Korvest Ltd

2020 ANNUAL REPORT

www.korvest.com.au

Korvest Ltd
We deliver on our promise

A MARKET LEADING INFRASTRUCTURE PROVIDER

Since 1970, Korvest has built itself a strong reputation for being a capable supplier of cable and pipe supports, industrial access and safety systems, fastening solutions, and galvanising services. Korvest's business units work together to develop an integrated, complete solution quickly and finished to recognised Australian and international standards.

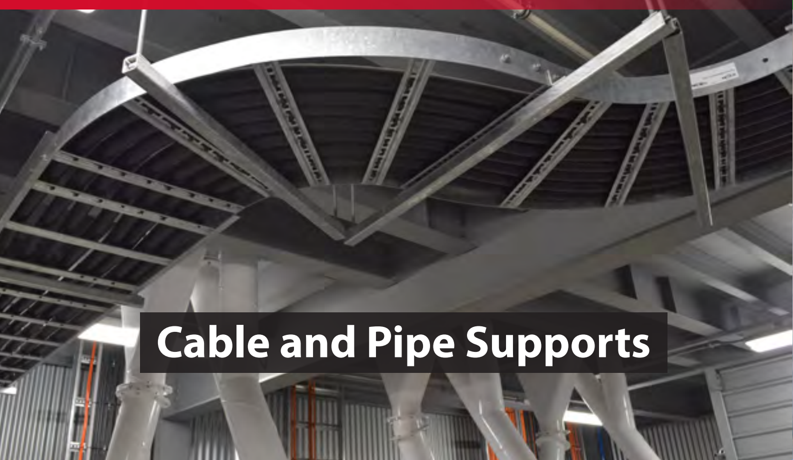
EzyStrut produces a range of standard, customised and innovative products. Power Step and Titan Technologies design and assemble access systems for large mobile equipment as well as bolting solutions. Korvest Galvanisers operates a hot dip galvanising business in South Australia servicing a range of local and national customers.

Korvest's workforce of around 190 employees is multi-skilled and lead by a central management team. Korvest has the capacity to scale up production should a project require more hands or hours to meet strict deadlines.

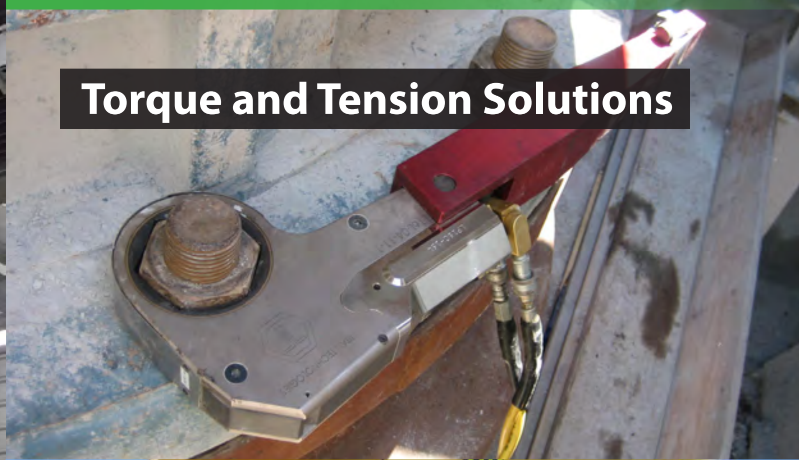
Nationally, Korvest has offices located in Adelaide, Melbourne, Sydney, Brisbane and Perth, with distributors in Townsville, Hobart and Newcastle. The EzyStrut manufacturing plant and national distribution centre are based in Adelaide, South Australia.

WE DELIVER ON OUR PROMISE

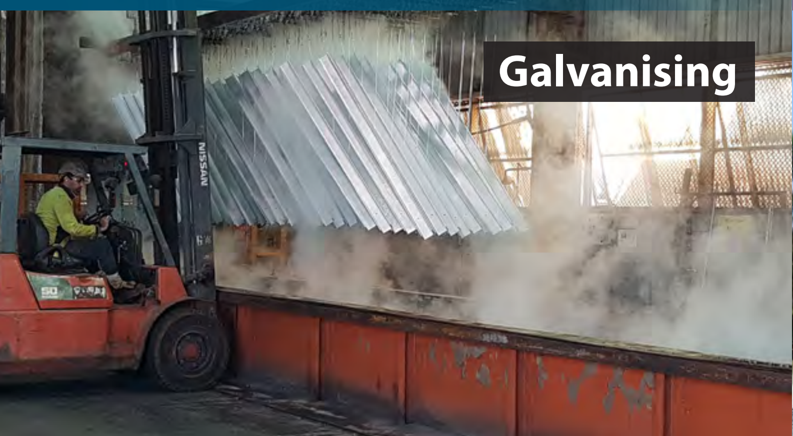
EzyStrut www.ezystrut.com.au



Titan Technologies www.titantools.com.au



korvest galvanisers www.korvestgalvanisers.com.au



Power Step www.powerstep.com.au

TABLE OF CONTENTS

DIRECTORS' REPORT

The directors present their report together with the consolidated financial statements of the Group comprising of Korvest Ltd ('the Company') and its subsidiaries for the financial year ended 30 June 2020 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:

Graeme Billings

Chairman
BCom FCA MAICD

Appointed Chairman 18 September 2014

A Director since May 2013

Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years where he was a senior partner in the Assurance practice.

Director G.U.D. Holdings Limited

Director Clover Corporation Limited

Chairman Azure Healthcare Ltd

Director DomaCom Ltd

Member of Audit and Remuneration Committees

Chris Hartwig

Managing Director
BA(Acc), MAICD

A Director since 28 February 2018

Mr Hartwig has held a number of senior roles in the steel and electrical manufacturing industries.

Gerard Hutchinson

Independent Non-Executive Director
MBA, MBL, MSc(IS), BEc, MA (Research), FCA, FAICD, FAIM

A Director since November 2014

Mr Hutchinson has held roles at Chief Financial Officer and Managing Director level in a range of large businesses. He is currently Chief Financial Officer for AF Construction LLC, a member of the Al-Futtaim Group of Companies.

Director Depa PLC

Chairman of Audit Committee and member of Remuneration Committee

Gary Francis

Independent Non-Executive Director
BSc. (Hons) (Civil), MAICD

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

Andrew Stobart

Independent Non-Executive Director
B. Eng (Hons), Grad Dip Bus Admin, GAICD

A Director since August 2016

Former Chairman Nexans Olex Australia & New Zealand

Member of Audit and Remuneration Committees

Steven McGregor

Finance Director
BA(Acc), FCA, AGIA, ACIS

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.

COMPANY SECRETARY

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

RETIREMENT AND RE-ELECTIONS

In accordance with the Constitution, Gary Francis and Steven McGregor retire from the Board at the forthcoming Annual General Meeting on 23 October 2020 and offer themselves 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 Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr G Billings	15	15	4	4	1	1
Mr G Francis	15	15	4	4	1	1
Mr G Hutchinson	15	15	4	4	1	1
Mr A Stobart	15	15	4	4	1	1
Mr C Hartwig	15	15	-	-	-	-
Mr S McGregor	15	15	-	-	-	-

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 2020 (FY20) was $63.088m, up 3.7% on the previous year. During the year the Group qualified for the Government JobKeeper subsidy and $1.059m of income from this subsidy is included in the FY20 result. More details on the impact and response to COVID-19 are provided in the review of operations on page 6. The Group recorded a profit after tax of $4.027m compared to $2.885m in the previous year.

Increased levels of major project work in FY20 contributed to the improved result. Activity levels and margins grew across all business units in the Group in FY20.

DIVIDENDS

The directors announced a fully franked final dividend of 13.0 cents per share (2019: 13.0 cents per share) following an interim dividend of 15.0 cents per share at the half year (2019: 9.0 cents per share). The Dividend Reinvestment Plan (DRP) will remain suspended for the final dividend. The dividend will be paid on 4 September 2020 with a record date of 21 August 2020.

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

Declared and paid during the year 2020

	Cents per share	Total amount $'000	Franked/ Unfranked	Date of payment
Interim 2020 ordinary	15.0	1,688	Fully franked	6 March 2020
Final 2019 ordinary	13.0	1,461	Fully franked	6 September 2019
Total amount		**3,149**		

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.

	Cents per share	Total amount $'000	Franked/ Unfranked	Date of payment
Final ordinary	13.0	1,465	Fully franked	4 September 2020
Total amount		**1,465**		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial reports.

Dividends have been dealt with in the financial report as:

	Note	Total amount $'000
Dividends	18	3,149
Dividends – subsequent to 30 June 2020	18	1,465

PRINCIPAL ACTIVITIES, STRATEGY AND FUTURE PERFORMANCE

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

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

Activity levels in the infrastructure sector have been the impetus for Korvest's improved sales revenue over the past three years. The pipeline of available work in this sector is strong with numerous significant road and rail tunnel projects expected to be constructed in the coming years. Korvest has secured a major infrastructure project with supply commencing in July 2020 and is expected to continue throughout FY21 and into FY22.

Korvest has invested significantly in manufacturing capability and capacity improvements during the year and intends to continue to invest in this area over the coming years to ensure that it is able to capitalise on the significant number of opportunities expected to arise in its markets.

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

REVIEW OF OPERATIONS

COVID-19

COVID-19 impacted the global economy during the second half of the year. A Management Steering Committee was quickly established and met frequently to implement a number of changes within the business. The majority of these changes were to minimise the impact of an outbreak, should one occur, at any Korvest site. Changes implemented included strategies such as social distancing and hygiene practices, temperature checking, shift and workgroup segregations, working from home and high levels of communication.

The Steering Committee successfully implemented a number of strategies to minimise any impact upon our supply chain. These included movement of orders between alternative suppliers and an inventory build of fast moving stock items and raw materials held by our key steel supplier. Korvest was able to keep operating both the manufacturing and distribution parts of its business with minimal disruption.

The Board held an additional three Board Meetings during the second half, predominantly to monitor the Steering Committee's response to the pandemic. The financial health of Korvest was supported by our strong balance sheet.

Work in relation to major projects continued largely unaffected albeit these projects were at the bid stage, rather than the supply stage during this time. Day-to-day work continued at similar levels to what was experienced in the months prior to the COVID-19 restrictions.

The absence of major project work during this period meant that Korvest qualified in May 2020 for the Government JobKeeper scheme as the prior year comparative period included significant project work. The current year results include $1.059m of JobKeeper income.

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 trading year was a tale of two halves. The first half was highlighted by the supply of two major infrastructure projects in NSW. Both of those projects were completed during the first half. Unfortunately, in August 2019 one of the major project customers entered administration. As there will be no distribution to unsecured creditors the amount of the debt has been written off. The second half did not contain any significant project work and was instead underpinned by smaller project sales and continued support from the national wholesaler market.

The Power Step and Titan Technologies businesses had modest revenue growth during FY20 however profitability improved significantly as a result of improved margins. The margin improvement was primarily driven by cost savings gained from improved sourcing. The combination of improved margin and lower overhead structure meant that the businesses produced their best result under Korvest's ownership.

PRODUCTION

In the Production segment, the Galvanising business volumes grew as a result of more project work being undertaken in the local South Australian market. The cost of zinc fell during FY20 providing some welcome relief from increases over recent years. Energy costs are a significant cost of the galvanising business and these reduced during FY20. Electricity costs were down on the prior year due to the combination of reduced rates from January 2020 and the impact of the prior year investment in energy efficiency measures including solar panels and LED lighting. In contrast gas costs increased during the year due to price rises however a new supply contract has been signed effective from January 2021 with a 25% reduction in usage rates.

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 on any changes to the risk profile of their business unit.

The risk register was updated during the year for risks identified as a result of the COVID-19 situation as well as the increasing prevalence globally of cyber attacks.

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

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.

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

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

At the date of this report there is no matter or circumstance that has arisen since 30 June 2020, 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 2020.

LIKELY DEVELOPMENTS

The significant pipeline of major infrastructure projects means that the Group is focused on ensuring that the business is well positioned to capitalise on those opportunities. Therefore the investment in improving the factory capacity and capability will continue.

Working capital management remains a focus area. Collection of accounts receivables is always closely monitored however in the COVID-19 environment the emphasis increases. It should be noted that to date COVID-19 has not caused any material impacts to cash collections.

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.

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.

REMUNERATION REPORT AUDITED

For the year ended 30 June 2020

PRINCIPLES OF COMPENSATION

Remuneration is referred to as compensation throughout this report.

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

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

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

(a) the capability and experience of the KMP;

(b) the KMP's ability to control performance; and

(c) the Group's performance including the Group's earnings.

FIXED COMPENSATION

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

Compensation levels are reviewed annually by the remuneration committee.

PERFORMANCE LINKED COMPENSATION

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

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the indices set out below.

		2020	2019	2018	2017	2016
Profit / (Loss) after tax	($'000)	**4,027**	2,885	1,369	(1,578)	950
Dividend						
- Total amount paid	($'000)	**3,149**	1,787	889	2,192	2,328
- Per issued share		**28.0c**	16.0c	8.0c	20.0c	22.0c
Earnings per share		**35.8c**	25.9c	12.3c	(14.4c)	8.9c
Share price as at 30 June		**$4.00**	$2.70	$2.07	$2.36	$2.19
Return on invested capital (ROIC)		**13.8%**	10.3%	4.9%	(5.7%)	2.9%

SHORT-TERM INCENTIVE BONUS

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

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

Managing Director	Other KMP *
Financial performance (60%)	Financial performance
Operational performance (25%)	Operational performance
New markets (10%)	New markets
Safety (5%)	Safety
	Working capital

* Each KMP have different KPIs and weightings. 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). 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. The % growth is based on a base EPS which is equal to the statutory EPS for the FY19 year. For the most recent issue of Performance Rights the table below sets out the % of rights that vest depending on the level of EPS growth achieved.

Compound annual EPS growth over 3 year vesting period	% of rights that vest
Less than 5%	Nil
5%	25%
Between 5% - 15%	Pro rata between 25% – 100%
15% or greater	100%

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

The second performance hurdle relates to Return on Invested Capital (ROIC). This is a new hurdle for the performance rights issued during the year. 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 will vest in accordance with the table below:

Average 3 year ROIC	% of rights that vest
Less than 8%	Nil
8%	50%
Above 8% and below 12%	Between 50% and 100% using a straight line analysis
12% 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.

REMUNERATION REPORT - AUDITED (Continued)
For the year ended 30 June 2020

SERVICE CONTRACTS

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

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

SERVICES FROM REMUNERATION CONSULTANTS

No remuneration consultants were used during the year.

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 2019 and were applied for the entirety of the financial year ended 30 June 2020:

Chairman	$133,916
Director	$66,964

The Chairman of a Board Committee receives a further $11,159 p.a.

Superannuation is added to these fees where appropriate.

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

DIRECTORS AND EXECUTIVE REMUNERATION

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

		Short Term		Post employment	Other long term – Long Service leave	Share based payments			
	Year	Salary & Fees $	Bonus $	Superannuation benefits $	$*	Shares $	Performance Rights $	Total $	Proportion of remuneration performance related %
Directors									
G Billings Non-executive (Chairman)	**2020**	**133,916**	**-**	**12,722**	**-**	**-**	**-**	**146,638**	**-**
	2019	130,650	-	12,412	-	-	-	143,062	-
G Francis Non-executive (Director)	**2020**	**78,123**	**-**	**7,422**	**-**	**-**	**-**	**85,545**	**-**
	2019	83,448	-	-	-	-	-	83,448	-
G Hutchinson Non-executive (Director)	**2020**	**78,123**	**-**	**7,422**	**-**	**-**	**-**	**85,545**	**-**
	2019	76,218	-	7,241	-	-	-	83,459	-
A Stobart Non-executive (Director)	**2020**	**66,964**	**-**	**6,219**	**-**	**-**	**-**	**73,183**	**-**
	2019	65,331	-	6,206	-	-	-	71,537	-
C Hartwig [1,2] Executive (Managing Director)	**2020**	**318,386**	**132,375**	**31,156**	**9,301**	**-**	**40,033**	**531,251**	**32.5**
	2019	325,558	94,710	25,006	9,650	-	18,883	473,807	24.0
S McGregor [2] Executive (Finance Director)	**2020**	**301,746**	**26,820**	**27,359**	**8,530**	**-**	**38,862**	**403,317**	**16.3**
	2019	295,328	29,430	24,026	15,198	-	19,566	383,548	12.8
Total Directors' Remuneration	**2020**	**977,258**	**159,195**	**92,300**	**17,831**	**-**	**78,895**	**1,325,479**	
	2019	976,533	124,140	74,891	24,848	-	38,449	1,238,861	
Executives / other KMP									
S Taubitz General Manager Sales	**2020**	**215,000**	**64,500**	**23,268**	**2,956**	**999**	**23,105**	**329,828**	**26.6**
	2019	190,000	29,925	20,175	1,061	-	6,100	247,261	14.6
G Christie General Manager Operations	**2020**	**193,000**	**25,883**	**19,999**	**4,829**	**999**	**25,029**	**269,739**	**18.9**
	2019	188,500	17,520	18,130	11,551	998	11,638	248,337	11.7
Total Executives' Remuneration	**2020**	**408,000**	**90,383**	**43,267**	**7,785**	**1,998**	**48,134**	**599,567**	
	2019	378,500	47,445	38,305	12,612	998	17,738	495,598	

* 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 C Hartwig was acting CEO from 4 September 2017 to 28 February 2018 prior to his appointment as Managing Director from 1 March 2018. In July 2018 a payment of $12,550 was paid as back-pay for the period he was acting CEO. This payment is included in the 2019 Salary & Fees amount.

2 Where annual superannuation contributions exceed $25,000 executives can elect to have some or all of the superannuation contributions above $25,000 paid as salary rather than superannuation.

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

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	28,072	1 Nov 2019	$2.63	30 June 2022
S McGregor	26,898	1 Nov 2019	$2.63	30 June 2022
Executives				
S Taubitz	19,406	1 Nov 2019	$2.63	30 June 2022
G Christie	17,420	1 Nov 2019	$2.63	30 June 2022

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. The fair value of the rights is $2.63.

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 9.

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

EXERCISE OF 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	33,152
Amount paid on each share	Nil

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		% vested in current year	% forfeited or lapsed in current year	Year in which grant vests
	Number	Date			
Directors					
C Hartwig	28,000*	Nov 17	50%	50%	30 Jun 20
	32,006	Oct 18	-	-	30 Jun 21
	28,072	Nov 19	-	-	30 Jun 22
S McGregor	29,300*	Nov 17	50%	50%	30 Jun 20
	30,669	Oct 18	-	-	30 Jun 21
	26,898	Nov 19	-	-	30 Jun 22
Executives					
S Taubitz	20,043	Oct 18	-	-	30 Jun 21
	19,406	Nov 19	-	-	30 Jun 22
G Christie	19,000*	Nov 17	50%	50%	30 Jun 20
	19,387	Oct 18	-	-	30 Jun 21
	17,420	Nov 19	-	-	30 Jun 22

* The three year performance period for performance rights issued in November 2017 ended on 30 June 2020. These rights were tested against two performance hurdles, EPS and RTSR. The EPS hurdle was not met. Korvest's total shareholder return over the performance period was 91.5% which was at the 90th percentile of the comparator group. As a result 100% of the RTSR performance rights will vest. The vested rights are able to be exercised up until 30 June 2021.

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 company director and KMP are detailed below.

	Value of Rights / Options	
	Granted in year $ (A)	Exercised in year $ (B)
Directors		
C Hartwig	73,798	32,457
S McGregor	70,712	40,219
Executives		
S Taubitz	51,016	-
G Christie	45,795	17,640

(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 2019 to 30 June 2022) 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 options were exercised after deducting the price to exercise the option.

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

REMUNERATION REPORT - AUDITED (Continued)
For the year ended 30 June 2020

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 2019	Granted as compensation	Exercised	Lapsed	Held at 30 June 2020	Vested during the year
Directors						
C Hartwig*	80,310	28,072	(20,304)	(14,000)	74,078	14,000
S McGregor	72,737	26,898	(12,768)	(14,650)	72,217	14,650
Executives						
S Taubitz	20,043	19,406	-	-	39,449	-
G Christie	43,987	17,420	(5,600)	(9,500)	46,307	9,500

No options held by KMP are vested but not exercisable.

	Held at 1 July 2018 AASB	Granted as Compensation	Exercised	Lapsed	Held at 30 June 2019 AASB	Held at 30 June 2019 ASX	Vested during the year
Directors							
C Hartwig	61,000	32,006	-	(12,696)	80,310	70,310	10,304
S McGregor	57,800	30,669	-	(15,732)	72,737	72,737	12,768
Executives							
S Taubitz	-	20,043	-	-	20,043	20,043	-
G Christie	31,500	19,387	-	(6,900)	43,987	43,987	5,600

No options held by KMP are vested but not exercisable.

* During the year Chris Hartwig made the final repayment on a non-recourse loan attached to 10,000 options issued under a previous share plan. The options vested in June 2011 and shares were issued however under Australian Accounting standards the instruments are treated as options until such time as the loan is fully repaid. This accounts for 10,000 of the options shown as exercised during the FY20 year.

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 1 July 2019	Purchases	Allocated under Employee/ Exec share plan	Held at 30 June 2020
Directors				
G Billings	8,667	-	-	8,667
C Hartwig	20,093	-	20,304*	40,397
S McGregor	32,004	-	12,768	44,772
G Francis	6,271	-	-	6,271
G Hutchinson	500	-	-	500
A Stobart	5,500	3,000	-	8,500
Executives				
S Taubitz	2,522	-	5,901	8,423
G Christie	-	-	301	301

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.

*Includes 10,000 shares previously held subject to a non-recourse loan.

	Held at 1 July 2018	Purchases	Allocated under Employee/ Exec share plan	Held at 30 June 2019	Shares held subject to non-recourse loans
Directors					
G Billings	667	8,000	-	8,667	-
C Hartwig	13,993	6,100	-	20,093	10,000
S McGregor	32,004	-	-	32,004	-
G Francis	6,271	-	-	6,271	-
G Hutchinson	500	-	-	500	-
A Stobart	500	5,000	-	5,500	-
Executives					
S Taubitz	2,128	-	394	2,522	-
G Christie	-	-	-	-	-

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 - AUDITED (Continued)
For the year ended 30 June 2020

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.

	Short-term incentive bonus			
KMP	Maximum possible STI	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
C Hartwig	176,500	132,375	75	25
S McGregor	44,700	26,820	60	40
S Taubitz	64,500	64,500	100	-
G Christie	49,300	25,883	53	47

(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' 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	40,397	60,078	14,000
G Billings	8,667	-	-
S McGregor	44,772	57,567	14,650
G Francis	6,271	-	-
G Hutchinson	500	-	-
A Stobart	8,500	-	-

NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of these services did not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 56 and forms part of the Directors' report for the financial year ended 30 June 2020.

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
http://www.korvest.com.au/assets/downloads/Korvest-Corporate-Governance-2020.pdf

Signed at Adelaide this Friday 24th of July 2020 in accordance with a resolution of the directors.

G A BILLINGS, Director

C A HARTWIG, Director

5 YEAR SUMMARY

		2020	2019	2018	2017	2016
Sales revenue	($'000)	**63,088**	60,843	56,962	44,731	54,981
Profit / (Loss) after tax	($'000)	**4,027**	2,885	1,369	(1,578)	950
Depreciation/Amortisation (plant & equipment)	($'000)	**1,286**	1,469	1,625	1,710	1,716
Depreciation (right-of-use asset)	($'000)	**887**	-	-	-	-
Cash flow from operations	($'000)	**10,460**	1,413	5,110	(384)	7,432
Profit / (Loss) from ordinary activities						
- As % of Shareholders' Equity		**12.3%**	9.3%	4.6%	(5.4%)	2.9%
- As % of Sales Revenue		**6.4%**	4.7%	2.4%	(3.5%)	1.7%
Dividend						
- Total amount paid	($'000)	**3,149**	1,787	889	2,192	2,328
- Per issued share		**28.0c**	16.0c	8.0c	20.0c	22.0c
- Times covered by profit from ordinary activities		**2.2**	1.6	1.5	-	0.4
Earnings per share		**35.8c**	25.9c	12.3c	(14.4c)	8.9c
Number of employees		**189**	178	180	171	193
Shareholders						
- Number at year end		**1,708**	1,652	1,694	1,813	1,882
Net assets per issued ordinary share		**$2.90**	$2.76	$2.66	$2.63	$2.97
Net tangible assets per issued ordinary share*		**$2.48**	$2.76	$2.66	$2.63	$2.97
Share price as at 30 June		**$4.00**	$2.70	$2.07	$2.36	$2.19

* 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. The 30 June 2020 amount would be $2.90 if calculated on a similar basis to prior years.

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Sales revenue	1	**63,088**	60,843
Other income		**-**	4
JobKeeper income		**1,059**	-
Expenses, excluding net finance costs	2	**(58,306)**	(56,775)
Profit before financing costs		**5,841**	4,072
Finance income	3	**84**	62
Finance costs – lease liability interest		**(120)**	**-**
Net finance (cost)/income		**(36)**	62
Profit before income tax		**5,805**	4,134
Income tax expense	19	**(1,778)**	(1,249)
Profit from continuing operations		**4,027**	2,885
Profit for the year		**4,027**	2,885
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		940	-
Related tax		(282)	-
Total other comprehensive income		628	-
Total comprehensive income for the period		**4,685**	2,885
Attributable to:			
Equity holders of the Company		**4,685**	2,885
Total comprehensive income for the period		**4,685**	2,885
Earnings per share attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share from continuing operations	4	**35.8**	25.9
Diluted earnings per share from continuing operations	4	**35.5**	25.8

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

The notes on pages 24 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	15	**6,470**	3,126
Investment	15	**275**	275
Trade and other receivables	7	**10,111**	14,080
Prepayments		**357**	272
Inventories	8	**10,555**	10,504
Total current assets		**27,768**	28,257
Property, plant and equipment	12	**15,857**	13,033
Right-of-use asset	14	**4,655**	-
Total non-current assets		**20,512**	13,033
Total assets		**48,280**	41,290
Liabilities			
Trade and other payables	9	**5,901**	5,974
Employee benefits	10	**2,624**	2,472
Tax payable		**832**	864
Lease liabilities	14	**782**	-
Provisions	11	**34**	32
Total current liabilities		**10,173**	9,342
Employee benefits	10	**172**	140
Deferred tax liability	19	**801**	431
Lease liabilities	14	**3,965**	-
Provisions	11	**520**	453
Total non-current liabilities		**5,458**	1,024
Total liabilities		**15,631**	10,366
Net assets		**32,649**	30,924
Equity			
Share capital	17	**14,202**	14,142
Reserves	17	**18,447**	16,782
Retained profit / (losses)		**-**	-
Total equity attributable to equity holders of the Company		**32,649**	30,924
Total equity		**32,649**	30,924

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

The notes on pages 24 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts from customers		76,764	66,461
Cash receipts from JobKeeper		537	-
Cash paid to suppliers and employees		(65,083)	(64,704)
Cash generated from operating activities		12,218	1,757
Interest received		84	62
Interest paid lease liabilities		(120)	-
Income tax (payments) / refunds		(1,722)	(406)
Net cash from operating activities	15	10,460	1,413
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		25	24
Acquisition of property, plant and equipment	12	(3,196)	(1,640)
Net cash from investing activities		(3,171)	(1,616)
Cash flows from financing activities			
Transaction costs related to issue of share capital		(1)	(3)
Payment of lease liabilities		(795)	-
Dividends paid		(3,149)	(1,787)
Net cash from financing activities		(3,945)	(1,790)
Net increase / (decrease) in cash and cash equivalents		3,344	(1,993)
Cash and cash equivalents at 1 July		3,126	5,119
Cash and cash equivalents at 30 June	15	6,470	3,126

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

The notes on pages 24 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital $'000	Equity compensation reserve $'000	Asset revaluation reserve $'000	Profits reserve $'000	Retained profits / (losses) $'000	Total $'000
Balance at 1 July 2019	14,142	304	3,735	12,743	-	30,924
Total comprehensive income for the year						
Profit for the year	-	-	-	-	4,027	4,027
Other comprehensive income	-	-	658	-	-	658
Total comprehensive income for the year	-	-	658		4,027	4,685
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	60	-	-	-	-	60
Equity-settled share-based payments	-	129	-	-	-	129
Issue of ordinary shares	-	-	-	-	-	-
Dividends to shareholders	-	-	-	(3,149)	-	(3,149)
Total contributions by and distributions to owners of the Company	60	129	-	(3,149)	-	(2,960)
Transfer to profits reserve	-	-	-	4,027	(4,027)	-
Balance at 30 June 2020	14,202	433	4,393	13,621	-	32,649
Balance at 1 July 2018	14,084	248	3,735	11,854	(209)	29,712
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,885	2,885
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-		2,885	2,885
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	58	-	-	-	-	58
Equity-settled share-based payments	-	56	-	-	-	56
Issue of ordinary shares	-	-	-	-	-	-
Dividends to shareholders	-	-	-	(1,787)	-	(1,787)
Total contributions by and distributions to owners of the Company	58	56	-	(1,787)	-	(1,673)
Transfer to profits reserve	-	-	-	2,676	(2,676)	-
Balance at 30 June 2019	14,142	304	3,735	12,743	-	30,924

The Group has initially applied AASB 16 as at 1 July 2019 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 14.

The notes on pages 24 to 50 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 2020 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 24 July 2020.

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 7 – Trade and other receivables
- Note 8 – Inventories
- Note 11 – Provisions
- Note 12 – Property, plant and equipment
- Note 14 - Leases

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 currency 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.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group adopted AASB 16 leases on 1 July 2019. The Group applied AASB 16 using the modified retrospective approach. Accordingly the comparative information presented is not restated. In the comparative period all of the lease arrangements that the Group had were considered to be operating leases and therefore the lease payments were recognised in profit or loss on a straight line basis over the term of the lease. This now changes under AASB 16 and the details of the changes in accounting policies are disclosed below.

AASB 16 LEASES

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease which will be the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement or modification of a contract that contains a lease the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at 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 assets or to restore 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 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 determined its incremental borrowing rate by obtaining indicative interest rates from its bankers.

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 or if the Group changes its assessment of whether it will exercise an extension option.

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.

The Group's leases consist of property leases for warehouse and factory facilities as well as leases for forklifts.

Short term leases

The Group has elected to not recognise a right-of-use asset and lease liability for short term leases. For these leases the Group recognises the lease payments as an expense on a straight line basis over the lease term. The Group only has one such short term lease which relates to a property where the Group has a month-to-month tenancy.

Impact on transition

On transition to AASB 16, the Group recognised right-of-use assets and lease liabilities. As these two amounts were the same there was no impact on retained earnings. The impact on transition is summarised below.

In thousands of AUD	1 Jul 2019 $'000
Right-of-use asset – Land and buildings	5,013
Right-of-use asset – Property, plant and equipment	149
Lease liabilities	(5,162)

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using a weighted average borrowing rate of 2.75%.

In thousands of AUD	1 Jul 2019 $'000
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	2,225
Discounted using the incremental borrowing rate at 1 July 2019	2,156
Extension options reasonably certain to be exercised	2,857
Leased forklifts not previously recognised in operating lease commitments	149
Lease liabilities recognised at 1 July 2019	5,162

The difference between the above two numbers is due to the inclusion of extension options reasonably certain to be exercised which is a requirement of AASB 16 but were not disclosed as lease commitments previously.

To assist with the understanding of the impact of the application of AASB 16 in this initial period refer to the summary below.

In thousands of AUD	Warehouses	Forklifts	Total
Rights of use assets			
Balance at 1 July 2019	5,013	149	5,162
Additions to right-of-use assets	380	-	380
Depreciation of right-of-use asset	(841)	(46)	(887)
Balance at 30 June 2020	**4,552**	**103**	**4,655**
Lease Liabilities			
Balance at 1 July 2019	5,162		
Increase in liability due to lease extensions or rent increases	380		
Reduction in liability	(795)		
Balance at 30 June 2020	**4,747**		

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 16 LEASES (continued)

Comparison of previous AASB 117 accounting treatment and new AASB 16 treatment

The following table has been included to compare the new accounting treatment under AASB 16 with how the same transactions would have been shown under the previous AASB 117 for the period from 1 July 2019 to 30 June 2020.

In thousands of AUD	Statement of profit or loss	Statement of cash flows
Previous AASB 117 accounting treatment		
Expenses (lease payments)	(915)	
Expenses (lease payments short term leases)	(96)	
Cash flows from operating activities		(1,011)
Total	(1,011)	(1,011)
New AASB 16 treatment		
Expenses (lease payments short term leases)	(96)	
Interest expense	(120)	
Depreciation right-of-use asset	(887)	
Cash flows from operating activities		(216)
Cash flows from financing activities		(795)
Total	(1,103)	(1,011)

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.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 July 2020 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.

RESULTS FOR THE YEAR

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

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

1. REVENUE AND OTHER INCOME

ACCOUNTING POLICIES

Sale of goods 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.

Good and services tax

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

	2020 $'000	2019 $'000
Sales revenue		
Sale of goods and services	**63,088**	60,843

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

	2020 $'000	2019 $'000
Cost of goods sold	**38,098**	37,529
Sales, marketing and warehousing expenses	**12,144**	11,852
Administration expenses	**2,825**	2,678
Distribution expenses	**4,528**	4,712
Bad and doubtful debts expense net of reimbursement right	**710**	4
Loss on sale of fixed assets	**1**	-
	58,306	56,775
Profit before income tax has been arrived at after charging the following expenses:		
Employee benefits:		
Wages and salaries	**15,158**	15,462
Other associated personnel expenses	**1,799**	1,842
Contributions to defined contribution superannuation funds	**1,264**	1,217
Expense relating to annual and long service leave	**1,252**	1,304
Termination benefits	**24**	101
Employee share bonus plan expense	**60**	62
Executive share plan expense	**129**	56
Other:		
Loss on disposal of property, plant and equipment	**1**	-
Research and development expense	**21**	79
Depreciation – property, plant and equipment	**1,286**	1,469
Depreciation – right-of-use asset	**887**	-

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 2020 was based on the net profit attributable to ordinary shareholders of $4,026,958 (2019: $2,885,349) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2020 of 11,238,716 (2019: 11,157,875).

The calculation of diluted earnings per share at 30 June 2020 was based on the net profit attributable to ordinary shareholders of $4,026,958 (2019: $2,885,349) and a weighted average number of potential ordinary shares outstanding during the financial year ended 30 June 2020 of 11,330,387 (2019: 11,191,027).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	2020 Shares '000	2019 Shares '000
Issued ordinary shares at 1 July	**11,178**	11,132
Effect of shares issued during year	**61**	26
Weighted average number of ordinary shares at 30 June	**11,239**	11,158

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

Weighted average number of ordinary shares (basic)	**11,239**	11,158
Effect of Executive Share Plan	**91**	33
Weighted average number of ordinary shares at 30 June	**11,330**	11,191

BASIC AND DILUTED EARNINGS PER SHARE

	2020 Cents per Share	2019 Cents per Share
Basic earnings per share from continuing operations	**35.8**	25.9
Diluted earnings per share from continuing operations	**35.7**	25.8

5. AUDITOR'S REMUNERATION

	2020 $	2019 $
Audit services:		
Auditors of the Group (KPMG Australia)		
– audit and review of financial statements	**97,250**	100,654
	97,250	100,654
Other services:		
Auditors of the Group (KPMG Australia)		
– tax compliance services	**8,280**	7,175
	8,280	7,175

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.

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

GEOGRAPHICAL SEGMENTS

The Group predominantly operates in Australia.

CUSTOMERS

There was no individually significant customer that would represent more than 10% of total revenues 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.

	Industrial Products		Production		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Sales revenue	57,089	55,697	5,999	5,146	63,088	60,843
Depreciation and amortisation	(766)	(875)	(218)	(209)	(984)	(1,084)
Depreciation ROU asset	(879)	-	(8)	-	(887)	-
Reportable segment profit before tax	4,497	4,286	690	519	5,187	4,805
Reportable segment assets	22,423	25,178	4,583	4,159	27,006	29,336
Capital expenditure	2,536	1,136	570	448	3,106	1,584

6. SEGMENT REPORTING (continued)

RECONCILIATION OF REPORTABLE SEGMENT PROFIT, ASSETS AND OTHER MATERIAL ITEMS

	2020 $'000	2019 $'000
Profit		
Total profit for reportable segments	5,187	4,805
JobKeeper income	1,059	-
Unallocated amounts – other corporate expenses (net of corporate income)	(441)	(671)
Profit before income tax	5,805	4,134
Assets		
Total assets for reportable segments	27,006	29,336
Land and buildings	8,232	7,333
Cash, cash equivalents and investments	6,745	3,401
Right-of-use asset	4,655	-
Other unallocated amounts	1,642	1,220
Total assets	48,280	41,290
Capital expenditure		
Capital expenditure for reportable segments	3,106	1,584
Other corporate capital expenditure	90	56
Total capital expenditure	3,196	1,640
Other material items		
Depreciation and amortisation for reportable segments	984	1,084
Unallocated amounts – corporate depreciation	302	385
Total depreciation and amortisation	1,286	1,469

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.

	2020 $'000	2019 $'000
Current		
Trade receivables	**9,758**	14,688
Less: Allowance for impairment	**(241)**	(608)
Add: Reimbursement right	**72**	-
JobKeeper receivable	**522**	-
Net trade receivables	**10,111**	14,080

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.

On 1 April 2020 the Group took out trade credit insurance. 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 introduction of 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 and does not have a concentration of credit risk in any one sector.

	2020 $'000	2019 $'000
Movement in allowance for impairment		
Balance at 1 July	**(608)**	(639)
Amounts written off against allowance	**1,149**	31
Impairment loss recognised	**(782)**	-
Balance at 30 June	**(241)**	(608)

8. INVENTORIES

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average cost and includes expenditure incurred in acquiring the inventories, production and conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

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

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.

8. INVENTORIES (continued)

	2020 $'000	2019 $'000
Current		
Raw materials and consumables	**2,393**	2,339
Work in progress	**283**	351
Finished goods	**7,879**	7,814
	10,555	10,504

Finished goods are shown net of an impairment provision amounting to $1,396,000 (2019: $1,454,000) 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.

9. TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

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.

	2020 $'000	2019 $'000
Current		
Trade payables and accrued expenses	**3,024**	3,279
Non-trade payables and accrued expenses	**2,877**	2,695
	5,901	5,974

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.

	2020 $'000	2019 $'000
Current		
Liability for annual leave	**1,039**	925
Liability for long service leave	**1,585**	1,547
	2,624	2,472
Non-current		
Liability for long service leave	**172**	140
Total employee benefits	**2,796**	2,612

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.

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.

Executive Share Plan (ESP) – discontinued

In March 2005, the Group established a share option plan that entitled selected senior executives to acquire shares in the entity subject to the successful achievement of performance targets related to improvements in total shareholder returns over a two-year option period. The plan was discontinued in 2010 with no new issues made under the plan since that time. The plan remains in operation for those employees granted options under that plan prior to 2010.

The options were exercisable if the total shareholder return (measured as share price growth plus dividends paid) over a two-year period from the grant date exceeded ten per cent plus CPI per annum. The shares issued pursuant to these options are financed by an interest free loan from the Company repayable within twenty years from the proceeds of dividends declared by the Company. These loans are of a non-recourse nature. For accounting purposes these 20-year loans are treated as part of the options to purchase shares, until the loan is extinguished at which point the shares are recognised.

The options were offered only to selected senior executives.

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 issues made between November 2011 and November 2015 only one performance hurdle related to earnings per share (EPS) was used. From the November 2016 issue onwards a second hurdle related to Relative Total Shareholder Return (RTSR) was introduced.

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.

10. EMPLOYEE BENEFITS (continued)

Grant date	Plan	Number of options / rights initially granted	Number outstanding at balance date AASBs	Number outstanding at balance date ASX
March 2005	ESP	60,000	15,000	-
November 2017	KPRP	76,300	38,150	38,150
November 2018	KPRP	102,105	102,105	102,105
November 2019	KPRP	91,796	91,796	91,796
Total share options / performance rights		330,201	247,051	232,051

Options subject to a non-recourse loan for the purchase of shares are not recognised as exercised by International Financial Reporting Standards, until the loan is extinguished at which point the shares are recognised.

Measurement of fair values

For the FY20 issues the fair value of both the ROIC and EPS hurdle rights were measured based on the Black-Scholes method. In FY19 the fair value of the rights granted through the KPRP with an EPS hurdle was measured based on the Black-Scholes formula and the fair value of the rights granted through the KPRP with an RTSR hurdle was measured using a Monte Carlo simulation. Expected volatility is estimated by considering historic share price volatility over the twelve months prior to grant date.

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

	2020	2019	
		RTSR hurdle	EPS Hurdle
Fair value at grant date	$2.63	$1.83	$2.03
Share price at grant date	$3.24	$2.60	$2.60
Exercise price	-	-	-
Share price volatility	35.4%	40.0%	40.0%
Dividend yield	6.8%	4.6%	4.6%
Risk free interest rate	1.06%	2.09%	2.09%
Life of options	3 yrs	3 yrs	3 yrs
Advised restriction period (after vesting)	2 yrs	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
2020										
PREVIOUS PLAN										
Mar 05	Jan 07	Jan 27	$4.36	**15,000**	**-**	**-**	**-**	**-**	**15,000**	**-**
Mar 09	Jan 11	Jan 31	$3.79	**10,000**	**-**	**-**	**-**	**(10,000)**	**-**	**-**
				25,000	**-**	**-**	**-**	**(10,000)**	**15,000**	**-**
Weighted average exercise price				***$4.13***					***$4.36***	
CURRENT PLAN										
Nov 16	Jul 19	Jun 19	-	**33,152**	**-**	**-**	**-**	**(33,152)**	**-**	**-**
Nov 17	Jul 20	Jun 20	-	**76,300**	**-**	**(38,150)**	**-**	**-**	**-**	**38,150**
Nov 18	Jul 21	Jun 21	-	**102,105**	**-**	**-**	**-**	**-**	**102,105**	**-**
Nov 19	Jul 22	Jun 22	-	**-**	**91,796**	**-**	**-**	**-**	**91,796**	**-**
				211,557	**91,796**	**(38,150)**	**-**	**(33,152)**	**193,901**	**38,150**
Weighted average exercise price				***$Nil***	***$Nil***	***$Nil***	***$Nil***		***$Nil***	**$Nil**
2019										
PREVIOUS PLAN										
Mar 05	Jan 07	Jan 27	$4.36	15,000	-	-	-	-	15,000	-
Mar 09	Jan 11	Jan 31	$3.79	10,000	-	-	-	-	10,000	-
				25,000	-	-	-	-	25,000	-
Weighted average exercise price				*$4.13*					*$4.13*	
CURRENT PLAN										
Nov 16	Jul 19	Jun 19	-	74,000	-	(40,848)	-	-	-	33,152
Nov 17	Jul 20	Jun 20	-	76,300	-	-	-	-	76,300	-
Nov 18	Jul 21	Jun 21	-	-	102,105	-	-	-	102,105	-
				150,300	102,105	(40,848)	-	-	178,405	33,152
Weighted average exercise price				*$Nil*	*$Nil*	*$Nil*	*$Nil*		*$Nil*	*$Nil*

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.

FINANCIAL STATEMENTS

10. EMPLOYEE BENEFITS (continued)

Site restoration and safety

A provision of $520,000 (2019: $453,000) 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 (2019: 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 2.8% (2019: 3.17%) and an inflation rate of 2.0% (2019: 2.0%) have been used for the calculation at 30 June 2020.

	2020 $'000	2019 $'000
Current		
Warranties	34	32
Non-current		
Site restoration	520	453
	554	485

TANGIBLE ASSETS

TThe 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 40 years
- Plant and equipment 3-12 years

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

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.

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 2018	7,382	20,980	28,362
Acquisitions	35	1,605	1,640
Disposals and write-offs	-	(244)	(244)
Balance at 30 June 2019	7,417	22,341	29,758
Balance at 1 July 2019	**7,417**	**22,341**	**29,758**
Acquisitions	**-**	**3,196**	**3,196**
Disposals and write-offs	**-**	**(145)**	**(145)**
Revaluation	**815**	**-**	**815**
Balance at 30 June 2020	**8,232**	**25,392**	**33,624**
Accumulated depreciation and impairment losses			
Balance at 1 July 2018	42	15,438	15,480
Depreciation charge for the year	42	1,427	1,469
Disposals	-	(224)	(224)
Balance at 30 June 2019	84	16,641	16,725
Balance at 1 July 2019	**84**	**16,641**	**16,725**
Depreciation charge for the year	**42**	**1,244**	**1,286**
Revaluation	**(126)**	**-**	**(126)**
Disposals	**-**	**(118)**	**(118)**
Balance at 30 June 2020	**-**	**17,767**	**17,767**
Carrying amounts			
At 30 June 2018	7,340	**5,542**	12,882
At 30 June 2019	7,333	**5,700**	13,033
At 30 June 2020	8,232	**7,625**	15,857

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 April 2020 by Mr Mark Klenke, AAPI MRICS 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 2020.

The carrying amount of the Land and Buildings at cost at 30 June 2020 if not revalued would be $983,000 (2019:$1,037,700).

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 - 8.0% Potential rental rate - $55/m^2 Land value for vacant land - $177/m^2	The estimated market value would increase if: • Market yield was lower • Potential rental rate was higher • Land value was higher

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 2020 as there were no impairment indicators.

LEASES

14. LEASES

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. The details of accounting policies under AASB 117 are disclosed separately.

POLICY APPLICABLE BEFORE 1 JULY 2019

Assets held under operating leases were not recognised in the Group's statement of financial position. Operating lease payments were recognised as an expense on a straight-line basis over the lease term. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

POLICY FROM 1 JULY 2019

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.

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.

All warehouse and forklift leases were originally entered prior to 1 July 2019 and were previously classified as operating leases under AASB 117.

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

i. Right-of-use assets

	Warehouses	Forklifts	Total
Balance at 1 July 2019	5,013	149	5,162
Additions to right-of-use assets	380	-	380
Depreciation of right-of-use asset	(841)	(46)	(887)
Balance at 30 June 2020	**4,553**	**103**	**4,655**

14. LEASES (continued)

ii. Lease liability

	2020 $'000
Current	782
Non-current	3,965
Total Lease liability	**4,747**

iii. Amounts recognised in profit or loss

	2020 $'000	2019 $'000
2020 – Leases under AASB 16		
Depreciation right-of-use asset	887	
Interest on lease liabilities	120	
Expenses relating to short-term leases	96	
2019 – Operating leases under AASB 117		
Lease expense		994

iv. Amounts recognised in statement of cash flows

	2020 $'000	2019 $'000
Cash flows used in operating activities	216	994
Cash flows used in financing activities	795	-
Total cash outflow for leases	**1,011**	**994**

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.

	2020 $'000	2019 $'000
Bank balances	1,356	1,884
Call deposits	5,114	1,242
Cash and cash equivalents in the statement of cash flows	6,470	3,126
Term deposits	275	275

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2020 $'000	2019 $'000
Cash flows from operating activities		
Profit for the year	4,027	2,885
Adjustment for:		
Depreciation and amortisation	1,286	1,469
Depreciation right-of-use asset	887	-
Impairment of trade receivables	710	(4)
Impairment of inventories	(58)	(10)
Increase in provision for site rectification	67	20
Other	1	(2)
Equity-settled share-based payment expense	189	114
	7,109	4,472
Changes in:		
Trade and other receivables	3,259	(4,126)
Prepayments	(85)	(29)
Inventories	7	(1,098)
Trade and other payables	(72)	1,308
Deferred tax	88	(20)
Income taxes payable	(32)	864
Provisions and employee benefits	186	42
Net cash from operating activities	10,460	1,413

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 applies AASB 13 Fair Value Measurement, which establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other Accounting Standards. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other Accounting Standards. As a result, the Group has applied additional disclosures in this regard within Notes 7 and 17.

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).

The Finance Director regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Finance Director assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB 13, including the level in the fair value hierarchy in which such valuations should be classified.

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.

Significant valuation issues are required to be reported to the Audit Committee.

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.

16. FINANCIAL INSTRUMENTS (continued)

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

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:

	2020 $'000	2019 $'000
Cash, cash equivalents and Investments	**6,745**	3,401
Trade and other receivables	**10,111**	14,080

Cash and cash equivalents

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

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.

On 1 April 2020 the Group took 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:

	2020 $'000	2019 $'000
Carrying values		
Australia	**10,106**	14,013
New Zealand	**2**	24
South America	**2**	39
Other	**1**	4
	10,111	14,080

At 30 June 2020, the Group's most significant customer, located in Australia, accounted for $2,999,049 of the trade and other receivables carrying amount (2019: $2,472,702).

Impairment losses

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

	2020 $'000	2019 $'000
Gross		
Not past due nor impaired	**7,798**	10,431
Past due 0-30 days	**2,101**	3,642
Past due 31-90 days	**212**	7
More than 91 days	**-**	-
	10,111	14,080

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).

	2020					2019			
		Contractual cash flows							
	Carrying amount $'000	Total $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6 – 12 months $'000
Non-derivative financial liabilities									
Trade and other payables	**5,901**	**(5,901)**	**(5,901)**		**-**	5,974	(5,974)	(5,974)	-
Lease liabilities*	**4,747**	**(5,373)**	**(902)**	**(2,611)**	**(1,860)**	N/A	N/A	N/A	N/A
	10,648	**(11,274)**	**(6,803)**	**(2,611)**	**(1,860)**	5,974	(5,974)	(5,974)	-

* No comparative disclosures for lease liabilities as AASB 16 Leases was adopted from 1 July 2019. 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.

16. FINANCIAL INSTRUMENTS (continued)

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.

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.

During the year the Group took out trade credit insurance to insure some of the risk associated with the collection of trade receivables. This is the only change in the Group's approach to capital management during the year.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

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

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 and not appropriate against prior year accumulated losses. Such profits are available to enable payment of franked dividends in the future.

Equity compensation reserve

The Equity compensation reserve represents the accumulated expense recognised for share-based payments granted by the Company to date. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

SHARE CAPITAL

	2020 Shares '000	2019 Shares '000
Ordinary shares		
On issue at 1 July	11,178	11,132
Issued under the Employee Share Bonus Plan	37	46
Issued under the Executive Share Plan	43	-
On issue at 30 June – fully paid	11,258	11,178

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
2020					
Interim 2020 ordinary	15.0	1,688	100%	30%	6 March 2020
Final 2019 ordinary	13.0	1,461	100%	30%	6 September 2019
Total amount		3,149			
2019					
Interim 2019 ordinary	9.0	1,006	100%	30%	8 March 2019
Final 2018 ordinary	7.0	781	100%	30%	7 September 2018
Total amount		1,787			

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 of payment
2020					
Final 2020 ordinary	13.0	1,465	100%	30%	4 September 2020

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2020 and will be recognised in subsequent financial reports.

DIVIDEND FRANKING ACCOUNT

	2020 $'000	2019 $'000
30% franking credits available to shareholders of Korvest Ltd for subsequent financial years	9,224	8,884

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 $628,000 (2019: reduce by $624,000).

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.

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.

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

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

	2020 $'000	2019 $'000
Current tax expense		
Current year	1,690	1,270
	1,690	1,270
Deferred tax expense		
Origination and reversal of temporary differences		
- relating to current year	88	(21)
	88	(21)
Total income tax expense in Statement of profit or loss and comprehensive income	1,778	1,249

NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT

	2020 $'000	2019 $'000
Profit before tax	5,805	4,135
Income tax using the domestic corporation tax rate of 30% (2019:30%)	1,742	1,240
Non-deductible expenses	36	9
Income tax expense on pre-tax net profit	1,778	1,249

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Property, plant and equipment	-	-	2,139	1,780	2,139	1,780
Leases	(1,424)	-	1,397	-	(27)	-
Inventories	(419)	(436)	507	530	88	94
Provisions / accruals	(1,061)	(975)	-	-	(1,061)	(975)
Provision for doubtful debts	(51)	(181)	-	-	(51)	(181)
Tax loss carried forward	(287)	(287)	-	-	(287)	(287)
Tax (assets) / liabilities	(3,242)	(1,879)	4,043	2,310	801	431
Set off of tax	3,242	1,879	(3,242)	(1,879)	-	-
Net tax (assets) / liabilities	-	-	801	431	801	431

19. CURRENT AND DEFERRED TAXES (continued)

MOVEMENT IN DEFERRED TAX BALANCES DURING THE YEAR

	Balance 30 June 19 $'000	Recognised in profit $'000	Recognised directly in equity $'000	Balance 30 June 20 $'000
Property, plant and equipment	(1,780)	(76)	(282)	(2,138)
Leases	-	28	-	28
Inventories	(94)	6	-	(88)
Provisions / accruals	975	86	-	1,061
Provision for doubtful debts	181	(132)	-	49
Tax loss carried forward	287	-	-	287
	(431)	(88)	(282)	801

	Balance 30 June 18 $'000	Recognised in profit $'000	Balance 30 June 19 $'000
Property, plant and equipment	(1,862)	82	(1,780)
Inventories	(129)	35	(94)
Provisions / accruals	970	5	975
Provision for doubtful debts	190	(9)	181
Tax loss carried forward	380	(93)	287
	(451)	20	(431)

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 2020 %	Ownership interest 2019 %
Parent entity			
Korvest Ltd	Australia		
Subsidiaries			
Power Step (Australia) Pty Ltd	Australia	**100**	100
Power Step (Chile) SpA	Chile	**100**	100
Titan Technologies (SE Asia) Pty Ltd	Australia	**100**	100

OTHER NOTES

21. KEY MANGEMENT 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	EXECUTIVE DIRECTORS	EXECUTIVES
• Graeme Billings (Chairman) • Gary Francis • Gerard Hutchinson • Andrew Stobart	• Chris Hartwig (Managing Director) • Steven McGregor (Finance Director and Company Secretary)	• 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:

	2020 $	2019 $
Short-term employee benefits	**1,642,237**	1,592,870
Post-employment benefits	**128,145**	119,489
Termination payments	**-**	149,498
Long term benefits	**25,616**	(14,640)
Share based payments	**129,027**	57,684
	1,925,025	1,903,901

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.

22. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2020 the parent entity of the Group was Korvest Ltd.

	2020 $'000	2019 $'000
Result of parent entity		
Profit for the period	**3,677**	2,984
Other comprehensive income	**658**	-
Total comprehensive income for the period	**4,335**	2,984
Financial position of parent entity at year end		
Current Assets	**26,639**	27,769
Total Assets	**47,187**	41,313
Current Liabilities	**8,585**	9,035
Total Liabilities	**14,780**	10,280
Share capital	**14,202**	14,143
Reserves	**18,205**	16,890
Retained earnings	**-**	-
Total Equity	**32,407**	31,033

GUARANTEES ENTERED INTO BY THE COMPANY

Bank guarantees given by the Company in favour of customers and landlords amounted to $10,656 (2019: $57,483).

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 2020, the Company had contractual commitments for the acquisition of property, plant and equipment of $542,000 (2019: $187,000).

23. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies of the group are the same as for the parent entity outlined in note 22.

24. SUBSEQUENT EVENTS

There has not arisen between the end of the year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

For the year ended 30 June 2020

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 20 to 50 and the Remuneration report in the Directors' report, set out on pages 8 to 16, 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 2020 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 2020.

3. The Directors draw attention to the Basis of preparation note on page 24, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 24th July 2020
Signed in accordance with resolution of directors:

GRAEME BILLINGS

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 2020 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 2020;
- 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 2020;
- 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 the Code.

Key Audit Matters

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.

KPMG

Valuation of finished goods inventory ($7.879m)	
Refer to Note 8 to the Financial Report – Inventories	
The key audit matter	**How the matter was addressed in our audit**
The valuation of finished goods inventory is a key audit matter due to the: • Size of the finished goods inventory balance, which is significant to the balance sheet (16.3% of total assets); • Finished goods inventory being specialised in nature; • Importance of 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 value of finished goods inventory, requires consideration of the volume 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 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: • Assessing the Group's policies for the valuation of finished goods inventory against the requirements of the accounting standards; • Applying our understanding of the Group's business model in critically evaluating the Group's methodology to identify slow moving finished goods and finished goods selling below cost; • Testing the Group's finished goods inventory impairment assessment at year-end, by: - Assessing the integrity of the finished goods inventory provision, including the accuracy of the underlying calculations by performing computation checks; - Checking the accuracy of expected stock turnovers, by product, as a key input in the finished goods inventory provision. The expected stock turnover is applied against escalating obsolescence assumptions when calculating the finished goods inventory provision. We evaluated expected stock turnovers using the quantity of finished goods on hand at year end and sales quantities experienced in FY20. 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 product category and aging, using our understanding of the Group's business and knowledge of market. • Attending stocktakes in significant locations observing the Group's processes, which included identifying slow moving and potentially obsolete finished goods inventory.

KPMG

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 and will 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Korvest Ltd for the year ended 30 June 2020, 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 8 to 16 of the Directors' report for the year ended 30 June 2020.

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

KPMG

KPMG

Paul Cenko
Partner

Adelaide

24 July 2020

KPMG

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 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

24 July 2020

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 23 JULY 2020)

SUBSTANTIAL SHAREHOLDERS

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

Shareholder	Percentage	Number
Perpetual Limited	10.63%	1,198,653
Mitsubishi UFJ Financial Group, Inc	10.21%	1,150,462
Phoenix Portfolios Pty Ltd	6.07%	684,607
Donald Cant Pty Ltd	5.43%	611,759

VOTING RIGHTS

ORDINARY SHARES

Refer to note 18 in the financial statements.

OPTIONS

Refer to note 10 in the financial statements.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

	NUMBER OF EQUITY SECURITY HOLDERS		
Category	Total Holders	Units	% Issued Capital
1 - 1,000	785	286,476	2.54
1,001 - 5,000	638	1,638,875	14.54
5,001 - 10,000	141	1,078,247	9.57
10,001 - 100,000	131	2,806,050	24.89
100,001 and over	13	5,463,285	48.46
	1,708	**11,272,933**	**100**

The number of shareholders holding less than a marketable parcel of ordinary shares is 216.

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 (continued)
FOR THE YEAR ENDED 30 JUNE 2020

TWENTY LARGEST SHAREHOLDERS

Name	Number of Ordinary Shares Held	Percentage of Capital Held
HSBC Custody Nominees (Australia) Limited	1,202,785	10.67
Citicorp Nominees Pty Limited	1,174,103	10.42
J P Morgan Nominees Australia Pty Limited	630,822	5.60
Donald Cant Pty Ltd	611,759	5.43
National Nominees Limited	501,202	4.45
Creative Living (Qld) Pty Ltd	320,000	2.84
Rathvale Pty Limited	191,558	1.70
Brazil Farming Pty Ltd	167,316	1.48
Angueline Capital Pty Limited	165,000	1.46
Allegro Two Super Fund Pty Ltd <Allegro Super Fund No 2 A/C>	144,026	1.28
Brazil Farming Pty Ltd	124,554	1.10
Robert Nairn Pty Ltd	118,412	1.05
Mr William Francis Cannon	102,083	0.91
Gotterdamerung Pty Limited <Gotterdamerung S/F A/C>	84,327	0.75
Camden Equity Pty Ltd <Byrne Hybrid Investment A/C>	72,350	0.64
Mrs Helen Elizabeth Rollinson	72,343	0.64
Ms Nina Tschernykow	60,720	0.54
A & R Truda Pty Ltd <A&R Truda Super A/C>	60,683	0.54
Mr Geoffrey Neil Huddleston + Mrs Raelene Jane Huddleston	54,644	0.48
Kalingo Pty Ltd	52,390	0.46
	5,911,077	**52.44**

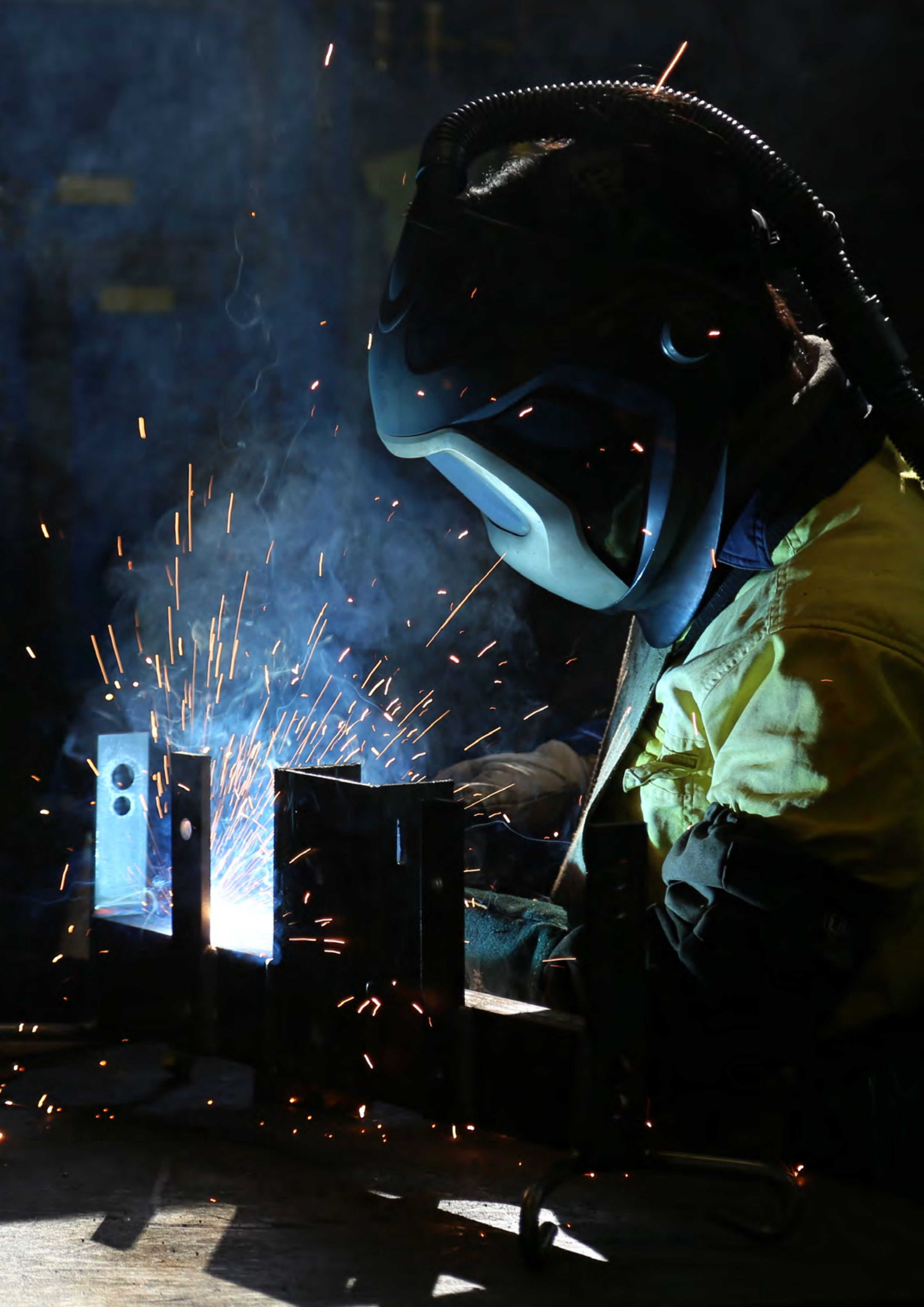
OFFICES AND OFFICERS

COMPANY SECRETARY
Steven John William McGregor BA(Acc), FCA, AGIA, ACIS

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

LOCATIONS OF SHARE REGISTRY
Adelaide

Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
Adelaide, South Australia, 5000
Ph: 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia)



Korvest Ltd

Korvest Ltd, 580 Prospect Road, Kilburn, SA 5084
T: 61 8 8360 4500 | F: 61 8 8360 4599 | E: korvest@korvest.com.au
www.korvest.com.au