

Appendix 4D

Korvest Ltd
ABN 20 007 698 106

Half-Year Financial Report 31 December 2018

Results for announcement to the market:

\$A'000

Revenues	Down 1.3%	to 29,190
Net profit after tax for the period attributable to members	Up 110.0%	to 1,138
Dividends	Amount per security	Franked amount per security
Interim dividend (#)		
- current reporting period	9.0¢	9.0¢
- previous corresponding period	5.0¢	5.0¢
# Interim dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.		
Record date for determining entitlements to the dividend	22 February 2019	
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 Directors' report on pages 2 to 4 of this financial report.		

This financial report is all the half-year information provided to the Australian Stock Exchange under listing rule 4.2A. The report also satisfies the half-year reporting requirements of the Corporations Act 2001.

This half-year financial report should be read in conjunction with the 2018 annual financial report.

Korvest Ltd Directors' Report

The Directors present their report together with the financial report of Korvest Ltd ("the Company") and its subsidiaries ("the Group") for the half-year ended 31 December 2018 and the auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Graeme Billings BCom, FCA, MAICD
Chairman – appointed 18 September 2014
Independent Non-Executive Director
A Director since May 2013
Director G.U.D. Holdings Limited
Director Clover Corporation Limited
Chairman Azure Healthcare Ltd
Director Domacom Ltd
Director Escala Partners Ltd

Chris Hartwig BA(Acc), MAICD
Managing Director
Appointed 28 February 2018
Director Harness Racing SA Limited

Gary Francis BSc. (Hons), (Civil), MAICD
Independent Non-Executive Director
Chairman of Remuneration Committee
A Director since February 2014

Gerard Hutchinson MBA, MBL, MSc(IS), BEc, MA (research), FCA, FAICD, FAIM
Independent Non-Executive Director – appointed 19 November 2014
Chairman of Audit Committee
Current Chief Financial Officer at Al-Futtaim Construction LLC
Former Managing Director AusGroup Limited

Andrew Stobart B. Eng (Hons), Grad Dip Bus Admin, GAICD
Independent Non-Executive Director – appointed 1 August 2016
Chairman Nexans Olex Australia & New Zealand

Steven McGregor BA (Acc), CA, AGIA, ACIS
Finance Director
A Director since January 2009
Company Secretary since April 2008

Result

The profit for the half-year attributable to the members of the Company was:

	31 Dec 18	31 Dec 17
<i>In thousands of AUD</i>		
Profit after income tax expense	1,138	542
Net profit attributable to members of the Company	1,138	542

Other Ratios

	31 Dec 18	31 Dec 17
Net tangible asset (NTA) backing		
Net tangible assets per ordinary share	\$2.70	\$2.65
Profit before tax / revenue	5.6%	2.6%
Profit after tax / equity interests	3.8%	1.8%

Review of Operations

Revenue from trading operations for the half-year decreased by 1.3% to \$29.2 million. Despite the small reduction in revenue, improved margins contributed to the significant improvement in profitability.

Industrial Products

Revenue in the EzyStrut business was flat compared to the prior comparative period (PCP) however the mix of revenue shifted with a swing to more day-to-day work and a reduction in large project revenue. This reduced level of large project work was due to the timing of supply schedules. The major NSW infrastructure project that was supplied during the first half did not commence supply until late September meaning that all of the large project revenue was concentrated in the second quarter only. Margin improved in the half as a result of a July 2018 price rise in response to the continued increasing cost of raw materials.

The Power Step and Titan Technologies businesses experienced more subdued trading conditions than during the PCP. The first half results were adversely impacted by stock writedowns following a detailed review of on hand inventory.

Production

The Galvanising business had a 2.5% decrease in total plant volumes as a result of reduced internal demand for galvanising from the EzyStrut business. External customer volume and revenue increased compared to the PCP albeit that demand was inconsistent throughout the period. The cost of zinc trended down throughout the half but remains at high levels compared to long term price history. The impact to the business of commodity cost changes lags and therefore will have a greater influence in future periods.

Dividends

The Directors announced a fully franked interim dividend of 9.0 cents per share.

The Dividend Reinvestment Plan (DRP) will not operate for the interim dividend. The dividend will be paid on 8 March 2019 and the record date is 22 February 2019.

Events Subsequent to Reporting Date

Events subsequent to the reporting date are disclosed in Note 14 of the *Condensed Notes to the Interim Financial Report*.

Korvest Ltd
Directors' Report

2019 Outlook

The expectation is that activity levels for the second half of FY 2019 will improve compared to those of the first half. This is due to the supply of the major infrastructure project being expected to span the whole of the second half rather than just one quarter as was the case in the first half. Day-to-day markets were strong during the first half and there are no indications that this situation will change during the second half.

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

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2018.

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.

Dated at Kilburn this 25th day of January 2019.

Signed in accordance with a resolution of the Directors:

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

GA Billings
Chairman



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 review of Korvest Ltd for the half-year ended 31 December 2018 there have been:

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

KPMG

Paul Cenko
Partner

Adelaide

25 January 2019

Korvest Ltd**Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018**

<i>In thousands of AUD</i>	Note	31 Dec 18	31 Dec 17
Revenue	6(a)	29,190	29,580
Other income	6(a)	8	1
Expenses excluding net financing costs	6(b)	(27,601)	(28,823)
Results from operating activities excluding net financing income		1,597	758
Finance income		34	16
Net finance income		34	16
Profit before income tax		1,631	774
Income tax expense		(493)	(232)
Net profit for the period		1,138	542
Total comprehensive income for the period			
Attributable to:			
Owners of the Company		1,138	542
Earnings per share			
Basic earnings per share		10.2¢	4.9¢
Diluted earnings per share		10.2¢	4.9¢

The Condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes set out on pages 10 to 16.

Korvest Ltd
Condensed consolidated statement of changes in equity for the half-year ended 31 December 2018

In thousands of AUD

	Share capital	Equity compensation reserve	Asset revaluation reserve	Profits reserve	Retained earnings / (loss)	Total
Balance at 1 July 2018	14,084	248	3,735	11,854	(209)	29,712
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,138	1,138
Total comprehensive income for the period	-	-	-	-	1,138	1,138
Transactions with owners of the Company recognised directly in equity						
Performance rights issued under Korvest Performance Rights Plan	-	27	-	-	-	27
Shares issued net of associated costs	30	-	-	-	-	30
Dividends paid	-	-	-	(781)	-	(781)
Total transactions with owners of the Company	30	27	-	(781)	-	(781)
Balance at 31 December 2018	14,114	275	3,735	11,073	929	30,126
Balance at 1 July 2017	14,039	227	3,735	12,743	(1,578)	29,166
Total comprehensive income for the period						
Profit for the period	-	-	-	-	542	542
Total comprehensive income for the period	-	-	-	-	542	542
Transactions with owners of the Company recognised directly in equity						
Performance rights issued under Korvest Performance Rights Plan	-	8	-	-	-	8
Shares issued net of associated costs	23	-	-	-	-	23
Dividends paid	-	-	-	(333)	-	(333)
Total transactions with owners of the Company	23	8	-	(333)	-	(302)
Balance at 31 December 2017	14,062	235	3,735	12,410	(1,036)	29,406

The Condensed consolidated statement of changes in equity is to be read in conjunction with the notes set out on pages 10 to 16.

Korvest Ltd
Condensed consolidated statement of financial position as at 31 December 2018

<i>In thousands of AUD</i>	Note	31 Dec 18	30 Jun 18
Current Assets			
Cash and cash equivalents		2,608	5,119
Investments		275	275
Trade and other receivables		10,827	9,950
Prepayments		444	243
Inventories		11,544	9,395
Total current assets		25,698	24,982
Non-Current Assets			
Property, plant and equipment		12,725	12,882
Total non-current assets		12,725	12,882
Total assets		38,423	37,864
Current Liabilities			
Trade and other payables		4,490	4,666
Employee benefits		2,355	2,325
Tax payable		245	-
Provisions		43	37
Total current liabilities		7,133	7,028
Non-Current Liabilities			
Deferred tax liabilities		562	451
Employee benefits		169	240
Provisions		433	433
Total non-current liabilities		1,164	1,124
Total liabilities		8,297	8,152
Net assets		30,126	29,712
Equity			
Issued capital	10	14,114	14,084
Retained earnings		929	(209)
Reserves		15,083	15,837
Total equity attributable to owners of the Company		30,126	29,712
Total equity		30,126	29,712

The Condensed consolidated statement of financial position is to be read in conjunction with the notes set out on pages 10 to 16.

Korvest Ltd**Condensed consolidated statement of cash flows for the half-year ended 31 December 2018**

<i>In thousands of AUD</i>	Note	31 Dec 18	31 Dec 17
Cash flows from operating activities			
Cash receipts from customers		32,897	31,300
Cash payments paid to suppliers and employees		(33,935)	(31,145)
Interest received		34	16
Income taxes received / (paid)		(137)	107
Net cash (used in) / provided by operating activities		(1,141)	278
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		23	5
Acquisition of property, plant and equipment		(610)	(530)
Net cash used in investing activities		(587)	(525)
Cash flows from financing activities			
Transaction costs related to the issue of share capital		(2)	(1)
Dividends paid		(781)	(333)
Net cash used in financing activities		(783)	(334)
Net decrease in cash and cash equivalents		(2,511)	(581)
Cash and cash equivalents at the beginning of the period		5,119	1,694
Cash and cash equivalents at 31 December		2,608	1,113

The condensed consolidated statement of cash flows is to be read in conjunction with the notes set out on pages 10 to 16.

Korvest Ltd – 31 December 2018 Interim Consolidated Financial Report Notes to the Condensed Consolidated Financial Report

1. Reporting entity

Korvest Ltd (the Company) is a company domiciled in Australia. The condensed consolidated financial statements as at and for the half year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at 580 Prospect Road Kilburn SA 5084 or at www.korvest.com.au.

2. Statement of compliance

The interim condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2018.

This interim financial report was approved by the Board of Directors on 25 January 2019.

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 have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Company in this interim financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2018.

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* on 1 July 2018. Changes to accounting policies are described below.

AASB 15 Revenue from Contracts with Customers

AASB 15 introduces a 5-step process for revenue recognition from contracts with customers. The standard requires that revenue be recognised when the performance obligation is met, namely when the promised good or service is transferred to the customer. AASB 15 replaces all previous revenue related accounting standards. AASB 15 was applied by the group from 1 July 2018. The Group adopted the full retrospective transitional provisions in assessing the impact of AASB 15.

Revenues from sales of goods are recognised by the Group when the goods are transferred to the customer, namely from the time the customer gains control of the goods. Revenue from services is recognised at the point the services are provided. Revenues are accounted for net of discounts, rebates and returns.

The application of AASB 15 is not materially different from the previous standard in terms of recognition of revenue. Application of AASB 15 did not impact the way in which the Group accounts for revenues.

**Korvest Ltd– 31 December 2018 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

5. Financial risk management

3. Significant accounting policies (cont)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. Trade receivables is the only financial asset that has been impacted by the adoption of the standard, specifically the measurement basis for the impairment of trade receivables.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and in Korvest's case this includes trade receivables and cash and cash equivalents.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The group has elected to measure loss allowances for trade receivables based on lifetime ECLs.

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. Given the prudent approach to estimating losses on receivables in accordance with the previous standard, the Group did not need to adjust the estimated recoverability of trade receivables and other financial assets on transition to AASB 9.

4. Judgements and Estimates

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

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2018 except for new key sources of estimation uncertainty related to the application of AASB 9 as described in Note 3.

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2018.

	31 Dec 18	31 Dec 17
6. Revenues and Expenses <i>In thousands of AUD</i>		
(a) Revenue		
<i>Sales revenue</i>		
Sale of goods and services	29,190	29,580
Other income		
Profit on sale of fixed assets	8	1

**Korvest Ltd – 31 December 2018 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

6. Revenues and Expenses (cont)	31 Dec 18	31 Dec 17
(b) Expenses		
Costs of goods and services sold	17,627	19,053
Sales, marketing and warehousing expenses	6,335	6,341
Distribution expenses	2,298	2,110
Administration expenses	1,341	1,319
	27,601	28,823
(c) Depreciation		
Buildings	21	21
Plant and equipment	731	837
Total depreciation of property, plant and equipment	752	858

7. Segment disclosures

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 Group's reportable segments.

- Industrial Products - includes the manufacture of electrical and cable support systems and steel fabrication. It includes the businesses trading under the EzyStrut, Power Step and Titan Technologies names.
- Production – represents the Korvest Galvanising business, which provides hot dip galvanising services.

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

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 earnings before interest and tax (EBIT). Inter-segment transactions are not recorded as revenue. Instead a cost allocation relating to the transactions is made based on negotiated rates.

Information about reportable segments

	Industrial Products		Production		Total	
	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17
<i>In thousands of AUD</i>						
External Revenues	26,406	26,884	2,784	2,696	29,190	29,580
Reportable segment profit before tax	1,735	951	231	168	1,966	1,119
Reportable segment assets	22,692	22,110	3,969	4,260	26,661	26,370

**Korvest Ltd – 31 December 2018 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

7. Segment Disclosures (cont)

Reconciliation of reportable segment profit and assets

In thousands of AUD

Profit

	31 Dec 18	31 Dec 17
Total profit or (loss) for reportable segments	1,966	1,119
Unallocated amounts – other corporate expenses	(335)	(345)
Profit / (loss) before income tax	<u>1,631</u>	<u>774</u>

Assets

Total assets for reportable segments	26,661	26,370
Land and buildings	7,320	7,361
Unallocated amounts – other assets	4,442	3,128
Total assets	<u>38,423</u>	<u>36,859</u>

Geographical segments

The Group operates predominantly in Australia.

Customers

No single customer represented more than 10% of the Group's total revenues.

8. Write-down of obsolete inventory

During the six months ended 31 December 2018 the Company did not change its obsolescence provision against inventory (31 December 2017: \$30,000 increase).

9. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2018, the Company acquired assets with a cost of \$610,000 (six months ended 31 December 2017: \$530,000). No assets were acquired through business combinations. Assets with a net book value of \$15,000 were disposed of during the six months ended 31 December 2018 (six months ended 31 December 2017: \$4,000), resulting in an \$8,000 profit on disposal (six months ended 31 December 2017: \$1,000 profit).

Capital commitments

The Group has capital commitments of \$330,000 at 31 December 2018 (31 December 2017: \$nil).

**Korvest Ltd – 31 December 2018 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

10. Share Capital

	31 Dec 18	30 June 18
<i>In thousands of AUD</i>		
Issued and paid-up capital		
11,156,845 ordinary shares fully paid (30 June 2018: 11,131,677)	14,114	14,084

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Employee Share Bonus Plan

The Company issued ordinary shares under the Employee Share Bonus Plan during the period. All employees meeting the service criteria were eligible to participate in the issue. The shares are issued at market value for no consideration. Details of the issue are as follows:

Date of issue	Total number of shares issued	Market value of shares issued \$	Shares issued per participating employee	Number of participating executive directors
31 December 2018				
14 September 2018	25,168	60,403	208	-
31 December 2017				
18 September 2017	30,523	65,319	233	-

Shares issued to employees under the Employee Share Bonus Plan are recognised in equity at the fair value of the shares issued. For the issue made during the period this was \$30,000 (2017: \$24,000). The fair value has been measured consistently with the previous annual report and takes into account that the shares issued are unable to be sold by employees for a period of 7 years after issue.

Share-based payment – Executive Share Plan

In August 2011 the Company established the Korvest Performance Rights Plan. The Plan is designed to provide long term incentives to eligible senior employees in the Company and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles related to earnings per share (EPS).

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

A total of 102,105 Performance Rights were issued in October 2018 (2017: 64,000).

The previous share plan, the Korvest Ltd Executive Share Plan is still operational for employees granted options under that plan. The share option plan entitled selected senior managers to acquire shares in the Company subject to successful achievement of performance targets related to improvements in total shareholder returns.

The shares issued pursuant to these options are financed by an interest free loan from the Company repayable within twenty years from the proceeds of dividends declared by the Company. These loans are of a non-recourse nature. For accounting purposes these 20 year loans are treated as part of the options to purchase shares until the loan is extinguished at which point the shares are recognised.

10. Share Capital (cont)

Fair value of Performance Rights granted

For the Performance Rights issued during the period, half will be tested against an Earning Per Share (EPS) measure whilst the other half will be tested against a Relative Total Shareholder Return (RTSR) measure.

The fair value at grant date was assessed in accordance with AASB 2 *Share Based Payments*. For the EPS Performance Rights the value was determined using a Black Scholes valuation methodology and the value was \$2.03 per Performance Right. For the RTSR Performance Rights the value was determined using a Monte Carlo simulation and the value was \$1.826 per Performance Right. The inputs to the calculations have been set out below.

- a) Exercise price: \$0.00
- b) Vesting period: 3 years
- c) Grant date (for Accounting Standards): 24 October 2018
- d) Expiry date: 30 June 2021
- e) Share price at grant date: \$2.60
- f) Expected price volatility of the Company's shares: 40%
- g) Expected dividend yield: 4.6%
- h) Risk-free interest rate: 2.09%
- i) Cost of borrowing: 8.49%
- j) Restricted period: 2 years (post vesting)

Total expenses arising from share-based transactions recognised during the period as part of employee benefit expense were as follows:

In thousands of AUD

	31 Dec 18	31 Dec 17
Performance rights issued under Korvest Performance Rights Plan	27	8
Shares issued under Employee Share Bonus Plan	30	24
	57	32

11. Dividends

Dividends paid or provided for by the Company in the current period and the previous corresponding period are:

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
31 December 2018				
Final – ordinary	7.0	781	Franked	7 September 2018
31 December 2017				
Final – ordinary	3.0	333	Franked	8 September 2017
Subsequent events				
Since the end of the half-year, the Directors declared the following dividends:				
Interim – ordinary	9.0	1,006	Franked	8 March 2019

The financial effect of these dividends has not been brought to account in this financial report. It will be recognised in the next reporting period.

All dividends paid or declared are fully franked at the tax rate of 30%. The Directors expect that dividends will be fully franked for the foreseeable future.

**Korvest Ltd – 31 December 2018 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

12. Financial Instruments

Carrying amounts versus fair values

The fair values of all financial assets and liabilities approximate their carrying amounts.

13. Contingent Liabilities and Contingent Assets

There have been no material changes in contingent liabilities or contingent assets since 30 June 2018.

14. Events Subsequent to Reporting Date

No matter or circumstance has occurred subsequent to 31 December 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

15. Related Parties

There have been no material changes to arrangements with related parties since 30 June 2018.

16. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these consolidated financial statements. The standard which may be relevant to the Group is set out below. The Group does not plan to adopt this standards early, and provides the following information in relation to the expected impact of the application of the standard.

AASB 16 Leases

The standard is effective for annual periods beginning on or after 1 July 2019.

AASB 16 introduces a single, on-balance sheet lease accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group has reviewed the impact of adopting AASB 16. The Group currently has five property leases and two equipment (forklift) leases where the accounting treatment will change by adopting AASB 16. The actual impact of applying AASB 16 will depend on the future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date and the Group's latest assessment of whether it will exercise any lease renewal options.

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to \$1,791,000, on an undiscounted basis.

In addition, the nature of expenses relating to those leases will now change because AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group plans to apply AASB 16 initially on 1 July 2019 using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparative information.

Korvest Ltd
Directors' Declaration

In the opinion of the Directors of Korvest Ltd ("the Company"):

- 1 the condensed consolidated financial statements and notes set out on pages 6 to 16, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance, for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Kilburn this 25th day of January 2019.

Signed in accordance with a resolution of the Directors:

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

GA Billings
Chairman



Independent Auditor's Review Report

To the shareholders of Korvest Ltd

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Korvest Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Korvest Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- condensed consolidated statement of financial position as at 31 December 2018
- condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Korvest Ltd (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Korvest Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

Paul Cenko
Partner

Adelaide

25 January 2019