Voluntary skin checks
- Voluntary free influenza vaccinations
- Paid time off for first and second COVID-19 vaccinations

Korvest Charity Scheme

Korvest has operated a company-wide charity scheme for many years. The scheme allows employees to make salary sacrificed donations to a nominated charity that are matched on a dollar-for-dollar basis by the company. Korvest’s Staff Consultative Committee choose the designated charity for 3 years on a rotational basis

Diversity and Inclusion

Korvest is committed to promoting a culture that embraces a diverse mix of employees throughout all levels of the company. We recognise that our success is directly related to our people. Our people reflect a growing diversity, with different gender, ages, family status, cultures, ethnicities, and religions represented among our employees.

The Board and Management have set specific gender targets for various areas within the business. Our gender representation statistics are shown in the table below against our long-term objective.

	Objective %	Actual 2021		Actual 2022	
		Number	%	Number	%
Number of females in senior management positions	40%	4	20%	5	28%
Number of females in administration/sales positions	50%	19	49%	21	58%
Number of female employees in the whole organisation	20%	26	12%	32	15%

Environment

The protection of our environment is a cornerstone of our business. Korvest maintains ISO14001 (Environmental Management) accreditation, a South Australian Environmental Protection Authority (EPA) Licence for the Kilburn manufacturing facility and a WHS Management System in compliance with each states' legislative requirements.

Legislative compliance

Korvest voluntarily undertook an independent legislative compliance audit of our WHS&E management systems during the reporting period. The audit was undertaken by external consultants with the systems measured against the requirements of the Model Work Health and Safety Laws and Regulations, SA Environmental Protection legislation as well as our SA EPA licence conditions. There were no non-conformances raised by the external consultants. Opportunities for improvements identified as a result of the audit process will be assessed and implemented over the next 12 months.

Good for Environment, Good for business

Korvest has built a cooperative working relationship over a long period with the South Australian EPA. We are one of the longest environmentally licenced organisations in the state.

We were honoured to be acknowledged by the SA EPA for our commitment to the environment by way of inclusion as a case study in the 2021 SA EPA "Good for Environment, Good for Business" publication. This publication showcases how successful, innovative businesses can co-exist with the expectations of the local community, delivering environmental improvements and investing in jobs and growth for the wellbeing and prosperity of all South Australians.

Noise Management

With the changing demographic of the Kilburn area, through the SA Urban Renewal Master Plan, Korvest in consultation with the SA EPA voluntarily developed a Noise Management Plan to set out a pathway to reduce noise emissions from our Kilburn site. Initiatives underway or completed include:

- the replacement of forklift tonal reversing beepers with white noise alternatives
- trialling the building of noise barriers around presses
- exchanging the Warehouse fleet of forklifts for quieter models
- ongoing trial of electric forklifts in place of combustion engine models.

The trial of the electric forklifts was very successful with the first replacement since the trial specified as an electric unit.

Energy

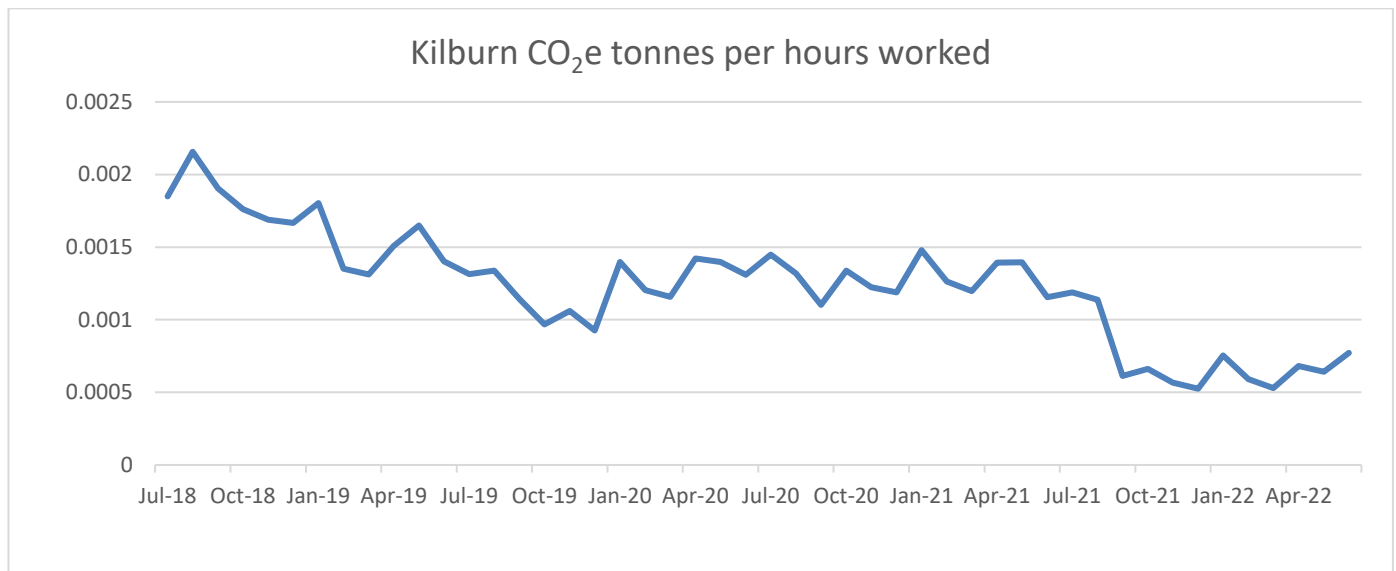
Energy efficiency and greenhouse gas emissions go hand in hand. Efficient use of energy and implementing opportunities to generate solar power have been an ongoing strategy for Korvest over a number of years.

During the reporting period Korvest invested in a new roof-mounted, grid-connected 269kWDC/200kWAC Solar PV system installed on the roof of the Kilburn warehouse. This is in addition to the existing 99kWDC system installed on the Manufacturing building and 73kWDC system on the adjoining Fabrication building.

These systems coupled with the LED lighting project completed at Kilburn in 2018 continue to drive down our main grid electricity consumption and consequently our carbon footprint.

The combined solar systems generated approximately 203 MWh of electricity in the 2021/22 financial year. This is expected to increase in the 22/23 FY as we will have a full 12 month's generation from the new warehouse system.

The chart below demonstrates the effect of the LED and Solar Projects on CO₂e emissions for the Kilburn plant relative to the hours worked over the period.



Total Scope 1 CO ₂ e emissions for 2021/22	Total Scope 2 CO ₂ e emissions for 2021/22
2206t	526t

Galvanising Plant Emissions

Korvest continues to participate in the National Pollution Inventory (NPI) reporting scheme for our galvanising emissions. This data is publicly available through the NPI web site.

Confirmation stack emissions monitoring and modelling was undertaken during the period to ensure the new particulate bag house installed on the main galvanising bath was performing as expected. The results have been outstanding with up to a 90% reduction in zinc oxide particulate being emitted through the stack. The collected fume is discharged from the plant into bags and on sold for recycling. Plume modelling has demonstrated that Korvest complies with current EPA PM_{2.5} and PM₁₀ air quality standards.

Waste Management & Recycling

Korvest Galvanising undertake a process known as pickling, with the steel running through a series of pre-treatment chemical baths to prepare the steel for galvanising. Over time, due to impurities and concentration levels, these fluids are removed by waste management contractors for treatment. Korvest has implemented strategies over a number of years to minimise the number of litres required to be removed and treated and considers the current processes to be as efficient as possible.

A number of by-products from the galvanising process are sold to recyclers for conversion into zinc and zinc related products. The primary by product is known as ash. The ash is treated at Korvest in-house by use of a MZR Zinc Recovery System. The recovered zinc is re-used in the galvanising kettles with the processed ash sold for recycling. In addition to ash, dross and the particulates captured by the bag house are also sold for recycling. Wire used in the hanging process of galvanising is sold to scrap metal recyclers.

In the manufacturing process scrap steel from perforations and the start of production runs is sold to scrap metal recyclers.

Governance

Korvest's corporate governance statement, which was approved by the Board on 22 July 2022 is available on the company's website at <https://www.korvest.com.au/assets/downloads/Korvest-Corporate-Governance-2022.pdf>

Compliance Training

Korvest provides a range of relevant role-specific training to employees delivered in various ways including face-to-face sessions and online modules. Compliance training is provided on a cyclical basis on a range of topics including:-

- Anti bribery and corruption,
- Competition and Consumer Law,
- Whistle-blower,
- Bullying and harassment, and
- IT Awareness and Cyber
- Modern Slavery

Cyber Security

Given the increasing risks associated with cyber security Korvest engages IT specialists to assist with the operation and security of the Korvest IT environment. During the year Korvest engaged an expert to undertake an Australian Signals Directorate (ASD) Essential 8 assessment of Korvest. As a result of that review there are range of projects that will be completed to further improve Korvest's cyber security environment.

User training plays a key role in reducing cyber risks and Korvest is now in its second year of providing all IT users with regular training on cyber security. Users receive a short 3 minute training video every 3-4 weeks on different cyber security topics. Over 80% of users have indicated that they have changed something they do in their daily work practices to make them more secure after completing the training.

Directors' report

For the year ended 30 June 2022

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 2022 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:

<i>Name, qualifications and independence status</i>	<i>Experience, special responsibilities and other directorships</i>
Andrew Stobart B. Eng (Hons), Grad Dip Bus Admin, GAICD Chairman	Appointed Chairman 31 August 2021 A Director since August 2016 Former Chairman Nexans Olex Australia & New Zealand Member of Audit and Remuneration Committees
Chris Hartwig BA(Acc), MAICD Managing Director	A Director since 28 February 2018 Mr Hartwig has held a number of senior roles in the steel and electrical manufacturing industries. Director Galvanising Association of Australia
Gerard Hutchinson MBA, MBL, MSc(IS), BEc, MA (Research), FCA, FAICD, FAIM Independent Non-Executive Director	A Director since November 2014 Mr Hutchinson has held roles of Chief Financial Officer and Managing Director in a range of large and publicly-listed businesses across the construction, engineering and services sectors. He is currently Chief Financial Officer of Estithmar Holding Q.P.S.C. Chairman of Audit Committee and member of Remuneration Committee
Gary Francis BSc. (Hons) (Civil), MAICD Independent Non-Executive Director	A Director since February 2014 Mr Francis has worked in the construction industry at Senior Manager or Director level in Australia and Asia. Chairman of Remuneration Committee and member of Audit Committee
Therese Ryan LLB, GAICD Independent Non-Executive Director	Appointed 1 September 2021 Director Bapcor Limited Director Sustainable Timber Tasmania Chair Gippsland Water Deputy Chair VicForests Member of Audit and Remuneration Committees
Steven McGregor BA(Acc), FCA, AGIA, ACG Finance Director	Company Secretary since April 2008 Appointed as Finance Director 1 January 2009 Mr McGregor previously held the role of Chief Operating Officer and Company Secretary for an unlisted public company. Prior to that he spent 9 years in the assurance division of KPMG.
Former Director Graeme Billings BCom FCA MAICD Independent Non-Executive Director	Appointed Chairman 18 September 2014 A Director since May 2013, retired 31 August 2021

Directors' Report

For the year ended 30 June 2022

COMPANY SECRETARY

Mr Steven J W McGregor FCA, AGIA, ACG, 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.

RETIREMENT AND RE-ELECTIONS

In accordance with the Constitution, Andrew Stobart retires from the Board at the forthcoming Annual General Meeting on 21 October 2022 and offers himself for re-election.

DIRECTORS' MEETINGS

The number of directors' meetings, including meetings of committees of directors, and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Mr G Billings	4	4	1	1	1	1	-	-
Mr A Stobart	15	16	4	4	1	1	-	-
Mr G Francis	16	16	4	4	1	1	-	-
Mr G Hutchinson	16	16	4	4	1	1	-	-
Ms T Ryan	12	12	3	3	-	-	-	-
Mr C Hartwig	16	16	-	-	-	-	-	-
Mr S McGregor	16	16	-	-	-	-	-	-

A = Number of meetings attended

B = Total number of meetings available for attendance

FINANCIAL RESULTS

The revenue from trading activities for the year ended 30 June 2022 (FY22) was \$99.223m, up 42.2% on the previous year. A significant volume of large project work in the Industrial Products segment was the key driver for the improved revenue. In August, the Power Step and Titan Technologies businesses were sold realising a pre-tax profit on sale of \$0.74 million net of selling costs.

Directors' Report

For the year ended 30 June 2022

DIVIDENDS

The directors announced a fully franked final dividend of 35.0 cents per share (2021: 20.0 cents per share) following an interim dividend of 25.0 cents per share at the half year (2021: 15.0 cents per share). The Dividend Reinvestment Plan (DRP) will remain suspended for the final dividend. The dividend will be paid on 2 September 2022 with a record date of 19 August 2022.

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

	Cents per share	Total amount \$'000	Franked/unfranked	Date of payment
Declared and paid during the year 2022				
Interim 2022 ordinary	25.0	2,864	Fully franked	4 March 2022
Final 2021 ordinary	20.0	2,288	Fully franked	3 September 2021
Total amount		<u>5,152</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	35.0	<u>4,013</u>	Fully franked	2 September 2022
Total amount		<u>4,013</u>		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

	Note	Total amount \$'000
Dividends have been dealt with in the financial report as:		
Dividends	18	5,152
Dividends – subsequent to 30 June 2022	18	4,013

PRINCIPAL ACTIVITIES, STRATEGY AND FUTURE PERFORMANCE

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

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

Korvest's businesses service a number of major markets including infrastructure, commercial, utilities, mining, food processing, oil & gas, power stations, health and industrial segments.

Demand from the infrastructure sector has been increasing over recent years and this continued throughout FY22. Road and rail tunnels, primarily on the East Coast, is where the bulk of the infrastructure activity is occurring. One major project was supplied through FY21 and supply continued throughout FY22 and is now nearing completion. Three more projects commenced supply during FY22 and were supplied throughout the year. With ongoing secured projects Korvest enters FY23 with a healthy order book and project pipeline.

Korvest's recent and future focus for investment will be on improving production capability and capacity. Automation of processes is a key focus of the factory development plan.

Korvest has a long history of paying franked dividends. The target dividend payout ratio range is 65-90% of after tax profits.

Directors' Report

For the year ended 30 June 2022

REVIEW OF OPERATIONS

COVID-19

The Group continued to experience a number of COVID-related impacts during FY22. Global supply chains were significantly disrupted throughout the year and for Korvest this caused delayed overseas shipments together with very significant increases in the freight cost to import goods.

Throughout the second half of the year, as COVID infections increased throughout Australia, Korvest experienced workforce disruption as staff isolated due to infection or being close contacts. The availability of casual labour became increasingly difficult as the year progressed, resulting in extended lead times and significant overtime requirements.

Industrial Products

In the Industrial Products segment, the EzyStrut cable and pipe support business supplies products for major infrastructure developments and also supplies products to electrical wholesalers and contractors for small industrial developments.

The EzyStrut business performed very strongly throughout FY22. Four major infrastructure projects were supplied during the year whereas historically only one or two major projects are delivered in any one year. In addition to the record level of project work, the small project and day-to-day markets also performed well with improvement achieved in all states compared to the prior year. Significant input cost increases, particularly for steel and freight, were experienced during FY22 and these were passed onto customers through price rises applied in August and December 2021.

Inventory increased significantly during the year due to a combination of higher raw material costs, project items and increased holdings to mitigate supply chain risks.

The Power Step and Titan Technologies businesses were sold in August 2021 after it was determined that they were no longer core businesses that fitted with the remaining Korvest businesses.

Production

In the Production segment, the Galvanising business volumes grew to record levels with the plant's highest annual tonnes being processed in FY22. The significant increase in EzyStrut project work drove the higher galvanising volumes as all of the projects supplied during the year were galvanised product. External tonnes fell slightly in FY22 although the revenue achieved increased due to a higher average sell price.

Price rises to customers were implemented during the year as a result of the increased price of zinc. The cost of zinc rose rapidly during the year and peaked in April where the cost of zinc was 66% higher than the FY21 average. This has resulted in significantly higher value of zinc on hand despite little change in quantity.

Directors' Report

For the year ended 30 June 2022

Risk

The Board and Management periodically review and update an Enterprise Risk Register that identifies and assesses the risks faced by the business and the controls that are in place to mitigate those risks. General Managers report to the board monthly and this will encompass any changes to the risk profile of their business unit.

Operational risks relate principally to continuity of supply and 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 purchased finished goods the ability for the product to also be manufactured in-house mitigates the risk. The ability to manufacture locally became important during FY22 with the disruption to global supply chains. Risks associated with the Australian labour market became an issue during FY22.

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. Credit insurance is carried to mitigate the collection risk associated with trade receivables.

Strategic risks cover a range of areas including competitors, customers and products together with global and local market developments.

Korvest's risks in relation to climate change are similar to those faced by other manufacturers. The cost and availability of energy has become a significant national issue throughout FY22. Electricity is used in the factory and gas is used in the galvanising plant. Over recent years Korvest has invested in solar at Kilburn and has 443kW of generation capacity on site to reduce our consumption of externally generated electricity. Korvest's first ESG Strategy Statement can be found on pages 3 to 6 and outlines Korvest's approach and achievements in relation to a range of environmental areas.

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

Other than the dividend declared after reporting date, at the date of this report there is no matter or circumstance that has arisen since 30 June 2022, 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 2022.

LIKELY DEVELOPMENTS

Korvest's focus remains on improving the production capability at the Kilburn factory. Investment in equipment to automate processes or bring in house significant external processes will receive priority.

Working capital management remains a focus area. Inventory levels rose significantly during FY22 and will be a key focus for the year ahead. Rising input costs, stock held for projects and increased stock levels held to counteract supply chain risks have contributed to recent inventory increases. Collection of accounts receivables has been well controlled during the year and this focus on collection will continue.

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' Report

For the year ended 30 June 2022

ENVIRONMENTAL REGULATION

Korvest's Kilburn operations are subject to environment regulation under both Commonwealth and State legislation in relation to its manufacturing and galvanising activities.

Korvest is committed to achieving a high standard of environmental performance through:

- maintenance of ISO14001 accreditation,
- regular monitoring of SA EPA licence requirements,
- implementing environmental management plans as required where there may be significant environmental impact,
- reporting annual emissions through the National Pollution Inventory report,

Based on results of enquiries made, the board is not aware of any significant breaches during the period covered by this report.

INDEMNIFICATION AND INSURANCE OF OFFICER AND AUDITORS

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.

Korvest Ltd has not, during or since the financial year, indemnified or agreed to indemnify the auditor of Korvest Ltd against a liability incurred as auditor.

SHARE OPTIONS AND PERFORMANCE RIGHTS

Options

There are no unissued ordinary shares of Korvest Ltd under option at the date of this report.

Unvested performance rights

Performance rights granted become exercisable if certain performance requirements are achieved. If achieved, performance rights are exercisable into the same number of ordinary shares in the company in the twelve month period following vesting.

Expiry date (end of Performance Period)	Exercise price	Number of shares
30 June 2022	Nil	91,796
30 June 2023	Nil	84,814
30 June 2024	Nil	65,230

Shares issued on exercise of options or performance rights

No options were exercised during the year ended 30 June 2022 or up to the date of this report.

Vested Performance Rights

100,929 ordinary shares of Korvest Ltd were issued during the year ended 30 June 2022 on the vesting of performance rights granted under the Korvest Performance Rights Plan. No amount is payable on the vesting of the performance rights and accordingly there are no amounts unpaid on the shares issued.

Remuneration Report – Audited

For the year ended 30 June 2022

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 senior 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 Company has engaged third party consultants during FY22 in light of the tight labour market.

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 executive;
- (b) the executive'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 executives 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 below.

		2022	2021	2020	2019	2018
Profit after tax	(\$'000)	11,336	6,054	4,027	2,885	1,369
Dividend						
- Total amount paid	(\$'000)	5,152	3,169	3,149	1,787	889
- Per issued share		45.0c	28.0c	28.0c	16.0c	8.0c
Earnings per share		99.0c	53.5c	35.8c	25.9c	12.3c
Share price as at 30 June		\$7.01	\$4.99	\$4.00	\$2.70	\$2.07
Return on invested capital (ROIC)		26.7%	18.4%	13.8%	10.3%	4.9%

Remuneration Report – Audited

For the year ended 30 June 2022

Short-term incentive bonus

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

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 aimed at achieving strategic outcomes. The financial objectives relate to earnings before interest and tax (EBIT) for various parts of the business depending on the executive.

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

Managing Director	Other executives *
Financial performance (50%)	Financial performance
Operational performance (20%)	Operational performance
New markets (20%)	New markets
Safety (10%)	Safety & Environment
	Working capital

* Each executive has different KPIs and weightings aligned with their focus of responsibility. Some individual's STI structures do not include all KPI categories listed.

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 hurdles. 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. For performance rights issued during the year two performance hurdles were applied. Half of the rights issued will be tested against each of the two performance hurdles.

The first performance hurdle relates to growth in basic earnings per share (EPS). The EPS objective was chosen because it is a good indicator of the Group's earnings growth and is aligned to shareholder wealth objectives. EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year performance period. To determine the aggregate EPS performance required over the performance period, a % growth is applied to a base EPS. For the most recent issue of Performance Rights, the base EPS is equal to the statutory EPS for the FY21 year. The table below sets out the % of rights that vest depending on the aggregate level of EPS achieved over the performance period.

Aggregate EPS over performance period (3 years to 30 June 2024)	% of rights that vest
Less than 177.092 cents	Nil
177.092 cents	25%
Between 177.092 and 202.194	Pro rata between 25% – 100%
202.194 or greater	100%

Remuneration Report

For the year ended 30 June 2022

The second performance hurdle relates to Return on Invested Capital (ROIC). The ROIC performance hurdle measures the efficiency in allocating capital to generate profitable returns. The ROIC is calculated as follows:

$$\text{ROIC} = \frac{\text{Net Operating Profit After Tax (NOPAT)}}{\text{Total Invested Capital (TIC)}}$$

Where

- NOPAT is the average of the net operating profit after tax over the three years of the vesting period
- TIC is the average of the Group's invested capital, calculated as follows: (current assets – current liabilities – cash and investments) + (property, plant and equipment + goodwill + intangibles). The average TIC will be the average of the balances as at 30 June and 31 December during the vesting period.

The ROIC performance rights issued during FY 22 will vest in accordance with the table below:

Average 3 year ROIC	% of rights that vest
Less than 6%	Nil
6%	50%
Above 6% and below 9%	Between 50% and 100% using a straight line analysis
9% or greater	100%

In addition to the performance measures, there is also a service condition whereby unvested performance rights will lapse if the holder ceases employment with the Group apart from in some specific circumstances such as death or permanent disability.

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 executives are unlimited in term but capable of termination by providing 1 to 6 months' notice depending on the executive, 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 executives 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

During the year AON Advisory Australia Pty Ltd (AON) were engaged to provide a remuneration benchmark analysis for Non-Executive Directors and Executive members of Key Management Personnel. AON did not make a remuneration recommendation but instead provided a summary of Korvest's KMP remuneration compared to a benchmark comparison group for which they received a fee of \$26,000.

AON met with one member of KMP to fully understand their role and responsibilities for the purposes of accurately benchmarking their remuneration. This was the only interaction between Management and AON.

The AON report was supplied and presented directly to the Remuneration Committee. The Board confirms that given the limited interaction between the consultants and Management, the Board is confident that the report was not unduly influenced by Management.

Remuneration Report

For the year ended 30 June 2022

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 following base fees became effective on 1 July 2021 and were applied for the entirety of the financial year ended 30 June 2022:

Chairman	\$135,925
Director	\$74,760

The Chairman of a Board Committee receives a further \$12,456 p.a.

Superannuation is included in these fees.

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

Remuneration Report

For the year ended 30 June 2022

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:

Name		Short Term	Post employment	Total
		Fees \$	Superannuation benefits \$	
Non-Executive Directors				
A Stobart	2022	124,599	12,460	137,059
Non-executive (Chairman)	2021	66,964	6,361	73,325
G Francis	2022	79,287	7,929	87,216
Non-executive (Director)	2021	78,123	7,422	85,545
G Hutchinson	2022	79,296	7,930	87,226
Non-executive (Director)	2021	78,123	7,422	85,545
T Ryan	2022	56,640	5,664	62,304
Non-executive (Director)	2021	-	-	-
Former Director				
G Billings	2022	22,654	2,265	24,919
Non-executive (Chairman) (retired 31 August 2021)	2021	133,916	12,722	146,638
Total	2022	362,476	36,248	398,724
	2021	357,126	33,927	391,053

Remuneration Report

For the year ended 30 June 2022

Name		Short Term		Post employment	Other long term – Long Service leave \$ **	Share based payments		Total \$	Proportion of remuneration performance related %
		Salary & Fees*	Bonus	Superannuation benefits		Shares	Performance Rights		
		\$	\$	\$		\$	\$		
Executive Directors									
C Hartwig ¹	2022	343,287	141,593	27,672	13,874	-	94,203	620,629	38.0
Executive (Managing Director)	2021	332,372	166,500	27,647	10,507	-	100,037	637,063	41.8
S McGregor ¹	2022	315,899	27,780	27,665	19,331	-	90,258	480,933	24.5
Executive (Finance Director)	2021	308,813	41,040	26,614	11,329	-	95,857	483,653	28.3
Executives / other KMP									
S Taubitz	2022	250,060	100,558	27,800	14,391	999	67,605	461,413	36.4
General Manager Sales	2021	221,742	83,600	25,285	12,845	997	66,455	410,924	36.5
G Christie	2022	200,000	48,419	25,250	11,341	999	58,479	344,488	31.0
General Manager Operations	2021	196,900	52,500	21,164	7,727	997	61,464	340,752	33.4
Total executives' remuneration	2022	1,109,246	318,350	108,387	58,937	1,998	310,545	1,907,463	
	2021	1,059,827	343,640	100,710	42,408	1,994	323,813	1,872,392	

* Salary & fees includes payments for annual leave taken.

** 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.

1 Where annual superannuation contributions exceed \$27,500 (2021: \$25,000) executives can elect to have some or all of the superannuation contributions above \$27,500 paid as salary rather than superannuation.

The proportion of performance related remuneration is bonuses and performance rights divided by total remuneration.

Remuneration Report

For the year ended 30 June 2022

Performance 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
Directors				
C Hartwig	19,530	25 Oct 2021	\$5.48	30 June 2024
S McGregor	18,710	25 Oct 2021	\$5.48	30 June 2024
Executives				
S Taubitz	14,860	25 Oct 2021	\$5.48	30 June 2024
G Christie	12,130	25 Oct 2021	\$5.48	30 June 2024

Half of the performance rights issued to each KMP will be tested against an EPS hurdle with the other half being tested against a Return on Invested Capital (ROIC) hurdle.

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 criteria are included in the long-term incentives discussion on page 14.

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 performance rights granted as compensation

During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of performance rights as follows (there are no amounts unpaid on the shares issued):

Number of Shares	100,929
Amount paid on each share	Nil

Remuneration Report

For the year ended 30 June 2022

Analysis of performance 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
Directors					
C Hartwig	28,072*	Nov 19	100%	-	30 Jun 22
	25,936	Oct 20	-	-	30 Jun 23
	19,530	Oct 21	-	-	30 Jun 24
S McGregor	26,898*	Nov 19	100%	-	30 Jun 22
	24,852	Oct 20	-	-	30 Jun 23
	18,710	Oct 21	-	-	30 Jun 24
Executives					
S Taubitz	19,406*	Nov 19	100%	-	30 Jun 22
	17,930	Oct 20			30 Jun 23
	14,860	Oct 21			30 Jun 24
G Christie	17,420*	Nov 19	100%	-	30 Jun 22
	16,096	Oct 20	-	-	30 Jun 23
	12,130	Oct 21	-	-	30 Jun 24

* The three year performance period for performance rights issued in November 2019 ended on 30 June 2022. These rights were tested against two performance hurdles, earnings per share (EPS) and return on invested capital (ROIC).

Korvest's aggregate EPS was 188.3 over the performance period. This results in 100% of the EPS performance rights vesting.

Korvest's ROIC was 20.2% over the performance period. This results in 100% of the ROIC performance rights vesting.

Remuneration Report

For the year ended 30 June 2022

Analysis of movements in performance rights granted as compensation

The movement during the reporting period, by value, of performance rights over ordinary shares in the Company held by each KMP are detailed below.

	Value of Rights/Options	
	Granted in year \$ (A)	Exercised in year \$ (B)
Directors		
C Hartwig	107,042	183,495
S McGregor	102,548	175,833
Executives		
S Taubitz	81,446	114,910
G Christie	66,484	111,151

(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 2021 to 30 June 2024) subject to meeting the associated performance conditions.

(B) The value of the performance rights exercised during the year is calculated as the market price of shares as at the close of trading on the date the performance rights 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.

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 1 July 2021	Granted as compensation	Exercised	Lapsed	Held at 30 June 2022	Vested during the year
Directors						
C Hartwig	85,645	19,530	(31,637)	-	73,538	28,072
S McGregor	82,066	18,710	(30,316)	-	70,460	26,898
Executives						
S Taubitz	57,148	14,860	(19,812)	-	52,196	19,406
G Christie	52,680	12,130	(19,164)	-	45,646	17,420

No options held by KMP are vested but not exercisable.

	Held at 1 July 2020	Granted as compensation	Exercised	Lapsed	Held at 30 June 2021	Vested during the year
Directors						
C Hartwig	74,078	25,936	(14,000)	(369)	85,645	31,637
S McGregor	72,217	24,852	(14,650)	(353)	82,066	30,316
Executives						
S Taubitz	39,449	17,930	-	(231)	57,148	19,812
G Christie	46,307	16,096	(9,500)	(223)	52,680	19,164

No options held by KMP are vested but not exercisable.

Remuneration Report

For the year ended 30 June 2022

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 30 June 2021	Purchases	Allocated under Employee/ Exec share plan	Held at 30 June 2022
Directors				
G Billings	11,667	-	-	N/A
C Hartwig	54,397	-	31,637	86,034
S McGregor	59,422	-	30,316	89,738
G Francis	8,947	-	-	8,947
G Hutchinson	500	-	-	500
A Stobart	8,500	7,500	-	16,000
T Ryan	-	3,000	-	3,000
Executives				
G Christie	18,152	-	19,328	37,480
S Taubitz	530	-	19,976	20,506

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 30 June 2020	Purchases	Allocated under Employee/ Exec share plan	Held at 30 June 2021
Directors				
G Billings	8,667	3,000	-	11,667
C Hartwig	40,397	-	14,000	54,397
S McGregor	44,772	-	14,650	59,422
G Francis	6,271	2,676	-	8,947
G Hutchinson	500	-	-	500
A Stobart	8,500	-	-	8,500
Executives				
G Christie	8,423	-	9,729	18,152
S Taubitz	301	-	229	530

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.

Remuneration Report

For the year ended 30 June 2022

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)
C Hartwig	182,700	141,593	77.5	22.5
S McGregor	46,300	27,780	60	40
S Taubitz	110,200	100,558	91.3	8.7
G Christie	61,000	48,419	79.4	20.6

(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.

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

Key management personnel transactions

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.

Directors' Report

For the year ended 30 June 2022

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 ASX in accordance with S250G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Korvest Ltd Ordinary Shares	Korvest Ltd Performance Rights	
		Unvested	Vested
C Hartwig	86,034	45,466	28,072
S McGregor	89,738	43,562	26,898
G Francis	8,947	-	-
G Hutchinson	500	-	-
A Stobart	16,000	-	-
T Ryan	3,000	-	-

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 67 and forms part of the Directors' report for the financial year ended 30 June 2022.

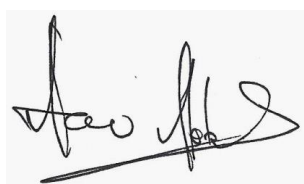
ROUNDING OFF

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 <https://www.korvest.com.au/assets/downloads/Korvest-Corporate-Governance-2022.pdf>

Signed at Adelaide this Friday 22nd of July 2022 in accordance with a resolution of the directors.



A STOBART, Director



C HARTWIG, Director

5 Year Summary

		2022	2021	2020	2019	2018
Sales revenue	(\$'000)	99,223	69,786	63,088	60,843	56,962
Profit after tax	(\$'000)	11,336	6,054	4,027	2,885	1,369
Depreciation/Amortisation (plant & equipment)	(\$'000)	1,282	1,434	1,286	1,469	1,625
Depreciation (right-of-use asset)	(\$'000)	874	879	887	-	-
Cash flow from operations	(\$'000)	3,987	6,509	10,460	1,413	5,110
Profit from ordinary activities						
- As % of Shareholders' Equity		25.9%	16.9%	12.3%	9.3%	4.6%
- As % of Sales Revenue		11.4%	8.7%	6.4%	4.7%	2.4%
Dividend						
- Total amount paid	(\$'000)	5,152	3,169	3,149	1,787	889
- Per issued share		45.0c	28.0c	28.0c	16.0c	8.0c
Earnings per share (Basic)		99.0c	53.5c	35.8c	25.9c	12.3c
Number of employees		215	207	189	178	180
Shareholders						
- Number at year end		2,157	1,947	1,708	1,652	1,694
Net assets per issued ordinary share		\$3.82	\$3.17	\$2.90	\$2.76	\$2.66
Net tangible assets per issued ordinary share*		\$3.37	\$2.63	\$2.48	\$2.76	\$2.66
Share price as at 30 June		\$7.01	\$4.99	\$4.00	\$2.70	\$2.07

* From 2020 onwards the application of AASB 16 leases has affected the calculation of NTA per ordinary share as the lease liability forms part of the calculation however the right-of-use asset does not. As a result the calculated NTA is lower than would have been the case prior to the introduction of AASB 16.

Financial Statements

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	<i>Note</i>	2022 \$'000	2021 \$'000
Continuing operations			
Revenue	1	99,223	69,786
Other income		19	-
Profit on sale of subsidiaries	21	815	-
JobKeeper income		-	1,864
Expenses, excluding net finance costs	2	(84,053)	(62,772)
Profit before financing costs		16,004	8,878
Finance income	3	13	14
Finance costs – lease liability interest		(161)	(127)
Net finance cost		(148)	(113)
Profit before income tax		15,856	8,765
Income tax expense	19	(4,520)	(2,711)
Profit from continuing operations		11,336	6,054
Profit for the year		11,336	6,054
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		1,914	-
Related tax		(574)	-
Total other comprehensive income		1,340	-
Total comprehensive income for the period		12,676	6,054
Attributable to:			
Equity holders of the Company		12,676	6,054
Total comprehensive income for the period		12,676	6,054
Earnings per share attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share from continuing operations	4	99.0	53.5
Diluted earnings per share from continuing operations	4	97.7	52.7

The notes on pages 31 to 61 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2022

	<i>Note</i>	2022 \$'000	2021 \$'000
Assets			
Cash and cash equivalents	15	3,556	6,690
Investment	15	275	275
Trade and other receivables	7	16,874	14,153
Prepayments		308	304
Inventories	8	20,457	12,445
Total current assets		41,470	33,867
Property, plant and equipment	12	19,232	16,589
Right-of-use asset	14	5,211	6,068
Total non-current assets		24,443	22,657
Total assets		65,913	56,524
Liabilities			
Trade and other payables	9	9,231	8,461
Employee benefits	10	3,138	2,925
Tax payable		1,580	1,217
Lease liabilities	14	790	787
Provisions	11	-	46
Total current liabilities		14,739	13,436
Employee benefits	10	267	208
Deferred tax liability	19	1,844	1,016
Lease liabilities	14	4,678	5,447
Provisions	11	560	492
Total non-current liabilities		7,349	7,163
Total liabilities		22,088	20,599
Net assets		43,825	35,925
Equity			
Share capital	17	14,334	14,268
Reserves	17	29,491	21,657
Retained profit / (losses)		-	-
Total equity attributable to equity holders of the Company		43,825	35,925
Total equity		43,825	35,925

The notes on pages 31 to 61 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Cash receipts from customers		110,047	76,611
Cash receipts from JobKeeper		-	2,386
Cash paid to suppliers and employees		(101,964)	(70,263)
Cash generated from operating activities		8,083	8,734
Interest received		13	14
Interest paid lease liabilities		(161)	(127)
Income tax payments		(3,948)	(2,112)
Net cash from operating activities	15	3,987	6,509
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		48	20
Proceeds from sale of subsidiaries	21	880	-
Acquisition of property, plant and equipment	12	(2,110)	(2,334)
Net cash from investing activities		(1,182)	(2,314)
Cash flows from financing activities			
Transaction costs related to issue of share capital		(4)	(2)
Payment of lease liabilities		(783)	(804)
Dividends paid		(5,152)	(3,169)
Net cash from financing activities		(5,939)	(3,975)
Net increase / (decrease) in cash and cash equivalents		(3,134)	220
Cash and cash equivalents at 1 July		6,690	6,470
Cash and cash equivalents at 30 June	15	3,556	6,690

The notes on pages 31 to 61 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Share capital \$'000	Equity compensation reserve \$'000	Asset revaluation reserve \$'000	Profits reserve \$'000	Retained profits / (losses) \$'000	Total \$'000
Balance at 1 July 2021	14,268	758	4,393	16,506	-	35,925
Total comprehensive income for the year						
Profit for the year	-	-	-	-	11,336	11,336
Other comprehensive income	-	-	1,340	-	-	1,340
Total comprehensive income for the year	-	-	1,340	-	11,336	12,676
Transactions with owners of the Company recognised directly in equity						
Contributions by and distributions to owners of the Company						
Shares issued under the Share Plans	66	-	-	-	-	66
Equity-settled share-based payments	-	310	-	-	-	310
Dividends to shareholders	-	-	-	(5,152)	-	(5,152)
Total contributions by and distributions to owners of the Company	66	310	-	(5,152)	-	(4,776)
Transfer to profits reserve	-	-	-	11,336	(11,336)	-
Balance at 30 June 2022	14,334	1,068	5,733	22,690	-	43,825
Balance at 1 July 2020	14,202	433	4,393	13,621	-	32,649
Total comprehensive income for the year						
Profit for the year	-	-	-	-	6,054	6,054
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	6,054	6,054
Transactions with owners of the Company recognised directly in equity						
Contributions by and distributions to owners of the Company						
Shares issued under the Share Plans	66	-	-	-	-	66
Equity-settled share-based payments	-	325	-	-	-	325
Dividends to shareholders	-	-	-	(3,169)	-	(3,169)
Total contributions by and distributions to owners of the Company	66	325	-	(3,169)	-	(2,778)
Transfer to profits reserve	-	-	-	6,054	(6,054)	-
Balance at 30 June 2021	14,268	758	4,393	16,506	-	35,925

The notes on pages 31 to 61 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 30 June 2022

Basis of preparation

Corporate information

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 2022 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 22 July 2022.

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

In preparing these consolidated financial statements management has made judgements and estimates that affect the application of Group's 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 prospectively.

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 8 – Inventories
- Note 12 – Property, plant and equipment

Rounding

The Group 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 consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Notes to the financial statements

For the year ended 30 June 2022

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency 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.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements and they are not expected to have a material effect on the Group's financial statements.

Notes to the financial statements

For the year ended 30 June 2022

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.

1. Revenue and other income

Accounting policies

Sale of goods and services

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 from sale of goods (industrial products) is recognised when the customer gains control of the goods which is usually when the goods are delivered to the customer or picked up from the Group's premises. Revenue from galvanising services is recognised at the point the services are provided which, given the short term nature of the process, is when the customers' product has been galvanised. The Group's standard trading terms are 30 days end of month.

Goods and services tax

Revenue is recognised net of goods and services tax (GST).

	2022 \$'000	2021 \$'000
Sales revenue		
Sale of goods and services	99,223	69,786

Disaggregation of revenue is presented in Note 6 Segment Reporting.

2. Expenses

Accounting policies

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

	2022 \$'000	2021 \$'000 Restated*
Cost of goods sold	63,215	44,285
Sales, marketing and warehousing expenses	13,540	12,692
Administration expenses	3,071	2,809
Distribution expenses	4,194	2,872
Bad and doubtful debts expense net of reimbursement right	33	(34)
Loss on sale of fixed assets	-	148
	84,053	62,772

* In the prior year financial report distribution expenses included inward freight costs of \$2,185,000. In the current year inward freight costs have been included within cost of goods sold. The prior period cost of goods sold disclosed above has been increased and the distribution expenses decreased by \$2,185,000 for comparability purposes.

Notes to the financial statements

For the year ended 30 June 2022

2. Expenses (continued)

Profit before income tax has been arrived at after charging the following expenses:

	2022 \$'000	2021 \$'000
Employee benefits:		
Wages and salaries	20,179	17,231
Other associated personnel expenses	2,440	2,023
Contributions to defined contribution superannuation funds	1,615	1,395
Expense relating to annual and long service leave	1,590	1,439
Termination benefits	24	3
Employee share bonus plan expense	66	66
Executive share plan expense	310	325
Other:		
(Gain)/Loss on disposal of property, plant and equipment	(19)	148
Research and development expense	247	78
Depreciation – property, plant and equipment	1,282	1,434
Depreciation – right-of-use asset	874	879
(Profit) on sale of subsidiaries (before selling costs)	(815)	-

3. Finance income

Accounting policies

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

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 2022 was based on the net profit attributable to ordinary shareholders of \$11,336,126 (2021: \$6,053,841) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2022 of 11,446,930 (2021: 11,309,777).

The calculation of diluted earnings per share at 30 June 2022 was based on the net profit attributable to ordinary shareholders of \$11,336,126 (2021: \$6,053,841) and a weighted average number of potential ordinary shares outstanding during the financial year ended 30 June 2022 of 11,607,716 (2021: 11,487,557).

Notes to the financial statements

For the year ended 30 June 2022

4. Earnings per share (continued)

Weighted average number of ordinary shares (basic)

	2022 Shares '000	2021 Shares '000
Issued ordinary shares at 1 July	11,327	11,258
Effect of shares issued during year	120	52
Weighted average number of ordinary shares at 30 June	11,447	11,310

Weighted average number of ordinary shares (diluted)

	2022 Shares '000	2021 Shares '000
Weighted average number of ordinary shares (basic)	11,447	11,310
Effect of Executive Share Plan	161	178
Weighted average number of ordinary shares at 30 June	11,608	11,488

Basic and diluted earnings per share

	2022 Cents per share	2021 Cents per share
Basic earnings per share from continuing operations	99.0	53.5
Diluted earnings per share from continuing operations	97.7	52.7

5. Auditor's remuneration

	2022 \$	2021 \$
Audit services:		
Auditors of the Group (KPMG Australia)		
– audit and review of financial statements	115,000	97,914
	115,000	97,914
Other services:		
Auditors of the Group (KPMG Australia)		
– taxation advice and tax compliance services	8,200	15,000
– consulting services	5,000	-
	13,200	15,000

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.

Production

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

Notes to the financial statements

For the year ended 30 June 2022

6. Segment reporting (continued)

Geographical segments

The Group predominantly operates in Australia.

Customers

There was no individually significant customer that represented more than 10% of total revenue in the current financial year.

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Sales revenue	91,366	63,254	7,857	6,532	99,223	69,786
Depreciation and amortisation	(704)	(863)	(256)	(256)	(960)	(1,119)
Depreciation ROU Asset	(865)	(870)	(9)	(9)	(874)	(879)
Reportable segment profit before tax	14,795	6,804	1,292	859	16,087	7,663
Reportable segment assets	39,411	28,361	5,939	5,267	45,350	33,628
Capital expenditure	1,796	1,503	230	723	2,026	2,226

Reconciliation of reportable segment profit, assets and other material items

	2022 \$'000	2021 \$'000
Profit		
Total profit for reportable segments	16,087	7,663
JobKeeper income	-	1,864
Profit on sale of subsidiaries	815	-
Unallocated amounts – other corporate expenses (net of corporate income)	(1,046)	(762)
Profit before income tax	15,856	8,765
Assets		
Total assets for reportable segments	45,350	33,628
Land and buildings	10,000	8,159
Cash, cash equivalents and investments	3,831	6,965
Right-of-use asset	5,211	6,068
Other unallocated amounts	1,521	1,704
Total assets	65,913	56,524
Capital expenditure		
Capital expenditure for reportable segments	2,026	2,226
Other corporate capital expenditure	84	108
Total capital expenditure	2,110	2,334
Other material items		
Depreciation and amortisation for reportable segments	960	1,119
Unallocated amounts – corporate depreciation	322	315
Total depreciation and amortisation	1,282	1,434

Notes to the financial statements

For the year ended 30 June 2022

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.

	2022	2021
	\$'000	\$'000
Current		
Trade receivables	16,967	14,230
Less: Allowance for impairment	(118)	(120)
Add: Reimbursement right	25	43
Net trade receivables	16,874	14,153

Impairment

The Group uses an allowance matrix to measure the Expected Credit Loss (ECL) of trade receivables. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

When determining the credit risk for trade receivables the Group uses quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group takes out trade credit insurance and this gives rise to a reimbursement right for any expected credit loss that arises on trade receivables. This reimbursement right is recognised at the same time as the expected credit loss provision is recognised.

COVID-19 has not had a significant impact on the ECL provision. This is because Korvest has not observed any material change in the payment behaviour of customers and the aging of trade receivables since COVID-19. The credit insurance also reduces any impact of COVID-19 should this occur in the future.

The Group sells to a variety of customers including wholesalers and end users.

Notes to the financial statements

For the year ended 30 June 2022

7. Trade and other receivables (continued)

Movement in allowance for impairment

Balance at 1 July

Amounts written off against allowance

Net remeasurement of loss allowance

Balance at 30 June

2022 \$'000	2021 \$'000
(120)	(241)
-	50
2	71
(118)	(120)

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.

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.

Current

Raw materials and consumables

Work in progress

Finished goods

2022 \$'000	2021 \$'000
5,383	3,576
973	670
14,101	8,199
20,457	12,445

Finished goods are shown net of an impairment provision amounting to \$552,000 (2021: \$1,222,000) arising from the likely inability to sell a product range at or equal to the cost of inventory.

The impairment provision is calculated having regard for the quantity of stock on hand for each item in comparison to usage over the past year. Where items have been on hand for more than twelve months and more than ten years of stock are held based on recent sales history, then a provision is held for the entire stock value (net of scrap recoveries). Using the same measures, where more than five but less than ten years of stock are on hand 20% of the value (net of scrap recoveries) is provided for.

During the year ended 30 June 2022 inventories of \$55,705,000 (2021: \$38,802,000) were recognised as an expense during the year and included in cost of goods sold.

Notes to the financial statements

For the year ended 30 June 2022

9. Trade and other payables

Accounting policies

Payables

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

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.

	2022	2021
	\$'000	\$'000
Current		
Trade payables and accrued expenses	5,148	4,939
Non-trade payables and accrued expenses	4,083	3,522
	9,231	8,461

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.

	2022	2021
	\$'000	\$'000
Current		
Liability for annual leave	1,388	1,199
Liability for long service leave	1,750	1,726
	3,138	2,925
Non-current		
Liability for long service leave	267	208
Total employee benefits	3,405	3,133

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 2022

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 with only non-market performance conditions 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.

The fair value of performance rights with market related performance conditions is measured using a Monte Carlo simulation.

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.

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. For each issue two performance hurdles are applied. The 2018 issue used Earnings per Share (EPS) and Relative Total Shareholder Return (RTSR). The 2019 and 2020 issues used EPS and Return on Invested Capital (ROIC).

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.

Grant date	Plan	Performance hurdles	Number of rights initially granted	Number outstanding at balance date
November 2019	KPRP	EPS/ROIC	91,796	91,796
October 2020	KPRP	EPS/ROIC	84,814	84,814
October 2021	KPRP	EPS/ROIC	65,230	65,230
Total performance rights			241,840	241,840

Notes to the financial statements

For the year ended 30 June 2022

10. Employee benefits (continued)

Measurement of fair values

The fair value of both the ROIC and EPS hurdle rights were measured based on the Black-Scholes method.

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

	2022	2021
Fair value at grant date	\$5.48	\$3.92
Share price at grant date	\$6.45	\$4.69
Exercise price	-	-
Share price volatility	33.67%	48.1%
Dividend yield	5.43%	5.97%
Risk free interest rate	1.79%	0.86%
Life of options	2.7 yrs	2.7 yrs
Advised restriction period (after vesting)	2 yrs	2 yrs

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
2022										
Previous plan *										
Mar 05	Jan 07	Jan 27	\$4.36	15,000	-	-	-	(15,000)	-	-
				15,000	-	-	-	(15,000)	-	-
<i>Weighted average exercise price</i>				\$4.36						
Current plan										
Oct 18	Jul 21	Jun 21	-	100,929	-	-	-	(100,929)	-	-
Nov 19	Jul 22	Jun 22	-	91,796	-	-	-	-	91,796	91,796
Oct 20	Jul 23	Jun 23	-	84,814	-	-	-	-	84,814	-
Oct 21	Jul 24	Jun 24	-	-	65,230	-	-	-	65,230	-
				277,539	65,230	-	-	(100,929)	241,840	91,796
<i>Weighted average exercise price</i>				\$Nil	\$Nil	\$Nil	\$Nil		\$Nil	\$Nil
2021										
Previous plan										
Mar 05	Jan 07	Jan 27	\$4.36	15,000	-	-	-	-	15,000	-
				15,000	-	-	-	-	15,000	-
<i>Weighted average exercise price</i>				\$4.36					\$4.36	
Current plan										
Nov 17	Jul 20	Jun 20	-	38,150	-	-	-	(38,150)	-	-
Oct 18	Jul 21	Jun 21	-	102,105	-	(1,176)	-	-	100,929	100,929
Nov 19	Jul 22	Jun 22	-	91,796	-	-	-	-	91,796	-
Oct 20	Jul 23	Jun 23	-	-	84,814	-	-	-	84,814	-
				232,051	84,814	(1,176)	-	(38,150)	277,539	100,929
<i>Weighted average exercise price</i>				\$Nil	\$Nil	\$Nil	\$Nil		\$Nil	\$Nil

* The Previous Plan was an 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. 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 were 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. In September 2021 the last of these loans was extinguished and as a result the options were treated as having been exercised.

Notes to the financial statements

For the year ended 30 June 2022

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 \$560,000 (2021: \$492,000) 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 cost to rectify the site. It has been assumed that the rectification would occur in 15 years (2021: 15 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 3.75% (2021: 3.29%) and an inflation rate of 3.0% (2021: 2.0%) have been used for the calculation at 30 June 2022.

	2022	2021
	\$'000	\$'000
Current		
Warranties	-	46
Non-current		
Site restoration	560	492
	560	538

Tangible assets

The following section shows the physical tangible assets used by the Group to operate the business, generating revenues and profits.

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.

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 25 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 2022

12. Property, plant and equipment

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 are 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, an 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. This year, as a result of fluctuating property values, the Directors obtained an independent valuation a year earlier than the policy dictated.

Notes to the financial statements

For the year ended 30 June 2022

12. Property, plant and equipment (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 & Buildings (fair value) \$'000	Plant & Equipment (cost) \$'000	Total \$'000
Cost			
Balance at 1 July 2020	8,232	25,392	33,624
Acquisitions	-	2,334	2,334
Disposals and write-offs	-	(1,698)	(1,698)
Revaluation	-	-	-
Balance at 30 June 2021	8,232	26,028	34,260
Balance at 1 July 2021	8,232	26,028	34,260
Acquisitions	-	2,110	2,110
Disposals and write-offs	-	(1,696)	(1,696)
Revaluation	1,768	-	1,768
Balance at 30 June 2022	10,000	26,442	36,442
Accumulated depreciation and impairment losses			
Balance at 1 July 2020	-	17,767	17,767
Depreciation charge for the year	73	1,361	1,434
Revaluation	-	-	-
Disposals	-	(1,530)	(1,530)
Balance at 30 June 2021	73	17,598	17,671
Balance at 1 July 2021	73	17,598	17,671
Depreciation charge for the year	73	1,209	1,282
Revaluation	(146)	-	(146)
Disposals	-	(1,597)	(1,597)
Balance at 30 June 2022	-	17,210	17,210
Carrying amounts			
At 30 June 2020	8,232	7,625	15,857
At 30 June 2021	8,159	8,430	16,589
At 30 June 2022	10,000	9,232	19,232

Notes to the financial statements

For the year ended 30 June 2022

12. Property, plant and equipment (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 June 2022 by Mr Michael Lim, AAPI 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 the directors' valuation as at 30 June 2022.

The carrying amount of the Land and Buildings at cost at 30 June 2022 if not revalued would be \$874,000 (2021: \$928,000).

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. The valuation of land and buildings is based on Level 3 fair values.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
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 the value of vacant land as the property has below average site coverage indicating further capacity for development.	Market yield – 7.5% Potential rental rate - \$60/m2 Land value for vacant land - \$185/m2	The estimated market value would increase if: • Market yield was lower • Potential rental rate was higher • Land value was higher

Notes to the financial statements

For the year ended 30 June 2022

13. Impairment testing

Accounting policies

The carrying amounts of the Group's tangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or 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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the 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 assets' carrying amounts do not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Results

The Group has determined that calculation of the recoverable amount of assets or CGUs is not required as at 30 June 2022 as there were no impairment indicators.

Leases

14. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into on or after 1 July 2019.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by any impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by seeking from its bankers, indicative interest rates for the type of asset being leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the financial statements

For the year ended 30 June 2022

Leases as a lessee

The group leases warehouse facilities and forklifts. Warehouse leases are generally for periods ranging from 3 to 10 years with options to renew the lease after that date. Warehouse leases provide for annual rent reviews based on CPI or market rents. For warehouse leases it is assumed to be reasonably certain that all options will be exercised. Forklifts leases are for 5 years with no renewal option.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

	Warehouses \$'000	Forklifts \$'000	Total \$'000
Balance at 1 July 2021	6,011	57	6,068
Additions to right-of-use assets	17	-	17
Depreciation of right-of-use asset	(828)	(46)	(874)
Balance at 30 June 2022	5,200	11	5,211
Balance at 1 July 2020	4,553	103	4,656
Additions to right-of-use assets	2,291	-	2,291
Depreciation of right-of-use asset	(833)	(46)	(879)
Balance at 30 June 2021	6,011	57	6,068

ii. Lease liability

	2022 \$'000	2021 \$'000
Current	790	787
Non-current	4,678	5,447
Total Lease liability	5,468	6,234

iii. Amounts recognised in profit or loss

Depreciation right-of-use asset	874	879
Interest on lease liabilities	161	127
Expenses relating to short-term leases	17	98

iv. Amounts recognised in statement of cash flows

Cash flows used in operating activities	178	225
Cash flows used in financing activities	783	804
Total cash outflow for leases	961	1,029

Notes to the financial statements

For the year ended 30 June 2022

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.

15. Cash and cash equivalents

Accounting policies

Cash and cash equivalents 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.

Investments and term deposits comprise deposits with maturities greater than three months at balance date.

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.

	2022 \$'000	2021 \$'000
Bank balances	1,918	2,691
Call deposits	1,638	3,999
Cash and cash equivalents in the statement of cash flows	3,556	6,690
Term deposits	275	275

Reconciliation of cash flows from operating activities

	2022 \$'000	2021 \$'000
Cash flows from operating activities		
Profit for the year	11,336	6,054
<i>Adjustment for:</i>		
Depreciation and amortisation	1,282	1,434
Depreciation right-of-use asset	874	879
Impairment of trade receivables	33	(71)
(Reversal of) Impairment of inventories	(25)	(174)
Increase / (decrease) in provision for site rectification	68	(28)
(Profit) on sale of subsidiaries	(815)	-
(Profit)/Loss on disposal of property, plant and equipment	(19)	148
Equity-settled share-based payment expense	380	391
	13,114	8,633
Changes in:		
Trade and other receivables	(2,836)	(3,970)
Prepayments	(19)	53
Inventories	(8,121)	(1,716)
Trade and other payables	902	2,560
Deferred tax	208	215
Income taxes payable	364	385
Provisions and employee benefits	375	349
Net cash from operating activities	3,987	6,509

Notes to the financial statements

For the year ended 30 June 2022

16. 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 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 the Standards, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are required to be 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.

Financial assets and liabilities

All financial assets and liabilities are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortised cost, as indicated in the table below.

Financial assets and liabilities	Classification under AASB 9
Cash, cash equivalents and Investments	Amortised cost
Trade and other receivables	Amortised cost
Trade and other payables	Amortised cost

Notes to the financial statements

For the year ended 30 June 2022

16. Financial instruments (continued)

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.

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 board of directors has overall responsibility for the establishment and oversight of the risk management framework.

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:

	2022	2021
	\$'000	\$'000
Cash, cash equivalents and Investments	3,831	6,965
Trade and other receivables	16,874	14,153

Cash and cash equivalents

The cash, cash equivalents and investments are held with major Australian banks.

Notes to the financial statements

For the year ended 30 June 2022

16. 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 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 takes out trade credit insurance to reduce the Group's credit risk exposure.

The Group uses an expected credit loss (ECL) model to measure the allowance for losses. The Group uses quantitative and qualitative information based on the Group's historical experience, informed credit assessment and including forward-looking information.

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

	2022 \$'000	2021 \$'000
Carrying values		
Australia	16,804	14,067
New Zealand	70	80
Other	-	6
	16,874	14,153

At 30 June 2022, the Group's most significant customer, located in Australia, accounted for \$3,758,589 of the trade and other receivables carrying amount (2021: \$3,239,121).

Impairment losses

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

	2022 \$'000	2021 \$'000
Gross		
Not past due nor impaired	11,740	9,827
Past due 0-30 days	4,963	4,259
Past due 31-90 days	171	67
More than 91 days	-	-
	16,874	14,153

Notes to the financial statements

For the year ended 30 June 2022

16. 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.

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).

	2022					2021				
	Contractual cash flows					Contractual cash flows				
	Carrying amount	Total	Less than 1 year	1-5 years	More than 5 years	Carrying amount	Total	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivative financial liabilities										
Trade and other payables	9,231	(9,231)	(9,231)	-	-	8,461	(8,461)	(8,461)	-	-
Lease liabilities*	5,468	(6,225)	(930)	(2,362)	(2,933)	6,234	(7,158)	(949)	(2,712)	(3,497)
	14,699	(15,456)	(10,161)	(2,362)	(2,933)	14,695	(15,619)	(9,410)	(2,712)	(3,497)

* The lease liability contractual cashflows include any optional lease renewal periods where those options have not yet been exercised. They do not include any CPI based adjustments for future periods as the rate of those adjustments is unknown.

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 currencies in which these transactions primarily are denominated are US dollars (USD) and Thai Baht (THB).

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 2022

16. 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.

The Group holds trade credit insurance to insure some of the risk associated with the collection of trade receivables.

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.

17. 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. 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. 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 2022

17. Capital and reserves (continued)

Share capital

	2022 Shares '000	2021 Shares '000
Ordinary shares		
On issue at 1 July	11,327	11,258
Issued under the Employee Share Bonus Plan	23	31
Issued under the Executive Share Plan	116	38
On issue at 30 June – fully paid	11,466	11,327

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.

18. 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 per share	Total amount \$'000	Percentage franked	Tax rate	Date of payment
2022					
Interim 2022 ordinary	25.0	2,864	100%	30%	4 March 2022
Final 2021 ordinary	20.0	2,288	100%	30%	3 September 2021
Total amount		5,152			
2021					
Interim 2021 ordinary	15.0	1,699	100%	30%	5 March 2021
Final 2020 ordinary	13.0	1,470	100%	30%	4 September 2020
Total amount		3,169			

Unrecognised amounts

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

	Cents per share	Total amount \$'000	Percentage franked	Tax rate	Date to be paid
2022					
Final 2022 ordinary	35.0	4,013	100%	30%	2 September 2022

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2022 and will be recognised in subsequent financial reports.

Notes to the financial statements

For the year ended 30 June 2022

18. Dividends (continued)

Dividend franking account

	2022 \$'000	2021 \$'000
30% franking credits available to shareholders of Korvest Ltd for subsequent financial years	12,466	10,363

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 \$1,720,000 (2021: reduce by \$972,000).

Notes to the financial statements

For the year ended 30 June 2022

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.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group's existing accounting policy for uncertain income tax treatments is consistent with the requirements of *IFRIC 23 Uncertainty over Income Tax Treatments* which became effective on 1 July 2019.

19. 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 20 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. Power Step (Australia) Pty Ltd and Titan Technologies (SE Asia) Pty Ltd left the tax consolidated group on 31 August 2021.

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.

Notes to the financial statements

For the year ended 30 June 2022

19. Current and deferred taxes (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of a member of the tax consolidated 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.

Income tax recognised in the income statement

	2022 \$'000	2021 \$'000
Current tax expense		
Current year	4,312	2,496
	4,312	2,496
Deferred tax expense		
Origination and reversal of temporary differences		
- relating to current year	208	215
	208	215
Total income tax expense in Statement of profit or loss and comprehensive income	4,520	2,711

Numerical reconciliation between tax expense and pre-tax net profit

	2022 \$'000	2021 \$'000
Profit before tax	15,856	8,765
Income tax using the domestic corporation tax rate of 30% (2021:30%)	4,757	2,630
Non-deductible expenses	28	81
Capital loss on sale of subsidiaries	(265)	-
Income tax expense on pre-tax net profit	4,520	2,711

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Property, plant and equipment	-	-	3,207	2,374	3,207	2,374
Leases	(1,640)	(1,871)	1,563	1,821	(77)	(50)
Inventories	(166)	(367)	735	530	569	163
Provisions / accruals	(1,249)	(1,169)	-	-	(1,249)	(1,169)
Provision for doubtful debts	(28)	(8)	-	-	(28)	(8)
Other	(26)	(7)	-	-	(26)	(7)
Tax loss carried forward	(552)	(287)	-	-	(552)	(287)
Tax (assets) / liabilities	(3,661)	(3,709)	5,505	4,725	1,844	1,016
Set off of tax	3,661	3,709	(3,661)	(3,709)		
Net tax liabilities	-	-	1,844	1,016	1,844	1,016

Notes to the financial statements

For the year ended 30 June 2022

19. Current and deferred taxes (continued)

Movement in deferred tax balances during the year

	Balance 30 June 21	Recognised in profit	Recognised directly in equity	Disposed in sale of subsidiaries	Balance 30 June 22
	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	(2,374)	(259)	(574)		(3,207)
Leases	50	27	-		77
Inventories	(163)	(406)	-		(569)
Provisions / accruals	1,169	126	-	(46)	1,249
Provision for doubtful debts	8	20	-		28
Other	7	19	-		26
Tax loss carried forward	287	265	-		552
	(1,016)	(208)	(574)	(46)	(1,844)

	Balance 30 June 20	Recognised in profit	Recognised directly in equity	Balance 30 June 21
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	(2,139)	(235)	-	(2,374)
Leases	27	23	-	50
Inventories	(88)	(75)	-	(163)
Provisions / accruals	1,061	108	-	1,169
Provision for doubtful debts	51	(43)	-	8
Other	-	7	-	7
Tax loss carried forward	287	-	-	287
	(801)	(215)	-	(1,016)

Notes to the financial statements

For the year ended 30 June 2022

Group Composition

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

20. Investment in subsidiaries

Accounting policies

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 AASB 10 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 to 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.

Group entities

	Country of Incorporation	Ownership interest	
		2022 %	2021 %
Parent entity			
Korvest Ltd	Australia		
Subsidiaries			
Power Step (Australia) Pty Ltd	Australia	-	100
Power Step (Chile) SpA	Chile	-	100
Titan Technologies (SE Asia) Pty Ltd	Australia	-	100

21. Sale of subsidiaries

On 31 August 2021 Power Step (Australia) Pty Ltd and its controlled entity, and Titan Technologies (SE Asia) Pty Ltd were sold. Consideration received was \$880,000. Net assets sold were \$65,000 resulting in a profit on sale of \$815,000 not including costs of \$72,000 that were incurred in selling the business.

The assets and liabilities sold were as follows:

	\$'000
Trade and other receivables	81
Inventory (net of provision)	134
Property, plant and equipment	72
Other assets	15
Deferred tax assets	46
Trade and other payables	(133)
Employee provisions	(102)
Provisions	(48)
Net assets sold	65

Notes to the financial statements

For the year ended 30 June 2022

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

- Andrew Stobart (Chairman)
- Gary Francis
- Gerard Hutchinson
- Therese Ryan (Appointed 1 September 2021)
- Graeme Billings (Retired 31 August 2021)

Executive Directors

- Chris Hartwig (Managing Director)
- Steven McGregor (Finance Director and Company Secretary)

Executives

- Gavin Christie (General Manager, Operations)
- Stephen Taubitz (General Manager Sales - EzyStrut)

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:

	2022	2021
	\$	\$
Short-term employee benefits	1,790,072	1,760,573
Post-employment benefits	144,635	134,637
Long term benefits	58,937	42,408
Share based payments	312,543	325,807
	2,306,187	2,263,425

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.

Notes to the financial statements

For the year ended 30 June 2022

23. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2022 the parent entity of the Group was Korvest Ltd.

	2022 \$'000	2021 \$'000
Result of parent entity		
Profit for the period	11,919	5,713
Other comprehensive income	1,340	-
Total comprehensive income for the period	13,259	5,713
Financial position of parent entity at year end		
Current Assets	41,470	32,327
Total Assets	65,913	55,563
Current Liabilities	14,739	12,827
Total Liabilities	22,088	20,221
Share capital	14,334	14,268
Reserves	29,491	21,074
Retained earnings	-	-
Total Equity	43,825	35,342

Guarantees entered into by the Company

Bank guarantees given by the Company in favour of customers and landlords amounted to \$1,462,047 (2021: \$990,908). The significant increase is due to performance guarantees provided in relation to the large infrastructure projects commenced during FY22.

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 2022, the Company had contractual commitments for the acquisition of property, plant and equipment of \$1,034,000 (2021: \$650,000).

24. Commitments and contingencies

The commitments and contingencies of the group are the same as for the parent entity outlined in note 23.

25. Subsequent events

Other than the dividend disclosed in Note 18, 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.

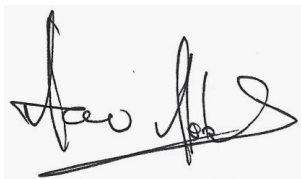
Directors' declaration

For the year ended 30 June 2022

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 27 to 61 and the Remuneration report in the Directors' report, set out on pages 13 to 23, 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 2022 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 2022.
3. The Directors draw attention to the Basis of preparation note on page 31, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 22nd July 2022

Signed in accordance with resolution of directors:

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

Andrew Stobart
Director



Independent Auditor's Report

To the shareholders of Korvest Ltd

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Korvest Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 30 June 2022;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

The **Key Audit Matter** we identified was the valuation of finished goods inventory.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of finished goods inventory (\$14.101m)

Refer to Note 8 to the Financial Report - Inventories

The key audit matter	How the matter was addressed in our audit
The valuation of EzyStrut finished goods inventory is a key audit matter due to the: • EzyStrut finished goods inventory being specialised in nature; • Importance of EzyStrut finished goods inventory valuation to the business operations and financial performance of the Group; • Group's judgment involved in estimating the amount of the impairment provision. Estimating the provision, and therefore the net carrying value of finished goods inventory, requires consideration of the quantity of finished goods on hand, anticipated future usage and expected recoverable amount. Such judgments may have a significant impact on the Group's finished goods inventory impairment provision, and therefore the overall net carrying value of finished goods inventory, necessitating additional audit effort. In auditing this key audit matter, we used senior team members who understand the Group's business, industry and the relevant economic environment.	Our procedures included applying our understanding of the Group's business model in: • Assessing the Group's policies for the valuation of finished goods inventory against the requirements of the accounting standards; • Critically evaluating the Group's methodology to identify finished goods that are slow moving or selling below cost; • Testing the Group's finished goods inventory impairment assessment at year-end, by: - Assessing the accuracy of the underlying finished goods inventory provision model by performing computation checks; - Checking the accuracy of the ageing of inventory, as a proxy for expected time period to sell, by product, as a key input in the finished goods inventory provision. We evaluated the expected time period to sell inventory on hand using the sales / usage quantities experienced during FY22. We checked a sample of those sales quantities to sales invoices. • Comparing the unit cost of each finished good on hand from the Group's impairment assessment to the average sales price for the year of these products, as a proxy for expected recoverable amount. • Challenging the Group's assumptions, such as the provision percentages by aging category, using our understanding of the Group's business and knowledge of the market; and • Attending stocktakes in significant locations observing the Group's processes, which included identifying slow moving and potentially obsolete finished goods inventory.

Other Information

Other Information is financial and non-financial information in Korvest Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Korvest Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 13 to 23 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Paul Cenko

Partner

Adelaide

22 July 2022



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 of Korvest Ltd for the financial year ended 30 June 2022 there have been:

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

KPMG

Paul Cenko

Partner

Adelaide

22 July 2022

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 21 July 2022)

Substantial shareholders

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

Shareholder		Number
Colonial First State Investments Limited	9.9%	1,138,760
Phoenix Portfolios Pty Ltd	8.2%	941,380
Donald Cant Pty Ltd	5.3%	621,759

Voting rights

Ordinary shares

Refer to note 17 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	1,076	394,135	3.44
1,001 - 5,000	763	1,973,721	17.21
5,001 - 10,000	152	1,153,417	10.06
10,001 - 100,000	154	3,515,038	30.66
100,001 and over	12	4,429,694	38.63
	2,157	11,466,005	100

The number of shareholders holding less than a marketable parcel of ordinary shares is 105.

Securities Exchange

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

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 2022****Twenty largest shareholders**

Name	Number of ordinary Shares held	Percentage of capital held
Citicorp Nominees Pty Limited	1,188,137	10.36
Donald Cant Pty Ltd	621,759	5.42
J P Morgan Nominees Australia Pty Limited	596,735	5.20
Anacacia Pty Ltd <Wattle Fund A/C>	502,152	4.38
Creative Living (Qld) Pty Ltd	320,000	2.79
National Nominees Limited	283,392	2.47
Rathvale Pty Limited	191,558	1.67
Brazil Farming Pty Ltd	166,416	1.45
Allegro Two Super Fund Pty Ltd <Allegro Super Fund No 2 A/C>	164,500	1.43
Mr William Francis Cannon	130,083	1.13
Robert Nairn Pty Ltd	129,162	1.13
Brazil Farming Pty Ltd	124,554	1.09
Angeline Capital Pty Limited	100,000	0.87
Gotterdamerung Pty Limited <Gotterdamerung S/F A/C>	91,430	0.80
Mr Steven McGregor	89,738	0.78
Mr Chris Hartwig	86,034	0.75
Gotterdamerung Pty Limited <Gotterdamerung Family A/C>	79,539	0.69
Mrs Helen Elizabeth Rollinson	72,343	0.63
Manatee P/L <Superfund Accum A/C>	71,838	0.63
Ms Nina Tschernykov	60,720	0.53
	5,070,090	43.87

Offices and officers**Company Secretary**

Steven John William McGregor BA(Acc), FCA, AGIA, ACG

Principal Registered Office

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Kilburn, South Australia, 5084
Ph: (08) 8360 4500
Fax: (08) 8360 4599

Locations of Share Registry

Adelaide

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Adelaide, South Australia, 5000
Ph: 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia)