Korvest Ltd

2023 Annual Report

Korvest Ltd

Korvest Ltd has been proudly manufacturing in Australia, supplying to projects throughout Australia and supporting Australian jobs for more than fifty years.

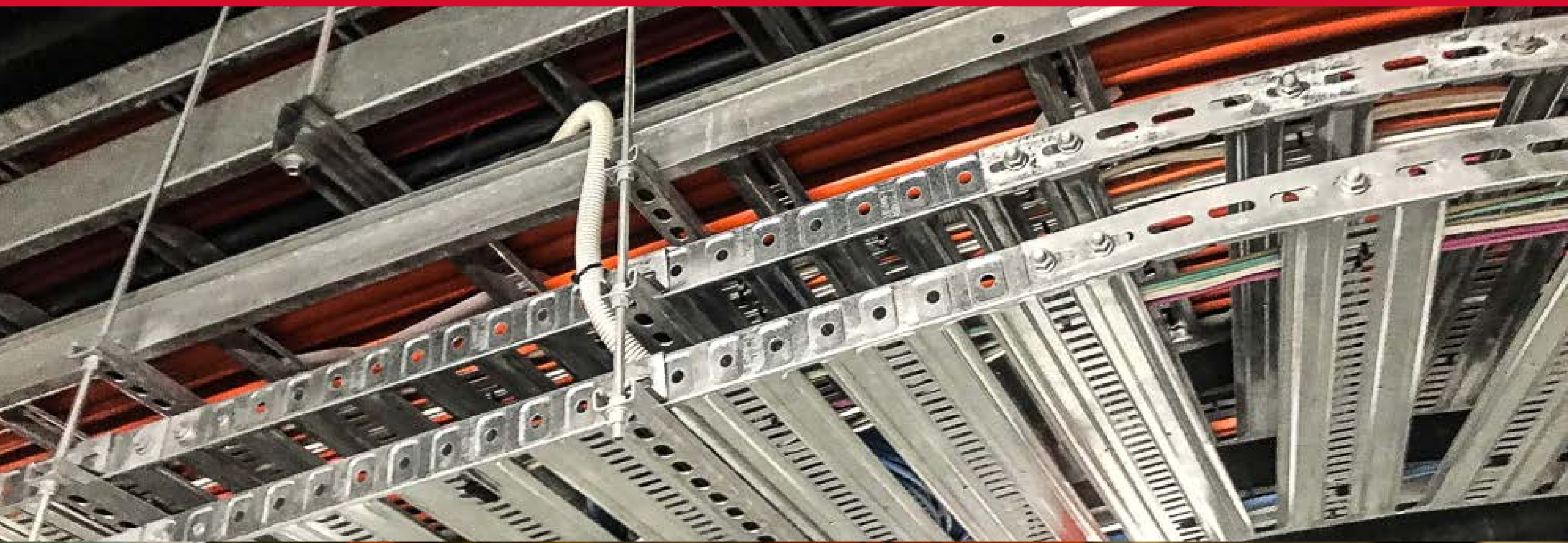
Since 1970, Korvest has built itself a strong reputation for being a capable supplier of cable and pipe supports, and galvanising services. Korvest's business units work together to develop an integrated, complete solution quickly, finished to recognised Australian and international standards.

EzyStrut produces a range of standard, customised and innovative cable and pipe support products for domestic, commercial and industrial projects throughout Australia. Korvest Galvanisers operates a hot dip galvanising business in South Australia, servicing a range of local and national customers.

Korvest's workforce of more than 200 employees is multi-skilled and lead by a central management team. Our business units have the capacity to scale up production should a major project require more hands, or more hours, to meet strict deadlines.

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

EzyStrut www.ezystrut.com.au



korvest galvanisers www.korvestgalvanisers.com.au

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ABN: 20 007 698 106
Annual Report, 30 June 2023

ESG STRATEGY STATEMENT & CORE VALUES

Our ESG Vision is as follows:

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

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

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

SOCIAL

SAFETY PERFORMANCE

Through ongoing continuous improvement and consultation, Korvest continued to drive down the numbers of lost time injuries. Building on a significant reduction in FY22, the ongoing improvement in FY23 resulted in a reduction of the lost time injury frequency rate by 67%.

The downwards trend was also evident in the total injury rate with a decrease of 44% during FY23.

Automation of manual handling tasks is a key area of improvement with the implementation of new tow tugs for moving loaded trolleys around the manufacturing plant and the commissioning of our latest multi axis welding robot being rolled out during the year.

EMPLOYEE HEALTH & WELLBEING

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

- Employee Assistance Program providing access to free counselling and support across many areas such as health, wellbeing, finances, psychology, legal, etc.
- Ongoing health surveillance program to monitor the hearing of employees
- Voluntary health screening including cholesterol and blood sugar readings
- Voluntary skin checks
- Voluntary free influenza vaccinations

KORVEST CHARITY SCHEME

Korvest has operated a company-wide workplace giving charity scheme for many years. The scheme allows employees to make donations to a nominated charity that are matched on a dollar-for-dollar basis by the company. Korvest's Staff Consultative Committee choose the designated charity for 2 years on a rotational basis.

A new initiative for FY23 saw Korvest launch the Korvest Community Support Program, providing donations to staff-nominated not for profit groups, organisations and charities that are important to them and their community. A total of $24,500 was donated by Korvest in FY23 under this scheme.

DIVERSITY AND INCLUSION

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

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

	Objective %	Actual 2022		Actual 2023	
		Number	%	Number	%
Number of females in senior management positions	40%	5	28%	4	20%
Number of females in administration / sales positions	50%	21	58%	22	63%
Number of female employees in the whole organisation	20%	32	15%	31	13%

ENVIRONMENT

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

LEGISLATIVE COMPLIANCE

In October 2023, the SA EPA renewed Korvest's licence for a further 3 years for the Kilburn factory.

NOISE MANAGEMENT

Korvest continued to roll out Noise Management Plan initiatives over the period including:

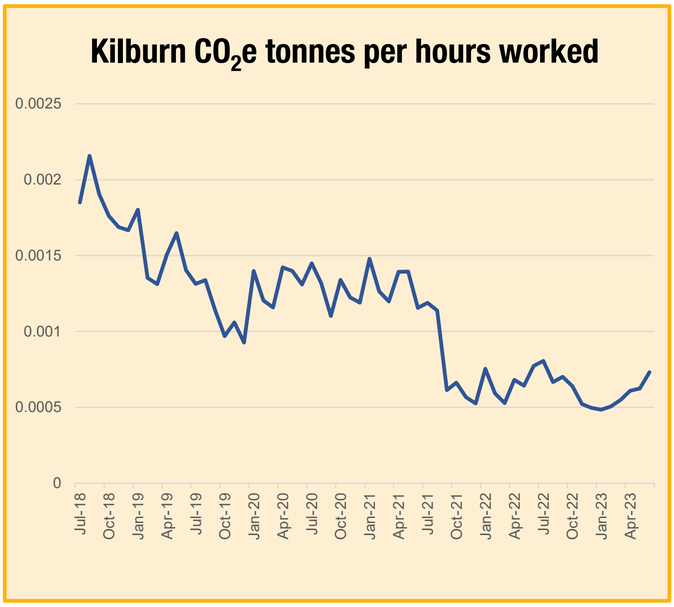
- Completing the replacement of steel plate drain covers with a concrete dish drain to remove noise when traffic traversed the drain,
- Increasing the fleet of electric forklifts, replacing previously LPG powered machines on site, and
- Trialling the installation of PLEXIGLASS Soundstop Noise Barrier sheeting around some machines.

ENERGY

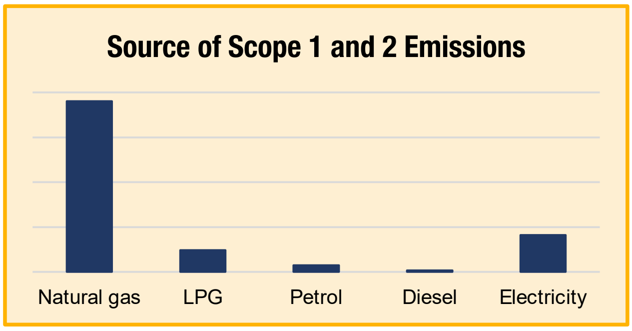
Energy efficiency and greenhouse gas emissions go hand in hand. Efficient use of energy and implementing opportunities to generate solar power have been an ongoing strategy for Korvest over a number of years.

With 12 months of production from our new system on the warehouse supplementing the original system on the factory roof Korvest generated approximately 342.1MWh of electricity from the 580 Prospect Rd system. This contributed to approximately 22% of the factory's overall power consumption for the period whilst contributing nearly 100MWh of power exported to the grid.

The chart below demonstrates the effect of the LED and Solar Projects on CO2e emissions for the Kilburn plant relative to the hours worked over the period. What is observed now is the results of our investments with a repeated seasonal trend over the winter period.



Year	Total Scope 1 CO2e emissions (tonnes)	Total Scope 2 CO2e emissions (tonnes)
2022 - 2023	2,237	411
2021 - 2022	2,206	526
Change	1.4% increase	21.9% reduction
Overall Change	3.1% reduction	



The significant reductions in our Scope 2 emissions is due to the full 12 months of generation by the Kilburn Warehouse solar installation compared to only 6 months in the previous financial year.

The slight increase in the Scope 1 emissions were partly due to the increase in the company fleet of vehicles over the period. However, Korvest are working to offset this increase with the introduction of hybrid sales representative's vehicles and additional electric forklifts as we change over the existing fleet.

Our focus has now turned to mains gas savings opportunities at the Kilburn plant with gas being a major input into our galvanising processes and accounting for the majority of our total Scope 1 emissions. These are complex engineering projects and will be implemented over the next two years.

ESG STRATEGY STATEMENT & CORE VALUES (Continued)

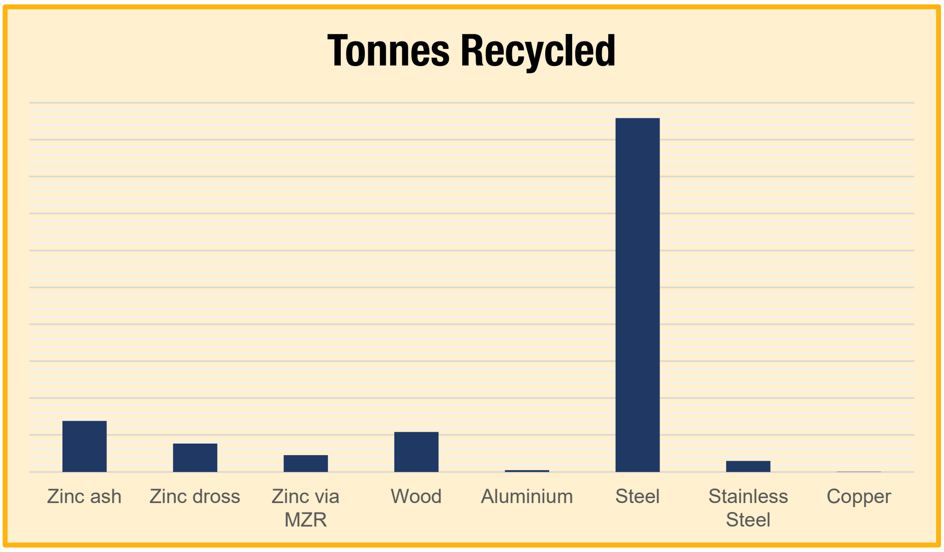
GALVANISING PLANT EMISSIONS

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

Our galvanising dust plant operated for the full operational hours of the kettle this year with the zinc oxide collected from this plant sold for recycling.

WASTE MANAGEMENT & RECYCLING

Korvest initiated a new recycling data capturing system during the financial year. Korvest measures the tonnes of all materials sent off site for recycling. This includes zinc composites from the galvanising kettles and the dust plant, various metals and wood. Prior to being sent off for recycling, zinc ash is reprocessed on site (MZR recovery) with approximately 45 tonnes of reclaimed zinc being added back into the galvanising kettles during the year.



GOVERNANCE

Korvest's corporate governance statement, which was approved by the Board on 24 July 2023 is available on the company's website at https://www.korvest.com.au/assets/downloads/Korvest-Corporate-Governance-2023.pdf.

COMPLIANCE TRAINING

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

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

CYBER SECURITY

Given the increasing risks associated with cyber security, Korvest engages IT specialists to assist with the operation and security of the Korvest IT environment. During the year Korvest completed a range of projects aimed at achieving at least Maturity Level 1 for each of the Australian Signals Directorate (ASD) Essential 8.

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

DIRECTORS' REPORT

The directors present their report together with the financial statements of Korvest Ltd ('the Company') for the financial year ended 30 June 2023 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:

Andrew Stobart

Chairman
B.Eng (Hons), Grad Dip Bus Admin, GAICD

Appointed Chairman 31 August 2021.
A Director since August 2016.
Former Chairman Nexans Olex Australia & New Zealand.
Member of Audit and Remuneration Committees.

Chris Hartwig

Managing Director
BA(Acc), MAICD

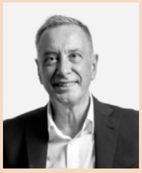
A Director since 28 February 2018.
Mr Hartwig has held a number of senior roles in the steel and electrical manufacturing industries.
Director Galvanising Association of Australia.

Gerard Hutchinson

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

A Director since November 2014.
Mr Hutchinson has held roles of Chief Financial Officer and Managing Director in a range of large businesses across the construction, engineering and services sectors. He is currently Chief Financial Officer of Al-Futtaim Contracting.
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.

Therese Ryan

Independent Non-Executive Director
LLB, GAICD

A Director since 1 September 2021.
Director Sustainable Timber Tasmania. Chair Gippsland Water.
Deputy Chair VicForests. Chair Hancock Victorian Plantations.
Director Bapcor Limited until September 2022. Member of Audit and Remuneration Committees.

Steven McGregor

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

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, ACG, BA(Acc) was appointed to the position of company secretary in April 2008. Mr McGregor previously held the role of Chief Operating Officer and Company Secretary with an unlisted public company for seven years.

RETIREMENT AND RE-ELECTIONS

In accordance with the Constitution, Gary Francis and Steven McGregor retire from the Board at the forthcoming Annual General Meeting on 31 October 2023 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		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
Mr A Stobart	12	12	4	4	2	2	-	-
Mr G Francis	12	12	4	4	2	2	-	-
Mr G Hutchinson	12	12	4	4	2	2	-	-
Ms T Ryan	12	12	4	4	2	2	-	-
Mr C Hartwig	12	12	-	-	-	-	-	-
Mr S McGregor	12	12	-	-	-	-	-	-

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 2023 (FY23) was $107.48m, up 8.3% on the previous year. Price rises for the general market to recover the impact of input cost increases was the primary reason for the revenue growth. The timing of project requirements resulted in reduced project revenue in FY23.

DIVIDENDS

The directors announced a fully franked final dividend of 35.0 cents per share (2022: 35.0 cents per share) following an interim divided of 25.0 cents per share at the half year (2022: 25.0 cents per share). The Dividend Reinvestment Plan (DRP) will remain suspended for the final dividend. The dividend will be paid on 6 September 2023 with a record date of 18 August 2023.

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 2023

	Cents per share	Total amount $'000	Franked/ Unfranked	Date of payment
Interim 2023 ordinary	25.0	2,892	Fully franked	3 March 2023
Final 2022 ordinary	35.0	4,045	Fully franked	2 September 2022
Total amount		**6,937**		

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	35.0	4,052	Fully franked	6 September 2023
Total amount		**4,052**		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2023 and will be recognised in subsequent financial reports.

Dividends have been dealt with in the financial report as:

	Note	Total amount $'000
Dividends	18	6,937
Dividends – subsequent to 30 June 2023	18	4,052

PRINCIPAL ACTIVITIES, STRATEGY AND FUTURE PERFORMANCE

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

The Company is comprised of the Industrial Products Group which includes the EzyStrut business, 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 and gas, power stations, health and industrial segments.

Supply to the infrastructure sector remained strong in FY23 albeit at lower levels than was the case in FY22. The majority of the infrastructure activity comprises road and rail tunnels on the Eastern Coast. Three major projects were completed during FY23 and a further three major projects that were supplied during FY23 will continue into FY24. Subject to the broader economic environment the day-to-day and project markets are expected to continue at similar levels to FY23.

Korvest's recent and future focus for investment will be on production capability and capacity. Options are being explored to redevelop parts of the Kilburn site to accommodate new equipment to further improve productivity.

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

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.

Six major infrastructure projects were supplied at various times during the year. Three of those projects were completed during the year, with the remaining three projects to continue into FY24.

The day-to-day and small project markets improved in all states when compared to the prior year. The improvement was due to both volume increases and price increases.

Price increases were applied to maintain margins in response to increased input costs, particularly steel, freight and labour.

Inventory reduced from the higher levels that had been in place in response to the supply chain challenges experienced during COVID19.

PRODUCTION

The Galvanising business had reduced volumes compared to the record FY22 volumes. The reduction in EzyStrut major project work resulted in lower levels of internal work for the plant in FY23. External volumes grew as did the average selling price for external work. The selling price improvement is attributable to the introduction of a gas levy to recover the significant increase in the cost of gas from 1 January 2023 when new contracted rates commenced.

The cost of zinc fluctuated over the course of the year but overall was higher in FY23 compared to FY22. The average cost of zinc consumed in FY23 was 16% higher than in FY22. FY23 margins were comparable to the prior year as the extra costs of zinc, gas and labour were recovered from customers via price increases and the gas levy.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2023

RISK

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

Operational risks relate principally to continuity of supply and 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. During COVID19 the risk of global supply chain disruption and labour shortages became evident. The risks have diminished during FY23 as global supply chains have improved and the labour market issues have moderated.

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

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

Korvest's risks in relation to climate change are similar to those faced by other manufacturers. The cost and availability of energy has become a significant national issue in recent years. Electricity is used in the factory and gas is used in the galvanising plant. Over recent years Korvest has invested in solar at Kilburn and has 443kW of generation capacity on site to reduce consumption of externally generated electricity.

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the dividend declared after the reporting date, at the date of this report there is no matter or circumstance that has arisen since 30 June 2023, that has significantly affected, or may significantly affect:

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

in the financial years subsequent to 30 June 2023.

LIKELY DEVELOPMENTS

Korvest's focus remains on improving the production capability at the Kilburn factory. Options are being explored to redevelop parts of the Kilburn site to accommodate new equipment to further improve productivity.

Working capital management is always a focus area. Inventory levels have reduced as the risks from the last few years have diminished. Increasing costs of key materials result in higher inventory value however the focus is on reducing the volume of inventory being held without impacting on customer service to minimise the value of stock being held. Collection of accounts receivables has been well controlled during the year and this focus on collection will continue.

Further information about likely developments in the operations of the Company 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 Company.

ENVIRONMENTAL REGULATION

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

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

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

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

INDEMNIFICATION AND INSURANCE OF OFFICER AND AUDITORS

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability 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 willful breach of duty or improper use of information or position to gain a personal advantage.

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

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

SHARE OPTIONS AND PERFORMANCE RIGHTS

OPTIONS

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

UNVESTED PERFORMANCE RIGHTS

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

Expiry Date (end of performance period)	Exercise Price	Number of Shares
30 June 2023	Nil	84,814
30 June 2024	Nil	65,230
30 June 2025	Nil	67,232

SHARES ISSUED ON EXERCISE OF OPTIONS OR PERFORMANCE RIGHTS

No options were exercised during the year ended 30 June 2023 or up to the date of this report.

VESTED PERFORMANCE RIGHTS

91,796 ordinary shares of Korvest Ltd were issued during the year 30 June 2023 on the vesting of performance rights granted under the Korvest Performance Rights Plan. No amount is payable on the vesting of performance rights and accordingly there are no amounts unpaid on the shares issued.

REMUNERATION REPORT AUDITED

FOR THE YEAR ENDED 30 JUNE 2023

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 Company, 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 company has not engaged third party consultants during FY23.

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

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

FIXED COMPENSATION

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Remuneration Committee.

PERFORMANCE LINKED COMPENSATION

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

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

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

		2023	2022	2021	2020	2019
Profit / (Loss) after tax	($'000)	**11,177**	11,336	6,054	4,027	2,885
Dividend						
- Total amount paid	($'000)	**6,937**	5,152	3,169	3,149	1,787
- Per issued share		**60.0c**	45.0c	28.0c	28.0c	16.0c
Earnings per share		**96.7c**	99.0c	53.5c	35.8c	25.9c
Share price as at 30 June		**$7.75**	$7.01	$4.99	$4.00	$2.70
Return on invested capital (ROIC)		**23.5%**	26.7%	18.4%	13.8%	10.3%

SHORT-TERM INCENTIVE BONUS

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

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

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

Managing Director	Other Executives *
Financial performance (50%)	Financial performance
Operational performance (25%)	Operational performance
New markets (20%)	New markets
Environmental (5%)	Safety & Environment
	Working capital

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

LONG-TERM INCENTIVE BONUS

Performance rights are issued under the Korvest Performance Rights Plan to employees (including KMP) as determined by the Remuneration Committee.

Performance rights become vested performance rights if the Company achieves its performance hurdles. If rights become vested performance rights and do not lapse, the holder is able to acquire ordinary shares in the Company for no cash payment. For performance rights issued during the year two performance hurdles were applied. Half of the rights issued will be tested against each of the two performance hurdles.

The first performance hurdle relates to growth in basic earnings per share (EPS). The EPS objective was chosen because it is a good indicator of the Company's earnings growth and is aligned to shareholder wealth objectives. EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year performance period. To determine the aggregate EPS performance required over the performance period, a % growth is applied to a base EPS. For the most recent issue of Performance Rights, the base EPS is equal to the average of the statutory EPS for the FY21 and FY22 years.

The table below sets out the % of rights that vest depending on the aggregate level of EPS achieved over the performance period.

Aggregate EPS over performance period (3 years to 30 June 2025)	% of rights that vest
Less than 252.398 cents	Nil
252.398 cents	25%
Between 252.398 and 288.174 cents	Pro rata between 25% – 100%
288.174 cents or greater	100%

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

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

Where

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

The ROIC performance rights issued during FY23 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 Company apart from in some specific circumstances such as death or permanent disability.

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

SERVICE CONTRACTS

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

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

SERVICES FROM REMUNERATION CONSULTANTS

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 2022 and were applied for the entirety of the financial year ended 30 June 2023:

Chairman	$136,067
Director	$71,508

The Chairman of a Board Committee receives a further $11,894 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 Company are:

		Short Term		Post employment	Other long term	Share based payments			
	Year	Salary & Fees* $	Bonus $	Superannuation benefits $	– Long Service leave $**	Shares $	Performance Rights $	Total $	Proportion of remuneration performance related %
Non-Executive Directors									
A Stobart Non-executive (Chairman)	**2023**	**136,067**	**-**	**14,287**	**-**	**-**	**-**	**150,354**	**-**
	2022	124,599	-	12,460	-	-	-	137,059	-
G Francis Non-executive (Director)	**2023**	**83,402**	**-**	**8,757**	**-**	**-**	**-**	**92,159**	**-**
	2022	79,287	-	7,929	-	-	-	87,216	-
G Hutchinson Non-executive (Director)	**2023**	**83,402**	**-**	**8,757**	**-**	**-**	**-**	**92,159**	**-**
	2022	79,296	-	7,930	-	-	-	87,226	-
T Ryan Non-executive (Director)	**2023**	**71,508**	**-**	**7,508**	**-**	**-**	**-**	**79,016**	**-**
	2022	56,640	-	5,664	-	-	-	62,304	-
Former Director									
G Billings Non-executive (Chairman) retired 31 August 2021	**2023**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
	2022	22,654	-	2,265	-	-	-	24,919	-
Total Non-Executive Directors' Remuneration	**2023**	**374,379**	**-**	**39,309**	**-**	**-**	**-**	**413,688**	**-**
	2022	362,476	-	36,248	-	-	-	398,724	-
Executive Directors									
C Hartwig [1] Executive (Managing Director)	**2023**	**360,583**	**168,784**	**27,773**	**10,990**	**-**	**100,642**	**668,772**	**40.3**
	2022	343,287	141,593	27,672	13,874	-	94,203	620,629	38.0
S McGregor [1] Executive (Finance Director)	**2023**	**333,285**	**42,856**	**27,764**	**11,358**	**-**	**96,450**	**511,713**	**27.2**
	2022	315,899	27,780	27,665	19,331	-	90,258	480,933	24.5
Executives / other KMP									
S Taubitz General Manager Sales	**2023**	**286,569**	**111,100**	**27,865**	**16,537**	**994**	**72,698**	**515,763**	**35.6**
	2022	250,060	100,558	27,800	14,391	999	67,605	461,413	36.4
G Christie General Manager Operations	**2023**	**210,000**	**59,934**	**27,134**	**7,327**	**994**	**60,087**	**365,476**	**32.8**
	2022	200,000	48,419	25,250	11,341	999	58,479	344,488	31.0
Total Executives' Remuneration	**2023**	**1,190,437**	**382,674**	**110,536**	**46,212**	**1,988**	**329,877**	**2,061,724**	
	2022	1,109,246	318,350	108,387	58,937	1,998	310,545	1,907,463	

* Salary & fees includes payments for annual leave taken.

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

1 Where annual superannuation contributions exceed $27,500 executives can elect to have some or all of the superannuation contributions above $27,500 paid as salary rather than superannuation.

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

REMUNERATION REPORT - AUDITED (Continued)

FOR THE YEAR ENDED 30 JUNE 2023

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	18,490	26 Oct 2022	$5.04	30 June 2025
S McGregor	17,730	26 Oct 2022	$5.04	30 June 2025
Executives				
S Taubitz	13,164	26 Oct 2022	$5.04	30 June 2025
G Christie	10,052	26 Oct 2022	$5.04	30 June 2025

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

All performance rights have a nil exercise price.

All performance rights expire on the earlier of their expiry date or termination of the individual's employment. The performance rights are exercisable for one year after the conclusion of the vesting period. In addition to the continuing employment service condition, the ability to exercise performance rights is conditional on the Company achieving performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 13.

No equity-settled share-based payment transaction terms (including performance rights granted as compensation to KMP) have been altered or modified by the Company 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 Company 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	91,796
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	25,936*	Oct 20	100%	-	30 Jun 23
	19,530	Oct 21	-	-	30 Jun 24
	18,490	Oct 22	-	-	30 Jun 25
S McGregor	24,852*	Oct 20	100%	-	30 Jun 23
	18,710	Oct 21	-	-	30 Jun 24
	17,730	Oct 22	-	-	30 Jun 25
Executives					
S Taubitz	17,930*	Oct 20	100%	-	30 Jun 23
	14,860	Oct 21	-	-	30 Jun 24
	13,164	Oct 22	-	-	30 Jun 25
G Christie	16,096*	Oct 20	100%	-	30 Jun 23
	12,130	Oct 21	-	-	30 Jun 24
	10,052	Oct 22	-	-	30 Jun 25

* The three year performance period for performance rights issued in October 2020 ended on 30 June 2023. These rights were tested against two performance hurdles, earnings per share (EPS) and return on invested capital (ROIC).

Korvest's aggregate EPS was 249.2 over the performance period. This results in 100% of the EPS performance rights vesting.

Korvest's ROIC was 23.3% over the performance period. This results in 100% of the ROIC performance rights vesting.

ANALYSIS OF MOVEMENTS IN PERFORMANCE RIGHTS GRANTED AS COMPENSATION

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

	Value of Rights / Options	
	Granted in year $ (A)	Exercised in year $ (B)
Directors		
C Hartwig	93,115	210,540
S McGregor	89,288	201,735
Executives		
S Taubitz	66,293	145,545
G Christie	50,621	130,650

(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 2022 to 30 June 2025) subject to meeting the associated performance conditions.

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

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

REMUNERATION REPORT - AUDITED (Continued)

FOR THE YEAR ENDED 30 JUNE 2023

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 2022	Granted as compensation	Exercised	Lapsed	Held at 30 June 2023	Vested during the year
Directors						
C Hartwig	73,538	18,490	(28,072)	-	**63,956**	25,936
S McGregor	70,460	17,730	(26,898)	-	**61,292**	24,852
Executives						
S Taubitz	52,196	13,164	(19,406)	-	**45,954**	17,930
G Christie	45,646	10,052	(17,420)	-	**38,278**	16,096

No options held by KMP are vested but not exercisable.

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

No options held by KMP are vested but not exercisable.

MOVEMENTS IN SHARES

The movement during the reporting period in the number of ordinary shares in Korvest Ltd held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 30 June 2022	Purchases	Allocated under Employee/ Exec share plan	Held at 30 June 2023
Directors				
C Hartwig	86,034	-	28,072	114,106
S McGregor	89,738	-	26,898	116,636
G Francis	8,947	-	-	8,947
G Hutchinson	500	-	-	500
A Stobart	16,000	-	-	16,000
T Ryan	3,000	-	-	3,000
Executives				
S Taubitz	20,506	-	19,542	40,048
G Christie	37,480	-	17,556	55,036

No shares were granted to KMP during the reporting period as compensation other than those provided under the employee share plan on the same terms and conditions as for all employees.

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

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.

*G Billings retired 31 August 2021.

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	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
C Hartwig	168,784	83.8	16.2
S McGregor	42,856	83.8	16.2
S Taubitz	111,100	96.2	3.8
G Christie	59,934	89.0	11.0

(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 Company, 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 Company 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	114,106	38,020	25,936
S McGregor	116,636	36,440	24,852
G Francis	8,947	-	-
G Hutchinson	500	-	-
A Stobart	16,000	-	-
T Ryan	3,000	-	-

NON-AUDIT SERVICES

During the year KPMG, the Company'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 Company; 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 Company, acting as an advocate for the Company 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 58 and forms part of the Directors' report for the financial year ended 30 June 2023.

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-2023.pdf

Signed at Adelaide this Monday 24th of July 2023 in accordance with a resolution of the directors.

A STOBART, Director

C HARTWIG, Director

5 YEAR SUMMARY

		2023	2022	2021	2020	2019
Sales revenue	($'000)	**107,484**	99,223	69,786	63,088	60,843
Profit after tax	($'000)	**11,177**	11,336	6,054	4,027	2,885
Depreciation/Amortisation (plant & equipment)	($'000)	**1,459**	1,282	1,434	1,286	1,469
Depreciation (right-of-use asset)	($'000)	**846**	874	879	887	-
Cash flow from operations	($'000)	**14,944**	3,987	6,509	10,460	1,413
Profit from ordinary activities						
- As % of Shareholders' Equity		**22.8%**	25.9%	16.9%	12.3%	9.3%
- As % of Sales Revenue		**10.4%**	11.4%	8.7%	6.4%	4.7%
Dividend						
- Total amount paid	($'000)	**6,937**	5,152	3,169	3,149	1,787
- Per issued share		**60.0c**	45.0c	28.0c	28.0c	16.0c
Earnings per share (Basic)		**96.7c**	99.0c	53.5c	35.8c	25.9c
Number of employees		**241**	215	207	189	178
Shareholders						
- Number at year end		**2,420**	2,157	1,947	1,708	1,652
Net assets per issued ordinary share		**$4.24**	$3.82	$3.17	$2.90	$2.76
Net tangible assets per issued ordinary share*		**$3.81**	$3.37	$2.63	$2.48	$2.76
Share price as at 30 June		**$7.75**	$7.01	$4.99	$4.00	$2.70

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

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Continuing operations			
Revenue	1	107,484	99,223
Other income		27	19
Profit on sale of subsidiaries	20	-	815
Expenses, excluding net finance costs	2	(91,432)	(84,053)
Profit before financing costs		16,079	16,004
Finance income	3	134	13
Finance costs – lease liability interest		(137)	(161)
Net finance cost		(3)	(148)
Profit before income tax		16,076	15,856
Income tax expense	19	(4,899)	(4,520)
Profit from continuing operations		11,117	11,336
Profit for the year		11,117	11,336
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		814	1,914
Related tax		(244)	(574)
Total other comprehensive income		570	1,340
Total comprehensive income for the period		11,747	12,676
Attributable to:			
Equity holders of the Company		11,747	12,676
Total comprehensive income for the period		11,747	12,676
Earnings per share attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share from continuing operations	4	96.7	99.0
Diluted earnings per share from continuing operations	4	95.5	97.7

The notes on pages 28 to 52 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents	15	**8,940**	3,556
Investment	15	**275**	275
Trade and other receivables	7	**18,864**	16,874
Prepayments		**537**	308
Inventories	8	**16,791**	20,457
Total current assets		**45,407**	41,470
Property, plant and equipment	12	**20,353**	19,232
Right-of-use asset	14	**4,896**	5,211
Total non-current assets		**25,249**	24,443
Total assets		**70,656**	65,913
Liabilities			
Trade and other payables	9	**9,671**	9,231
Employee benefits	10	**3,274**	3,138
Tax payable		**664**	1,580
Lease liabilities	14	**776**	790
Total current liabilities		**14,385**	14,739
Employee benefits	10	**355**	267
Deferred tax liability	19	**2,460**	1,844
Lease liabilities	14	**4,418**	4,678
Provisions	11	**-**	560
Total non-current liabilities		**7,233**	7,349
Total liabilities		**21,618**	22,088
Net assets		**49,038**	43,825
Equity			
Share capital	17	**14,395**	14,334
Reserves	17	**34,643**	29,491
Retained profit / (losses)		**-**	-
Total equity attributable to equity holders of the Company		**49,038**	43,825
Total equity		**49,038**	43,825

The notes on pages 28 to 52 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Cash receipts from customers		122,979	110,047
Cash paid to suppliers and employees		(102,590)	(101,964)
Cash generated from operating activities		20,389	8,083
Interest received		135	13
Interest paid lease liabilities		(137)	(161)
Income tax payments		(5,443)	(3,948)
Net cash from operating activities	15	14,944	3,987
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		53	48
Proceeds from sale of subsidiaries	20	-	880
Acquisition of property, plant and equipment	12	(1,864)	(2,110)
Net cash from investing activities		(1,811)	(1,182)
Cash flows from financing activities			
Transaction costs related to issue of share capital		(7)	(4)
Payment of lease liabilities		(805)	(783)
Dividends paid	18	(6,937)	(5,152)
Net cash from financing activities		(7,749)	(5,939)
Net increase / (decrease) in cash and cash equivalents		5,384	(3,134)
Cash and cash equivalents at 1 July		3,556	6,690
Cash and cash equivalents at 30 June	15	8,940	3,556

The notes on pages 28 to 52 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Share capital $'000	Equity compensation reserve $'000	Asset revaluation reserve $'000	Profits reserve $'000	Retained profits / (losses) $'000	Total $'000
Balance at 1 July 2022	14,334	1,068	5,733	22,690	-	43,825
Total comprehensive income for the year						
Profit for the year	-	-	-	-	11,177	11,177
Other comprehensive income	-	-	570	-	-	570
Total comprehensive income for the year	-	-	570	-	11,177	11,747
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	61	-	-	-	-	61
Equity-settled share-based payments	-	342	-	-	-	342
Dividends to shareholders	-	-	-	(6,937)	-	(6,937)
Total contributions by and distributions to owners of the Company	61	342	-	(6,937)	-	(6,534)
Transfer to profits reserve	-	-	-	11,177	(11,177)	-
Balance at 30 June 2023	14,395	1,410	6,303	26,930	-	49,038
Balance at 1 July 2021	14,268	758	4,393	16,506	-	35,925
Total comprehensive income for the year						
Profit for the year	-	-	-	-	11,336	11,336
Other comprehensive income	-	-	1,340	-	-	1,340
Total comprehensive income for the year	-	-	1,340	-	11,336	12,676
Transactions with owners of the Company recognised directly in equity						
Contributions by and distributions to owners of the Company						
Shares issued under the Share Plans	66	-	-	-	-	66
Equity-settled share-based payments	-	310	-	-	-	310
Dividends to shareholders	-	-	-	(5,152)	-	(5,152)
Total contributions by and distributions to owners of the Company	66	310	-	(5,152)		(4,776)
Transfer to profits reserve	-	-	-	11,336	(11,336)	-
Balance at 30 June 2022	14,334	1,068	5,733	22,690	-	43,825

The notes on pages 28 to 52 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 Company 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 financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The Company disposed of its only subsidiaries on 31 August 2021 therefore the profit or loss of these subsidiaries up to the date of disposal has been consolidated in the comparatives. Refer Note 20 for more information.

The financial statements were approved by the Board of Directors on 24 July 2023.

Basis of measurement

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

USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

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

ROUNDING

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

FOREIGN CURRENCY

Foreign currency transactions

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

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

Foreign currency differences are generally recognised in profit or loss.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted; however, the Company 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 Company's financial statements.

RESULTS FOR THE YEAR

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

1. REVENUE

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 Company'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 Company's standard trading terms are 30 days end of month.

Goods and services tax

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

	2023 $'000	2022 $'000
Sales revenue		
Sale of goods and services	**107,484**	99,223

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

	2023 $'000	2022 $'000
Cost of goods sold	**68,397**	63,215
Sales, marketing and warehousing expenses	**15,612**	13,540
Administration expenses	**2,894**	3,071
Distribution expenses	**4,974**	4,194
Bad and doubtful debts expense net of reimbursement right	**71**	33
Loss on sale of fixed assets	**44**	-
Derecognition of site restoration provision	**(560)**	-
	91,432	84,053

2. EXPENSES (continued)

Profit before income tax has been arrived at after charging the following expenses:	2023 $'000	2022 $'000
Employee benefits:		
Wages and salaries	**21,109**	20,179
Other associated personnel expenses	**2,653**	2,440
Contributions to defined contribution superannuation funds	**1,820**	1,615
Expense relating to annual and long service leave	**1,674**	1,590
Termination benefits	**13**	24
Employee share bonus plan expense	**61**	66
Executive share plan expense	**342**	310
Other:		
Loss/(Gain) on disposal of property, plant and equipment	**44**	(19)
Research and development expense	**306**	247
Depreciation – property, plant and equipment	**1,459**	1,282
Depreciation – right-of-use asset	**846**	874
(Profit) on sale of subsidiaries (before selling costs)	**-**	(815)

3. FINANCE INCOME

ACCOUNTING POLICIES

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

4. EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2023 was based on the net profit attributable to ordinary shareholders of $11,177,000 (2022: $11,336,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2023 of 11,561,650 (2022: 11,446,930).

The calculation of diluted earnings per share at 30 June 2023 was based on the net profit attributable to ordinary shareholders of $11,177,000 (2022: $11,336,000) and a weighted average number of potential ordinary shares outstanding during the financial year ended 30 June 2023 of 11,704,006 (2022: 11,607,716).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	2023 Shares '000	2022 Shares '000
Issued ordinary shares at 1 July	**11,466**	11,327
Effect of shares issued during year	**96**	120
Weighted average number of ordinary shares at 30 June	**11,562**	11,447

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	2023 Shares '000	2022 Shares '000
Weighted average number of ordinary shares (basic)	**11,562**	11,447
Effect of Executive Share Plan	**142**	161
Weighted average number of ordinary shares at 30 June	**11,704**	11,608

BASIC AND DILUTED EARNINGS PER SHARE

	2023 Cents per Share	2022 Cents per Share
Basic earnings per share from continuing operations	**96.7**	99.0
Diluted earnings per share from continuing operations	**95.5**	97.7

5. AUDITOR'S REMUNERATION

	2023 $	2022 $
Audit services:		
Auditors of the Company (KPMG Australia)		
– audit and review of financial statements	**127,000**	115,000
	127,000	115,000
Other services:		
Auditors of the Company (KPMG Australia)		
– taxation advice and tax compliance services*	**9,000**	8,200
– consulting services	**-**	5,000
	9,000	13,200

* The basis for determining the fee for other services was on a time and materials basis

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2023

6. SEGMENT REPORTING

Segment results that are reported to the Company'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 Company 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. It includes the business trading under the EzyStrut name.

Production

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

GEOGRAPHICAL SEGMENTS

The Company predominantly operates in Australia.

CUSTOMERS

Revenue from one customer of the Company's Industrial Products segment represented $12,924,000 of the Company's total revenues. In the prior year no single customer represented more than 10% of the Company's total revenue.

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Sales revenue	**97,705**	91,366	**9,779**	7,857	**107,484**	99,223
Depreciation and amortisation	**(866)**	(704)	**(316)**	(256)	**(1,182)**	(960)
Depreciation ROU asset	**(843)**	(865)	**(2)**	(9)	**(845)**	(874)
Reportable segment profit before tax	**14,488**	14,795	**1,654**	1,292	**16,142**	16,087
Reportable segment assets	**38,094**	39,411	**5,991**	5,939	**44,085**	45,350
Capital expenditure	**1,503**	1,796	**337**	230	**1,840**	2,026

6. SEGMENT REPORTING (continued)

RECONCILIATION OF REPORTABLE SEGMENT PROFIT, ASSETS AND OTHER MATERIAL ITEMS

	2023 $'000	2022 $'000
Profit		
Total profit for reportable segments	16,142	16,087
Profit on sale of subsidiaries	-	815
Unallocated amounts – other corporate expenses (net of corporate income)	(66)	(1,046)
Profit before income tax	16,076	15,856
Assets		
Total assets for reportable segments	44,085	45,350
Land and buildings	10,730	10,000
Cash, cash equivalents and investments	9,215	3,831
Right-of-use asset	4,896	5,211
Other unallocated amounts	1,730	1,521
Total assets	70,656	65,913
Capital expenditure		
Capital expenditure for reportable segments	1,840	2,026
Other corporate capital expenditure	24	84
Total capital expenditure	1,864	2,110
Other material items		
Depreciation and amortisation for reportable segments	1,182	960
Unallocated amounts – corporate depreciation	277	322
Total depreciation and amortisation	1,459	1,282

WORKING CAPITAL

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

Careful management of working capital ensures that the Company 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.

	2023 $'000	2022 $'000
Current		
Trade receivables	**18,958**	16,967
Less: Allowance for impairment	**(133)**	(118)
Add: Reimbursement right	**39**	25
Net trade receivables	**18,864**	16,874

Impairment

The Company 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 Company uses quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

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

	2023 $'000	2022 $'000
Movement in allowance for impairment		
Balance at 1 July	**(118)**	(120)
Amounts written off against allowance	**65**	-
Net remeasurement of loss allowance	**(80)**	2
Balance at 30 June	**(133)**	(118)

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.

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.

	2023 $'000	2022 $'000
Current		
Raw materials and consumables	**3,872**	5,383
Work in progress	**357**	973
Finished goods	**12,562**	14,101
	16,791	20,457

Finished goods are shown net of an impairment provision amounting to $732,000 (2022: $552,000) arising from the likely inability to sell a product range at or equal to the cost of inventory.

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

During the year ended 30 June 2023 inventories of $59,410,000 (2022: $55,705,000) were recognised as an expense during the year and included in cost of goods sold.

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.

	2023 $'000	2022 $'000
Current		
Trade payables and accrued expenses	**4,679**	5,148
Non-trade payables and accrued expenses	**4,992**	4,083
	9,671	9,231

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 Company 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 Company'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.

10. EMPLOYEE BENEFITS (continued)

	2023 $'000	2022 $'000
Current		
Liability for annual leave	1,467	1,388
Liability for long service leave	1,807	1,750
	3,274	3,138
Non-current		
Liability for long service leave	355	267
Total employee benefits	3,629	3,405

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.

Employee Share Bonus Plan

The Employee Share Bonus Plan allows Company 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.

Korvest Performance Rights Plan (KPRP)

The plan is designed to provide long term incentives to eligible senior employees of the Company and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles. For each issue two performance hurdles are applied. Since FY20 the two performance hurdles used have been Earnings per Share (EPS) and Return on Invested Capital (ROIC).

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

Grant date	Plan	Performance hurdles	Number of rights initially granted	Number outstanding at balance date
October 2020	KPRP	EPS / ROIC	84,814	84,814
October 2021	KPRP	EPS / ROIC	65,230	65,230
October 2022	KPRP	EPS / ROIC	67,232	67,232
Total performance rights			217,276	217,276

Measurement of fair values

The fair value of both the ROIC and EPS hurdle rights were measured based on the Black-Scholes method. In addition, as any resulting shares issued due to vested performance rights have a two-year trading restriction, a discount for lack of marketability is applied using the Finnerty Model.

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

	2023	2022
Fair value at grant date	$5.04	$5.48
Share price at grant date	$7.01	$6.45
Exercise price	-	-
Share price volatility	35.4%	33.67%
Dividend yield	8.56%	5.43%
Risk free interest rate	3.92%	1.79%
Life of options	2.7 yrs	2.7 yrs
Advised restriction period (after vesting)	2 yrs	2 yrs

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

10. EMPLOYEE BENEFITS (continued)

Reconciliation of outstanding share options/rights

GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS/RIGHTS AT BEGINNING OF YEAR	RIGHTS GRANTED	LAPSED	FORFEITED	EXERCISED	NUMBER OF OPTIONS AT END OF YEAR ON ISSUE	EXERCISABLE AT 30 JUNE
2023										
Nov 19	Jul 22	Jun 22	-	**91,796**	**-**	**-**	**-**	**(91,796)**	**-**	**-**
Oct 20	Jul 23	Jun 23	-	**84,814**	**-**	**-**	**-**	**-**	**84,814**	**84,814**
Oct 21	Jul 24	Jun 24	-	**65,230**	**-**	**-**	**-**	**-**	**65,230**	**-**
Oct 22	Jul 25	Jun 25	-	**-**	**67,232**	**-**	**-**	**-**	**67,232**	**-**
				241,840	**67,232**	**-**	**-**	**(91,796)**	**217,276**	**84,814**
Weighted average exercise price				***$Nil***	***$Nil***	***$Nil***	***$Nil***	***$Nil***	***$Nil***	***$Nil***
2022										
PREVIOUS PLAN										
Mar 05	Jan 07	Jan 27	$4.36	15,000	-	-	-	-	15,000	-
				15,000	-	-	-	-	15,000	-
Weighted average exercise price				*$4.36*					*$4.36*	
CURRENT PLAN										
Oct 18	Jul 21	Jun 21	-	100,929	-	-	-	(100,929)	-	-
Nov 19	Jul 22	Jun 22	-	91,796	-	-	-	-	91,796	91,796
Oct 20	Jul 23	Jun 23	-	84,814	-	-	-	-	84,814	-
Oct 21	Jul 24	Jun 24	-	-	65,230	-	-	-	65,230	-
				277,539	65,230	-	-	(100,929)	241,840	91,796
Weighted average exercise price				*$Nil*	*$Nil*	*$Nil*	*$Nil*	*$Nil*	*$Nil*	*$Nil*

* The Previous Plan was an option plan that entitled senior executives to acquire shares in the entity subject to the successful achievement of performance targets related to improvements in total shareholder returns over a two-year option period. The plan was discontinued in 2010. The shares issued pursuant to these options are financed by an interest free loan from the Company repayable within twenty years from the proceeds of dividends declared by the Company. These loans were of a non-recourse nature. For accounting purposes these 20-year loans are treated as part of the options to purchase shares, until the loan is extinguished at which point the shares are recognised. In September 2021 the last of these loans was extinguished and as a result the options were treated as having been exercised.

11. PROVISIONS

ACCOUNTING POLICIES

A provision is recognised if, as a result of a past event, the Company 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.

Site restoration and safety

The Environment Protection Authority has advised the Company that no remedial works are required at the Kilburn site at this time. As a result the previously held provision of $560,000 has been derecognised and reversed through profit and loss.

	2023 $'000	2022 $'000
Non-current		
Site restoration	-	560
	-	560

TANGIBLE ASSETS

The following section shows the physical tangible assets used by the Company 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 Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Buildings 25 years
- Plant and equipment 3-12 years

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

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 Company 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

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. Due to volatility in industrial property markets over recent years, the Directors obtained an independent valuation in both 2022 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. 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 2021	8,232	26,028	34,260
Acquisitions	-	2,110	2,110
Disposals and write-offs	-	(1,696)	(1,696)
Revaluation	1,768	-	1,768
Balance at 30 June 2022	10,000	26,442	36,442
Balance at 1 July 2022	**10,000**	**26,442**	**36,442**
Acquisitions	**26**	**1,836**	**1,862**
Disposals and write-offs	**-**	**(281)**	**(281)**
Revaluation	**704**	**-**	**704**
Balance at 30 June 2023	**10,730**	**27,997**	**38,727**
Accumulated depreciation and impairment losses			
Balance at 1 July 2021	73	17,598	17,671
Depreciation charge for the year	73	1,209	1,282
Revaluation	(146)	-	(146)
Disposals	-	(1,597)	(1,597)
Balance at 30 June 2022	-	17,210	17,210
Balance at 1 July 2022	**-**	**17,210**	**17,210**
Depreciation charge for the year	**110**	**1,348**	**1,458**
Revaluation	**(110)**	**-**	**(110)**
Disposals	**-**	**(184)**	**(184)**
Balance at 30 June 2023	**-**	**18,374**	**18,374**
Carrying amounts			
At 30 June 2021	8,159	8,430	16,589
At 30 June 2022	10,000	9,232	19,232
At 30 June 2023	10,730	9,623	20,353

FAIR VALUE HIERARCHY OF LAND AND BUILDINGS

At least every three years the directors obtain an independent valuation to support the fair value of Land and Buildings. This valuation is used by the directors as a guide in determining the directors' valuation for the Land and Buildings.

An independent valuation of Land and Buildings was carried out in June 2023 by Mr Ivo Kafka, AAPI of AON Valuation Services on the basis of the open market value of the properties concerned in their highest and best use and was used as a reference for the directors' valuation as at 30 June 2023.

The carrying amount of the Land and Buildings at cost at 30 June 2023 if not revalued would be $846,000 (2020: $874,000).

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table shows the valuation technique used in measuring the fair value of Land and Buildings, as well as the significant unobservable inputs used. The valuation of land and buildings is based on Level 2 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 income 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 against its sale price to derive a fair market sales price. Capitalised value has been increased by the value of vacant land as the property has below average site coverage indicating further capacity for development.	Market yield - 7.9% Potential rental rate - $65/m^2$ Land value for vacant land - $200/m^2$	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 Company'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 Company has determined that calculation of the recoverable amount of assets or CGUs is not required as at 30 June 2023 as there were no impairment indicators.

LEASES

14. LEASES

At inception of a contract, the Company 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 Company 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 Company's incremental borrowing rate. The Company 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.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

Leases as a lessee

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

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

i. Right-of-use assets

	Warehouses $'000	Forklifts $'000	Total $'000
Balance at 1 July 2022	**5,200**	**11**	**5,211**
Additions to right-of-use assets	**531**	**-**	**531**
Depreciation of right-of-use asset	**(835)**	**(11)**	**(846)**
Balance at 30 June 2023	**4,896**	**-**	**4,896**
Balance at 1 July 2021	6,011	57	6,068
Additions to right-of-use assets	17	-	17
Depreciation of right-of-use asset	(828)	(46)	(874)
Balance at 30 June 2022	5,200	11	5,211

ii. Lease liability

	2023 $'000	2022 $'000
Current	776	790
Non-current	4,418	4,678
Total Lease liability	**5,194**	**5,468**

iii. Amounts recognised in profit or loss

	2023 $'000	2022 $'000
Depreciation right-of-use asset	846	874
Interest on lease liabilities	137	161
Expenses relating to short-term leases	69	17

iv. Amounts recognised in statement of cash flows

	2023 $'000	2022 $'000
Cash flows used in operating activities	206	178
Cash flows used in financing activities	805	783
Total cash outflow for leases	**1,011**	**961**

The Company has entered into agreements to lease two adjoining buildings in New South Wales to accommodate the Sydney EzyStrut branch. One of the buildings will be sublet with the arrangement allowing Korvest to control a common hardstand area between the two buildings. The buildings are new constructions and availability is dependent on the completion of construction. One building became available in July 2023 and the second is expected to be completed in the first half of FY24 therefore these leases are not recognised as a right of use asset / lease liability as at 30 June 2023. In aggregate the first twelve months' rent for the two properties will be $813,000 with this being offset by the sublease rent of $295,000. The leases and sublease are subject to annual CPI escalation clauses and are for a term of 7 years.

CAPITAL STRUCTURE

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

The directors determine the appropriate capital structure of the Company, specifically how much is realised from shareholders and how much is borrowed from the financial institutions to finance the Company'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.

	2023 $'000	2022 $'000
Bank balances	1,270	1,918
Call deposits	7,670	1,638
Cash and cash equivalents in the statement of cash flows	8,940	3,556
Term deposits	275	275

16. CASH AND CASH EQUIVALENTS (continued)

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2023 $'000	2022 $'000
Cash flows from operating activities		
Profit for the year	11,176	11,336
Adjustment for:		
Depreciation and amortisation	1,459	1,282
Depreciation right-of-use asset	846	874
Impairment of trade receivables	71	33
(Reversal of) Impairment of inventories	180	(25)
Increase/(decrease) in provision for site rectification	(560)	68
(Profit) on sale of subsidiaries	-	(815)
Loss/(Profit) on disposal of property, plant and equipment	44	(19)
Equity-settled share-based payment expense	412	380
	13,628	13,114
Changes in:		
Trade and other receivables	(2,061)	(2,836)
Prepayments	(229)	(19)
Inventories	3,486	(8,121)
Trade and other payables	440	902
Deferred tax	372	208
Income taxes payable	(916)	364
Provisions and employee benefits	224	375
Net cash from operating activities	14,944	3,987

16. FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Financial assets and liabilities

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

FINANCIAL ASSETS AND LIABILITIES	CLASSIFICATION UNDER AASB 9
Cash, cash equivalents and Investments	Amortised cost
Trade and other receivables	Amortised cost
Trade and other payables	Amortised cost

FINANCIAL RISK MANAGEMENT

Overview

The Company 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 Company, 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 Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company'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:

	2023 $'000	2022 $'000
Cash, cash equivalents and Investments	**9,215**	3,831
Trade and other receivables	**18,864**	16,874

Cash and cash equivalents

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

16. FINANCIAL INSTRUMENTS (continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company's standard payment and delivery terms and conditions are offered. The Company'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 Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. The Company takes out trade credit insurance to reduce the Company's credit risk exposure.

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

The Company uses an expected credit loss (ECL) model to measure the allowance for losses. The Company uses quantitative and qualitative information based on the Company'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:

	2023 $'000	2022 $'000
Carrying values		
Australia	**18,799**	16,804
New Zealand	**65**	70
	18,864	16,874

At 30 June 2023, the Group's most significant customer, located in Australia, accounted for $3,989,194 of the trade and other receivables carrying amount (2022: $3,758,789).

Impairment losses

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

	2023 $'000	2022 $'000
Gross		
Not past due nor impaired	**11,834**	11,740
Past due 0-30 days	**6,682**	4,963
Past due 31-90 days	**348**	171
More than 91 days	**-**	-
	18,864	16,874

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 Company'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 Company's reputation.

The Company 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 and leases, including estimated interest payments. The amounts disclosed are the contractual undiscounted cash flows (inflows shown as positive, outflows as negative).

	2023 Contractual cash flows					2022 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	Total $'000	Less than 1 year $'000	1 - 5 years $'000	More than 5 years $'000
Non-derivative financial liabilities										
Trade and other payables	9,671	(9,671)	(9,671)	-	-	9,231	(9,231)	(9,231)	-	-
Lease liabilities*	5,194	(5,867)	(923)	(2,535)	(2,409)	5,468	(6,225)	(930)	(2,362)	(2,933)
	14,865	(15,538)	(10,594)	(2,535)	(2,409)	14,699	(15,456)	(10,161)	(2,362)	(2,933)

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company'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 Company 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 Company 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 Company's profit or equity.

Interest rate risk

The Company 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 Company's profit or equity.

Other market price risk

The Company 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 Company does not enter into commodity contracts other than to meet the Company's expected usage requirements.

CAPITAL MANAGEMENT

The Company'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 Company was not subject to externally imposed capital requirements.

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

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

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

17. CAPITAL AND RESERVES

ACCOUNTING POLICIES

Ordinary shares

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

Asset revaluation reserve

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

Profits reserve

The profits reserve represents current year and accumulated profits transferred to a reserve to preserve the characteristic as a profit. Such profits are available to enable payment of franked dividends in the future.

Equity compensation reserve

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

SHARE CAPITAL

	2023 Shares '000	2022 Shares '000
Ordinary shares		
On issue at 1 July	**11,466**	11,327
Issued under the Employee Share Bonus Plan	**18**	23
Issued under the Executive Share Plan	**92**	116
On issue at 30 June – fully paid	**11,576**	11,466

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
2023					
Interim 2023 ordinary	**25.0**	**2,892**	**100%**	**30%**	**3 March 2023**
Final 2022 ordinary	**35.0**	**4,045**	**100%**	**30%**	**2 September 2022**
Total amount		**6,937**			
2022					
Interim 2022 ordinary	25.0	2,864	100%	30%	4 March 2022
Final 2021 ordinary	20.0	2,288	100%	30%	3 September 2021
Total amount		5,152			

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
2023					
Final 2023 ordinary	**35.0**	**4,052**	**100%**	**30%**	**6 September 2023**

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2023 and will be recognised in subsequent financial reports.

DIVIDEND FRANKING ACCOUNT

	2023 $'000	2022 $'000
30% franking credits available to shareholders of Korvest Ltd for subsequent financial years	**14,020**	12,466

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 at the year-end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon being able to declare dividends. The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by $1,736,000 (2022: reduce by $1,720,000).

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.

IFRIC 23 Uncertainty over Income Tax Treatments

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

19. CURRENT AND DEFERRED TAXES

ACCOUNTING POLICIES

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

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2023

19. CURRENT AND DEFERRED TAXES (continued)

INCOME TAX RECOGNISED IN THE INCOME STATEMENT

	2023 $'000	2022 $'000
Current tax expense		
Current year	4,614	4,312
Prior year	(87)	-
	4,527	4,312
Deferred tax expense		
Origination and reversal of temporary differences		
- relating to current year	302	208
- relating to prior year	70	-
	372	208
Total income tax expense in Statement of profit or loss and comprehensive income	4,899	4,520

NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT

	2023 $'000	2022 $'000
Profit before tax	16,075	15,856
Income tax using the domestic corporation tax rate of 30% (2022:30%)	4,823	4,757
Non-deductible expenses	92	28
Capital loss on sale of subsidiaries	-	(265)
Prior year over provision	(16)	-
Income tax expense on pre-tax net profit	4,899	4,520

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property, plant and equipment	-	-	(3,800)	(3,800)	(3,800)	(3,207)
Leases	1,558	1,640	(1,469)	(1,563)	89	77
Inventories	220	166	(717)	(735)	(497)	(569)
Provisions / accruals	1,149	1,249	-	-	1,149	1,249
Provision for doubtful debts	28	28	-	-	28	28
Other	19	26	-	-	19	26
Tax loss carried forward	552	552	-	-	552	552
Tax (assets) / liabilities	3,526	3,661	(5,986)	(5,505)	(2,460)	(1,844)
Set off of tax	(3,526)	(3,661)	3,526	3,661	-	-
Net tax (assets) / liabilities	-	-	(2,460)	(1,844)	(2,460)	(1,844)

MOVEMENT IN DEFERRED TAX BALANCES DURING THE YEAR

	Balance 30 June 22 $'000	Recognised in profit $'000	Recognised directly in equity $'000	Over provision prior year $'000	Balance 30 June 23 $'000
Property, plant and equipment	(3,207)	(278)	(244)	(70)	(3,799)
Leases	77	12	-	-	89
Inventories	(569)	72	-	-	(497)
Provisions / accruals	1,249	(100)	-	-	1,149
Provision for doubtful debts	28	-	-	-	28
Other	26	(8)	-	-	18
Tax loss carried forward	552	-	-	-	552
	(1,844)	(302)	(244)	(70)	(2,460)

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

GROUP COMPOSITION

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

20. SALE OF SUBSIDIARIES

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2023

OTHER NOTES

21. KEY MANAGEMENT PERSONNEL

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

NON-EXECUTIVE DIRECTORS			
Andrew Stobart (Chairman)	Gary Francis	Gerard Hutchinson	Therese Ryan

EXECUTIVE DIRECTORS		EXECUTIVES	
Chris Hartwig (Managing Director)	Steven McGregor (Finance Director & 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:

	2023 $	2022 $
Short-term employee benefits	**1,947,490**	1,790,072
Post-employment benefits	**149,845**	144,635
Long term benefits	**46,212**	58,937
Share based payments	**331,865**	312,543
	2,475,412	2,306,187

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. COMMITMENTS AND CONTINGENCIES

At 30 June 2023, the Company had contractual commitments for the acquisition of property, plant and equipment of $1,847,000 (2022: $1,034,000).

23. GUARANTEES ENTERED INTO BY THE COMPANY

Bank guarantees given by the Company in favour of customers and landlords amounted to $1,489,407 (2022: $1,462,047).

24. SUBSEQUENT EVENTS

Other than the dividend disclosed in Note 18, there has not arisen between the end of the year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

For the year ended 30 June 2023

1. In the opinion of the Directors of Korvest Ltd (the Company):

   (a) the financial statements and notes that are set out on pages 24 to 52 and the Remuneration report in the Directors' report, set out on pages 12 to 20, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Company's financial position as at 30 June 2023 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 2023.

3. The Directors draw attention to the Basis of preparation note on page 28, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 24th July 2023

Signed in accordance with resolution of directors:

ANDREW STOBART

DIRECTOR

KPMG

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 Company's financial position as at 30 June 2023 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:

- Statement of financial position as at 30 June 2023;
- Statement of profit or loss and other comprehensive income, Statement of cash flows and Statement of changes in equity for the year then ended 30 June 2023;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Key Audit Matters

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 ($12.562 million)

Refer to Note 8 to the Financial Report – Inventories

The key audit matter

The valuation of EzyStrut finished goods inventory is a key audit matter due to:

- EzyStrut finished goods inventory being specialised in nature;
- Importance of EzyStrut finished goods inventory valuation to the business operations and financial performance of the Company; and
- Company's judgment involved in estimating the amount of the impairment provision. Estimating the provision, and therefore the net carrying value of finished goods inventory, requires consideration of the quantity of finished goods on hand, anticipated future usage and expected recoverable amount. Such judgments may have a significant impact on the Company's finished goods inventory impairment provision, and therefore the overall net carrying value of finished goods inventory, necessitating additional audit effort.

In auditing this key audit matter, we used senior team members who understand the Company's business, industry and the relevant economic environment.

How the matter was addressed in our audit

Our procedures included applying our understanding of the Company's business model in:

- Assessing the Company's policies for the valuation of finished goods inventory against the requirements of the accounting standards;
- Critically evaluating the Company's methodology to identify finished goods that are slow moving or selling below cost;
- Testing the Company's finished goods inventory impairment assessment at year-end, by:
  - Assessing the accuracy of the underlying finished goods inventory provision model by performing computation checks; and
  - Checking the accuracy of the expected time period to sell inventory, by product, as a key input in the finished goods inventory provision. We evaluated the expected time period to sell inventory on hand using the sales / usage quantities experienced during the year ended 30 June 2023. We checked a sample of those sales quantities to sales invoices;
- Comparing the unit cost of each finished good on hand from the Company's impairment assessment to the average sales price for the year of these products, as a proxy for expected recoverable amount;
- Challenging the Company's assumptions, such as the provision percentages by product category and aging, using our understanding of the Company's business and knowledge of the market; and
- Attending stocktakes in significant locations observing the Company'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 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 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 Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.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 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 13 to 23 of the Directors' report for the year ended 30 June 2023.*

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

KPMG

Darren Ball
Partner

Adelaide

24 July 2023

** This is the original version of the audit report over the financial statements signed by the directors on 24 July 2023. Page references should be read as follows to reflect the correct references now that the financial statements have been presented in the context of the annual report in its entirety: the Remuneration Report is set out on pages 12 to 20, as opposed to pages 13 to 23 outlined above.*

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 2023 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

Darren Ball
Partner

Adelaide

24 July 2023

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS (AS AT 21 JULY 2023)

SUBSTANTIAL SHAREHOLDERS

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

Shareholder	Percentage	Number
Colonial First State Investments Limited	9.8%	1,138,760
Phoenix Portfolios Pty Ltd	7.3%	844,564
Donald Cant Pty Ltd	5.4%	621,759

VOTING RIGHTS

ORDINARY SHARES

Refer to note 17 in the financial statements.

OPTIONS

Refer to note 10 in the financial statements.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

	NUMBER OF EQUITY SECURITY HOLDERS		
Category	Total Holders	Units	% Issued Capital
1 - 1,000	1,231	462,295	3.99
1,001 - 5,000	846	2,163,205	18.69
5,001 - 10,000	171	1,302,622	11.25
10,001 - 100,000	161	3,575,591	30.89
100,001 and over	11	4,072,576	35.18
	2,420	**11,576,289**	**100**

The number of shareholders holding less than a marketable parcel of ordinary shares is 78.

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 2023

TWENTY LARGEST SHAREHOLDERS

Name	Number of Ordinary Shares Held	Percentage of Capital Held
Citicorp Nominees Pty Limited	1,201,392	10.38
Donald Cant Pty Ltd	621,759	5.37
J P Morgan Nominees Australia Pty Limited	552,063	4.77
Creative Living (Qld) Pty Ltd	320,000	2.76
Anacacia Pty Ltd <Wattle Fund A/C>	308,037	2.66
National Nominees Limited	282,934	2.44
Rathvale Pty Limited	191,558	1.65
Allegro Two Super Fund Pty Ltd <Allegro Super Fund No 2 A/C>	173,780	1.50
Brazil Farming Pty Ltd	166,416	1.44
Mr William Francis Cannon	130,083	1.12
Brazil Farming Pty Ltd	124,554	1.08
Robert Nairn Pty Ltd	100,000	0.86
Mr Steven McGregor	95,878	0.83
Gotterdamerung Pty Limited <Gotterdamerung S/F A/C>	91,430	0.79
Gotterdamerung Pty Limited <Gotterdamerung Family A/C>	79,539	0.69
Mrs Helen Elizabeth Rollinson	72,343	0.62
Angueline Capital Pty Limited	70,000	0.60
Mr Chris Hartwig	67,187	0.58
Ms Nina Tschernykow	60,720	0.52
A & R Truda Pty Ltd <A&R Truda Super A/C>	60,683	0.52
	4,770,356	**41.21**

OFFICES AND OFFICERS

COMPANY SECRETARY

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

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

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

Korvest Ltd

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