

## Appendix 4E

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

### **Preliminary Final Report** **Financial Year Ended 30 June 2021**

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

\$A'000

|  |                     |       |                             |        |
|--|---------------------|-------|-----------------------------|--------|
| Revenues from ordinary activities  | Up                  | 10.6% | to                          | 69,786 |
| Profit from ordinary activities after tax attributable to members  | Up                  | 50.3% | to                          | 6,054  |
| Net profit for the period attributable to members  | Up                  | 50.3% | to                          | 6,054  |
| Earnings per share   | Up                  | 49.4% | to                          | 53.5¢  |
| <b>Dividends</b>   | Amount per security |       | Franked amount per security |        |
| Final dividend (#)<br>- current reporting period<br>- previous corresponding period  | 20.0¢<br>13.0¢      |       | 20.0¢<br>13.0¢              |        |
| Interim dividend<br>- current reporting period<br>- previous corresponding period  | 15.0¢<br>15.0¢      |       | 15.0¢<br>15.0¢              |        |
| Special dividend<br>- current reporting period<br>- previous corresponding period  | -<br>-              |       | -<br>-                      |        |
| # Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.<br>The Dividend Reinvestment Plan is suspended for the final dividend.  |                     |       |                             |        |
| Record date for determining entitlements to the dividend   | 20 August 2021      |       |                             |        |
| Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:<br><br><b>Refer attached press release.</b><br>This report is based on financial statements that have been audited. The audit report is included in the 30 June 2021 financial report. |                     |       |                             |        |

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

**The announcement was approved for release by the Board.**

# **Annual Report**

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

**30 June 2021**

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## Directors' report

The directors present their report together with the consolidated financial statements of the Group comprising of Korvest Ltd ('the Company') and its subsidiaries for the financial year ended 30 June 2021 and the auditor's report thereon.

### DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

| <b><i>Name, qualifications and independence status</i></b>  | <b><i>Experience, special responsibilities and other directorships</i></b>   |
|---|--|
| <b>Graeme Billings</b><br>BCom FCA MAICD<br>Chairman  | Appointed Chairman 18 September 2014<br>A Director since May 2013<br>Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years where he was a senior partner in the assurance practice.<br>Chairman G.U.D. Holdings Limited<br>Director Clover Corporation Limited<br>Chairman Austco Healthcare Ltd<br>Member of Audit and Remuneration Committees |
| <b>Chris Hartwig</b><br>BA(Acc), MAICD<br>Managing Director   | A Director since 28 February 2018<br>Mr Hartwig has held a number of senior roles in the steel and electrical manufacturing industries.<br>Director Galvanising Association of Australia   |
| <b>Gerard Hutchinson</b><br>MBA, MBL, MSc(IS), BEc, MA (Research), FCA, FAICD, FAIM<br>Independent Non-Executive Director | A Director since November 2014<br>Mr Hutchinson has held roles of Chief Financial Officer and Managing Director in a range of large and publicly-listed businesses across the construction, engineering sectors. He is currently Chief Financial Officer for Elegancia Group.<br>Chairman of Audit Committee and member of Remuneration Committee                |
| <b>Gary Francis</b><br>BSc. (Hons) (Civil), MAICD<br>Independent Non-Executive Director                                   | A Director since February 2014<br>Mr Francis has worked in the construction industry at Senior Manager or Director level in Australia and Asia.<br>Chairman of Remuneration Committee and member of Audit Committee  |
| <b>Andrew Stobart</b><br>B. Eng (Hons), Grad Dip Bus Admin, GAICD<br>Independent Non-Executive Director                   | A Director since August 2016<br>Former Chairman Nexans Olex Australia & New Zealand<br>Member of Audit and Remuneration Committees   |
| <b>Steven McGregor</b><br>BA(Acc), FCA, AGIA, ACG<br>Finance Director   | Company Secretary since April 2008<br>Appointed as Finance Director 1 January 2009<br>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.  |

## Directors' Report

### For the year ended 30 June 2021

#### 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, Gerard Hutchinson retires from the Board at the forthcoming Annual General Meeting on 22 October 2021 and offers himself for re-election.

#### DIRECTORS' MEETINGS

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

| Director        | Board |    | Audit Committee |   | Remuneration Committee |   | Nomination Committee |   |
|-----------------|-------|----|-----------------|---|------------------------|---|----------------------|---|
|                 | A     | B  | A               | B | A                      | B | A                    | B |
| Mr G Billings   | 14    | 14 | 4               | 4 | 3                      | 3 | 2                    | 2 |
| Mr G Francis    | 14    | 14 | 4               | 4 | 3                      | 3 | 2                    | 2 |
| Mr G Hutchinson | 14    | 14 | 4               | 4 | 3                      | 3 | 2                    | 2 |
| Mr A Stobart    | 14    | 14 | 4               | 4 | 3                      | 3 | 2                    | 2 |
| Mr C Hartwig    | 14    | 14 | -               | - | -                      | - | -                    | - |
| Mr S McGregor   | 14    | 14 | -               | - | -                      | - | -                    | - |

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 2021 (FY21) was \$69.786m, up 10.6% on the previous year. This improvement was due to a significant increase in activity in the second half of the year after the first half revenue was 9.7% down on the prior year. As a result of trading conditions in May 2020, compared to May 2019, the Group qualified for the Government JobKeeper subsidy for the period from May to September 2020 with \$1.864m of income from this subsidy included in the FY21 result following on from the \$1.059m that was included in the FY20 result. More details on the impact and response to COVID-19 are provided in the review of operations on page 6. The Group recorded a profit after tax of \$6.054m compared to \$4.027m in the previous year.

## Directors' Report

### For the year ended 30 June 2021

#### DIVIDENDS

The directors announced a fully franked final dividend of 20.0 cents per share (2020: 13.0 cents per share) following an interim dividend of 15.0 cents per share at the half year (2020: 15.0 cents per share). The Dividend Reinvestment Plan (DRP) will remain suspended for the final dividend. The dividend will be paid on 3 September 2021 with a record date of 20 August 2021.

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

|   | Cents per share | Total amount \$'000 | Franked/unfranked | Date of payment  |
|---|-----------------|---------------------|-------------------|------------------|
| <b>Declared and paid during the year 2021</b> |                 |                     |                   |                  |
| Interim 2021 ordinary                         | 15.0            | 1,699               | Fully franked     | 5 March 2021     |
| Final 2020 ordinary                           | 13.0            | 1,470               | Fully franked     | 4 September 2020 |
| Total amount                                  |                 | <u>3,169</u>        |                   |                  |

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

#### Declared after end of year

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

|                |      |              |               |                  |
|----------------|------|--------------|---------------|------------------|
| Final ordinary | 20.0 | <u>2,268</u> | Fully franked | 3 September 2021 |
| Total amount   |      | <u>2,268</u> |               |                  |

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2021 and will be recognised in subsequent financial reports.

|   | Note | Total amount \$'000 |
|---|------|---------------------|
| <b>Dividends have been dealt with in the financial report as:</b> |      |                     |
| Dividends   | 18   | 3,169               |
| Dividends – subsequent to 30 June 2021                            | 18   | 2,268               |

#### PRINCIPAL ACTIVITIES, STRATEGY AND FUTURE PERFORMANCE

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

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

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

Demand from the infrastructure sector has been increasing over recent years and this continued throughout FY21. Road and rail tunnels, primarily on the East Coast, is where the bulk of the infrastructure activity is occurring. One major project was supplied through FY21 and will continue into FY22. Late in the year, supply commenced on two further major infrastructure projects which will continue during FY22. As a result of the unprecedented levels of large project work, coupled with a buoyant general market, Korvest enters FY22 with record levels of work on hand.

To ensure that Korvest is able to supply the significant market opportunities over the forthcoming years, investment will continue to be focussed on improvements to factory capacity and capability. This will build on a range of productivity initiatives that have been undertaken over recent years.

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

## Directors' Report

For the year ended 30 June 2021

### REVIEW OF OPERATIONS

#### **COVID-19**

During FY21 COVID-19 became very much part of normal business operations. Lockdown conditions were experienced at different times in most jurisdictions with the Victorian operation suffering the greatest impact due to the extended restrictions endured in that state. Fortunately, as the construction industry was able to operate during lockdowns, demand from Korvest's customer base was not impacted and branches were able to trade, albeit with restrictions on the number of staff on site.

The South Australian operations, including the factory and galvanising plant, were forced to close for a period of two days during November. Thankfully, the closure was short lived and when production was able to re-start the lost production time was quickly recovered.

On the supply side, global freight issues caused concern with substantial increases in the cost of international sea freight and a lack of available shipping slots. To mitigate these risks, along with the risk of future supply chain disruption, stockholdings of imported items were increased.

#### **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.

EzyStrut traded strongly throughout the year with activity levels high in the major projects, the smaller projects and national wholesaler market segments. One major infrastructure project was supplied through the entire year and in the fourth quarter two further large projects were commenced. In the smaller project and wholesaler segment, activity levels increased as the year progressed, with May and June providing the highest turnover months of the year. Significant raw material price rises were experienced during the second half and further increases have been advised into the first half of FY22. As a result, EzyStrut advised customers of price rises effective from 1 April 2021 and another will be effective from 1 August 2021.

The Power Step and Titan Technologies businesses experienced marginally reduced revenue in FY21 however were able to maintain the margin improvement achieved in FY20 and as a result only a modest reduction in profit was experienced.

#### **Production**

In the Production segment, the Galvanising business volumes grew with increases from both external and internal customers. External customer volumes were higher in both the main plant and the spin plant due to an increase in work from SA based fabricators. The Gawler rail electrification project was supplied over the course of the year, however, there was a pause in activity for a number of months due to a change of steel fabricator on the project. Internal volumes grew in line with the improvement in the EzyStrut business as most of the EzyStrut growth was in galvanised products. Zinc pricing increased during FY21 to end the year 25% higher than it started and this was passed onto customers through price rises.

## Directors' Report

### For the year ended 30 June 2021

#### 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.

During the year Korvest engaged an external risk consultant to review the Company's risk processes and the risk register. This external engagement led to further refinement of the Company's risk management practices.

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

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

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

Korvest is committed to minimising its impact on the environment and over recent years has undertaken a number of projects to reduce energy consumption and emissions. During FY21 a 270kW solar system was installed at the Kilburn site. This is the third system installed at Kilburn and brings the capacity to 443kW.

#### SIGNIFICANT CHANGES

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

#### EVENTS SUBSEQUENT TO REPORTING DATE

Other than the dividend declared after reporting date, at the date of this report there is no matter or circumstance that has arisen since 30 June 2021, that has significantly affected, or may significantly affect:

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

in the financial years subsequent to 30 June 2021.

#### LIKELY DEVELOPMENTS

Korvest will continue to invest in improving the capacity and capability of the production facilities to ensure that the significant quantity of available work is able to be serviced.

Working capital management remains a focus area. Collection of accounts receivables is always closely monitored and the performance in this area has been particularly pleasing over the past year. The levels of inventory are actively managed to minimise slow moving stock whilst ensuring that sufficient inventory is held to satisfy customer requirements. During FY21 the uncertainty around supply chains as a result of COVID-19 has meant that higher levels of stock have been held for some items.

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

## Directors' Report

For the year ended 30 June 2021

### INDEMNIFICATION AND INSURANCE OF OFFICER AND AUDITORS

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers of the Company and related entities. The insurance premiums relate to:

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

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

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

## Remuneration Report – Audited

For the year ended 30 June 2021

### Principles of compensation

Remuneration is referred to as compensation throughout this report.

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

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

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

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

### Fixed compensation

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

Compensation levels are reviewed annually by the remuneration committee.

### Performance linked compensation

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

### Consequences of performance on shareholder wealth

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

|  |          | 2021          | 2020   | 2019   | 2018   | 2017    |
|--|----------|---------------|--------|--------|--------|---------|
| <b>Profit / (Loss) after tax</b>         | (\$'000) | <b>6,054</b>  | 4,027  | 2,885  | 1,369  | (1,578) |
| <b>Dividend</b>                          |          |               |        |        |        |         |
| - Total amount paid                      | (\$'000) | <b>3,169</b>  | 3,149  | 1,787  | 889    | 2,192   |
| - Per issued share                       |          | <b>28.0c</b>  | 28.0c  | 16.0c  | 8.0c   | 20.0c   |
| <b>Earnings per share</b>                |          | <b>53.5c</b>  | 35.8c  | 25.9c  | 12.3c  | (14.4c) |
| <b>Share price as at 30 June</b>         |          | <b>\$4.99</b> | \$4.00 | \$2.70 | \$2.07 | \$2.36  |
| <b>Return on invested capital (ROIC)</b> |          | <b>18.4%</b>  | 13.8%  | 10.3%  | 4.9%   | (5.7%)  |

## Remuneration Report – Audited

### For the year ended 30 June 2021

#### Short-term incentive bonus

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

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

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

| Managing Director             | Other executives *      |
|-------------------------------|-------------------------|
| Financial performance (70%)   | Financial performance   |
| Operational performance (15%) | Operational performance |
| New markets (10%)             | New markets             |
| Safety (5%)                   | Safety                  |
|                               | Working capital         |

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

#### Long-term incentive bonus

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

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

The first performance hurdle relates to growth in basic earnings per share (EPS). EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year performance period. To determine the aggregate EPS performance required over the performance period, a % growth is applied to a base EPS. For the most recent issue of Performance Rights, the base EPS is equal to the statutory EPS for the FY20 year. The table below sets out the % of rights that vest depending on the aggregate level of EPS achieved over the performance period.

| Aggregate EPS over performance period (3 years to 30 June 2023) | % of rights that vest       |
|---|-----------------------------|
| Less than 118.504 cents   | Nil                         |
| 118.504 cents   | 25%                         |
| Between 118.504 and 135.301                                     | Pro rata between 25% – 100% |
| 135.301 or greater  | 100%                        |

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

## Remuneration Report

### For the year ended 30 June 2021

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

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

Where

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

The ROIC performance rights issued during FY 21 will vest in accordance with the table below:

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

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

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

#### Service contracts

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

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

#### Services from remuneration consultants

No remuneration consultants were used during the year.

#### Non-executive directors

Non-executive directors receive a fixed fee. The total remuneration for all non-executive directors was last voted upon by shareholders at the AGM held on 25 October 2013 and is not to exceed \$450,000.

The following base fees became effective on 1 July 2019 and were applied for the entirety of the financial year ended 30 June 2021:

|          |           |
|----------|-----------|
| Chairman | \$133,916 |
| Director | \$66,964  |

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

Superannuation is added to these fees where appropriate.

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

## Remuneration Report

For the year ended 30 June 2021

### Directors and Executive Remuneration

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

|                          |      | Short Term | Post employment            | Total   |
|--------------------------|------|------------|----------------------------|---------|
|                          |      | Fees \$    | Superannuation benefits \$ |         |
| Name                     |      |            |                            | \$      |
| Non-Executive Directors  |      |            |                            |         |
| G Billings               | 2021 | 133,916    | 12,722                     | 146,638 |
| Non-executive (Chairman) | 2020 | 133,916    | 12,722                     | 146,638 |
| G Francis                | 2021 | 78,123     | 7,422                      | 85,545  |
| Non-executive (Director) | 2020 | 78,123     | 7,422                      | 85,545  |
| G Hutchinson             | 2021 | 78,123     | 7,422                      | 85,545  |
| Non-executive (Director) | 2020 | 78,123     | 7,422                      | 85,545  |
| A Stobart                | 2021 | 66,964     | 6,361                      | 73,325  |
| Non-executive (Director) | 2020 | 66,964     | 6,219                      | 73,183  |
| Total                    | 2021 | 357,126    | 33,927                     | 391,053 |
|                          | 2020 | 357,126    | 33,785                     | 390,911 |

## Remuneration Report

For the year ended 30 June 2021

| Name                           |      | Short Term     |         | Post employment         | Other long term – Long Service leave \$ ** | Share based payments |                    | Total \$  | Proportion of remuneration performance related % |
|--------------------------------|------|----------------|---------|-------------------------|--|----------------------|--------------------|-----------|--|
|                                |      | Salary & Fees* | Bonus   | Superannuation benefits |  | Shares               | Performance Rights |           |  |
|                                |      | \$             | \$      | \$                      |  | \$                   | \$                 |           |  |
| <b>Executive Directors</b>     |      |                |         |                         |  |                      |                    |           |  |
| C Hartwig <sup>1</sup>         | 2021 | 332,372        | 166,500 | 27,647                  | 10,507                                     | -                    | 100,037            | 637,063   | 41.8   |
| Executive (Managing Director)  | 2020 | 318,386        | 132,375 | 31,156                  | 9,301                                      | -                    | 40,033             | 531,251   | 32.5   |
| S McGregor <sup>1</sup>        | 2021 | 308,813        | 41,040  | 26,614                  | 11,329                                     | -                    | 95,857             | 483,653   | 28.3   |
| Executive (Finance Director)   | 2020 | 301,746        | 26,820  | 27,359                  | 8,530                                      | -                    | 38,862             | 403,317   | 16.3   |
| <b>Executives / other KMP</b>  |      |                |         |                         |  |                      |                    |           |  |
| S Taubitz                      | 2021 | 221,742        | 83,600  | 25,285                  | 12,845                                     | 997                  | 66,455             | 410,924   | 36.5   |
| General Manager Sales          | 2020 | 215,000        | 64,500  | 23,268                  | 2,956                                      | 999                  | 23,105             | 329,828   | 26.6   |
| G Christie                     | 2021 | 196,900        | 52,500  | 21,164                  | 7,727                                      | 997                  | 61,464             | 340,752   | 33.4   |
| General Manager Operations     | 2020 | 193,000        | 25,883  | 19,999                  | 4,829                                      | 999                  | 25,029             | 269,739   | 18.9   |
| Total executives' remuneration | 2021 | 1,059,827      | 343,640 | 100,710                 | 42,408                                     | 1,994                | 323,813            | 1,872,392 |  |
|                                | 2020 | 1,028,132      | 249,578 | 101,782                 | 25,616                                     | 1,998                | 127,029            | 1,534,123 |  |

\* 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 \$25,000 executives can elect to have some or all of the superannuation contributions above \$25,000 paid as salary rather than superannuation.

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

## Remuneration Report

For the year ended 30 June 2021

### *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  |
|-------------------|--|-------------|---|--------------|
| <b>Directors</b>  |  |             |   |              |
| C Hartwig         | 25,936   | 26 Oct 2020 | \$3.92                                  | 30 June 2023 |
| S McGregor        | 24,852   | 26 Oct 2020 | \$3.92                                  | 30 June 2023 |
| <b>Executives</b> |  |             |   |              |
| S Taubitz         | 17,930   | 26 Oct 2020 | \$3.92                                  | 30 June 2023 |
| G Christie        | 16,096   | 26 Oct 2020 | \$3.92                                  | 30 June 2023 |

Half of the performance rights issued to each KMP will be tested against an EPS hurdle with the other half being tested against a Return on Invested Capital (ROIC) hurdle. The fair value of each right is \$3.92.

All performance rights have a nil exercise price.

All performance rights expire on the earlier of their expiry date or termination of the individual's employment. The performance rights are exercisable for one year after the conclusion of the vesting period. In addition to the continuing employment service condition, the ability to exercise performance rights is conditional on the Group achieving performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 10.

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

### *Exercise of performance rights granted as compensation*

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

|                           |        |
|---------------------------|--------|
| Number of Shares          | 38,150 |
| Amount paid on each share | Nil    |

## Remuneration Report

## For the year ended 30 June 2021

*Analysis of performance rights over equity instruments granted as compensation*

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

| Options / Rights Granted |         |        |                          |                                       |                           |
|--------------------------|---------|--------|--------------------------|---------------------------------------|---------------------------|
|                          | Number  | Date   | % vested in current year | % forfeited or lapsed in current year | Year in which grant vests |
| <b>Directors</b>         |         |        |                          |                                       |                           |
| C Hartwig                | 32,006* | Oct 18 | 99%                      | 1%                                    | 30 Jun 21                 |
|                          | 28,072  | Nov 19 | -                        | -                                     | 30 Jun 22                 |
|                          | 25,936  | Oct 20 | -                        | -                                     | 30 Jun 23                 |
| S McGregor               | 30,669* | Oct 18 | 99%                      | 1%                                    | 30 Jun 21                 |
|                          | 26,898  | Nov 19 | -                        | -                                     | 30 Jun 22                 |
|                          | 24,852  | Oct 20 | -                        | -                                     | 30 Jun 23                 |
| <b>Executives</b>        |         |        |                          |                                       |                           |
| S Taubitz                | 20,043* | Oct 18 | 99%                      | 1%                                    | 30 Jun 21                 |
|                          | 19,406  | Nov 19 | -                        | -                                     | 30 Jun 22                 |
|                          | 17,930  | Oct 20 | -                        | -                                     | 30 Jun 23                 |
| G Christie               | 19,387* | Oct 18 | 99%                      | 1%                                    | 30 Jun 21                 |
|                          | 17,420  | Nov 19 | -                        | -                                     | 30 Jun 22                 |
|                          | 16,096  | Oct 20 | -                        | -                                     | 30 Jun 23                 |

\* The three year performance period for performance rights issued in October 2018 ended on 30 June 2021. These rights were tested against two performance hurdles, earnings per share (EPS) and relative total shareholder return (RTSR). Korvest's aggregate EPS was 115.2 over the performance period. This results in 97.7% of the EPS performance rights vesting.

TSR is a ranking of the Company's total shareholder return, which is calculated as the growth in share price plus dividends and any capital returns to shareholders to produce the total return to shareholders expressed as a percentage. This is then compared to the performance of a comparator group of companies to derive the RTSR. Korvest's total shareholder return over the performance period was 175.8% which was at the 95<sup>th</sup> percentile of the comparator group. As a result, 100% of the RTSR performance rights will vest. The vested rights are able to be exercised up until 30 June 2022.

## Remuneration Report

### For the year ended 30 June 2021

#### Analysis of movements in performance rights granted as compensation

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

|                   | Value of Rights/Options |                          |
|-------------------|-------------------------|--------------------------|
|                   | Granted in year \$ (A)  | Exercised in year \$ (B) |
| <b>Directors</b>  |                         |                          |
| C Hartwig         | 101,669                 | 64,460                   |
| S McGregor        | 97,420                  | 61,600                   |
| <b>Executives</b> |                         |                          |
| S Taubitz         | 70,286                  | -                        |
| G Christie        | 63,096                  | 41,800                   |

- (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 2020 to 30 June 2023) subject to meeting the associated performance conditions.
- (B) The value of the performance rights exercised during the year is calculated as the market price of shares as at the close of trading on the date the performance rights were exercised after deducting the price to exercise the option.

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

#### Options and rights over equity instruments

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

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

No options held by KMP are vested but not exercisable.

|                   | Held at<br>1 July<br>2019 | Granted as<br>compensation | Exercised | Lapsed   | Held at<br>30 June<br>2020 | Vested<br>during<br>the year |
|-------------------|---------------------------|----------------------------|-----------|----------|----------------------------|------------------------------|
| <b>Directors</b>  |                           |                            |           |          |                            |                              |
| C Hartwig         | 80,310                    | 28,072                     | (20,304)  | (14,000) | 74,078                     | 14,000                       |
| S McGregor        | 72,737                    | 26,898                     | (12,768)  | (14,650) | 72,217                     | 14,650                       |
| <b>Executives</b> |                           |                            |           |          |                            |                              |
| S Taubitz         | 20,043                    | 19,406                     | -         | -        | 39,449                     | -                            |
| G Christie        | 43,987                    | 17,420                     | (5,600)   | (9,500)  | 46,307                     | 9,500                        |

No options held by KMP are vested but not exercisable.

## Remuneration Report

### For the year ended 30 June 2021

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

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

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

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

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

## Remuneration Report

For the year ended 30 June 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.

| KMP        | Maximum possible STI | Short-term incentive bonus         |                  |                            |
|------------|----------------------|------------------------------------|------------------|----------------------------|
|            |                      | Included in remuneration \$<br>(A) | % vested in year | % forfeited in year<br>(B) |
| C Hartwig  | 180,000              | 166,500                            | 92.5             | 7.5                        |
| S McGregor | 45,600               | 41,040                             | 90               | 10                         |
| S Taubitz  | 88,000               | 83,600                             | 95               | 5                          |
| G Christie | 60,000               | 52,500                             | 87.5             | 12.5                       |

(A) Amounts included in remuneration for the financial year represent the amount related to the financial year based on the achievement of specified performance criteria.

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

### Key management personnel transactions

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

## Directors' Report

For the year ended 30 June 2021

### 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<br>Ordinary Shares | Korvest Ltd<br>Performance Rights |        |
|--------------|--------------------------------|-----------------------------------|--------|
|              |                                | Unvested                          | Vested |
| C Hartwig    | 54,397                         | 54,008                            | 31,637 |
| G Billings   | 11,667                         | -                                 | -      |
| S McGregor   | 59,422                         | 51,750                            | 30,316 |
| G Francis    | 8,947                          | -                                 | -      |
| G Hutchinson | 500                            | -                                 | -      |
| A Stobart    | 8,500                          | -                                 | -      |

### NON-AUDIT SERVICES

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

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

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

### LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 64 and forms part of the Directors' report for the financial year ended 30 June 2021.

### ROUNDING OFF

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

### CORPORATE GOVERNANCE

The Company's Corporate Governance Statement can be found on the Korvest website at <https://www.korvest.com.au/assets/downloads/Korvest-Corporate-Governance-2021.pdf>

Signed at Adelaide this Thursday 22<sup>nd</sup> of July 2021 in accordance with a resolution of the directors.



G A BILLINGS, Director



C A HARTWIG, Director

## 5 Year Summary

|  |          | 2021   | 2020   | 2019   | 2018   | 2017    |
|--|----------|--------|--------|--------|--------|---------|
| Sales revenue                                  | (\$'000) | 69,786 | 63,088 | 60,843 | 56,962 | 44,731  |
| Profit / (Loss) after tax                      | (\$'000) | 6,054  | 4,027  | 2,885  | 1,369  | (1,578) |
| Depreciation/Amortisation (plant & equipment)  | (\$'000) | 1,434  | 1,286  | 1,469  | 1,625  | 1,710   |
| Depreciation (right-of-use asset)              | (\$'000) | 879    | 887    | -      | -      | -       |
| Cash flow from operations                      | (\$'000) | 6,509  | 10,460 | 1,413  | 5,110  | (384)   |
| Profit / (Loss) from ordinary activities       |          |        |        |        |        |         |
| - As % of Shareholders' Equity                 |          | 16.9%  | 12.3%  | 9.3%   | 4.6%   | (5.4%)  |
| - As % of Sales Revenue                        |          | 8.7%   | 6.4%   | 4.7%   | 2.4%   | (3.5%)  |
| Dividend                                       |          |        |        |        |        |         |
| - Total amount paid                            | (\$'000) | 3,169  | 3,149  | 1,787  | 889    | 2,192   |
| - Per issued share                             |          | 28.0c  | 28.0c  | 16.0c  | 8.0c   | 20.0c   |
| Earnings per share (Basic)                     |          | 53.5c  | 35.8c  | 25.9c  | 12.3c  | (14.4c) |
| Number of employees                            |          | 207    | 189    | 178    | 180    | 171     |
| Shareholders                                   |          |        |        |        |        |         |
| - Number at year end                           |          | 1,947  | 1,708  | 1,652  | 1,694  | 1,813   |
| Net assets per issued ordinary share           |          | \$3.17 | \$2.90 | \$2.76 | \$2.66 | \$2.63  |
| Net tangible assets per issued ordinary share* |          | \$2.63 | \$2.48 | \$2.76 | \$2.66 | \$2.63  |
| Share price as at 30 June                      |          | \$4.99 | \$4.00 | \$2.70 | \$2.07 | \$2.36  |

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

## Financial Statements

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

For the year ended 30 June 2021

|   | <i>Note</i> | <b>2021</b><br><b>\$'000</b> | <b>2020</b><br><b>\$'000</b> |
|---|-------------|------------------------------|------------------------------|
| <b>Continuing operations</b>  |             |                              |                              |
| Sales revenue   | 1           | 69,786                       | 63,088                       |
| JobKeeper income  |             | 1,864                        | 1,059                        |
| Expenses, excluding net finance costs   | 2           | (62,772)                     | (58,306)                     |
| <b>Profit before financing costs</b>  |             | <b>8,878</b>                 | <b>5,841</b>                 |
| Finance income  | 3           | 14                           | 84                           |
| Finance costs – lease liability interest  |             | (127)                        | (120)                        |
| <b>Net finance (cost)/income</b>  |             | <b>(113)</b>                 | <b>(36)</b>                  |
| <b>Profit before income tax</b>   |             | <b>8,765</b>                 | <b>5,805</b>                 |
| Income tax expense  | 19          | (2,711)                      | (1,778)                      |
| <b>Profit from continuing operations</b>  |             | <b>6,054</b>                 | <b>4,027</b>                 |
| <b>Profit for the year</b>  |             | <b>6,054</b>                 | <b>4,027</b>                 |
| <b>Other comprehensive income</b>   |             |                              |                              |
| <b>Items that will not be reclassified to profit or loss</b>                          |             |                              |                              |
| Revaluation of property, plant and equipment  |             | -                            | 940                          |
| Related tax   |             | -                            | (282)                        |
| <b>Total other comprehensive income</b>   |             | <b>-</b>                     | <b>628</b>                   |
| <b>Total comprehensive income for the period</b>                                      |             | <b>6,054</b>                 | <b>4,685</b>                 |
| <b>Attributable to:</b>   |             |                              |                              |
| Equity holders of the Company   |             | 6,054                        | 4,685                        |
| <b>Total comprehensive income for the period</b>                                      |             | <b>6,054</b>                 | <b>4,685</b>                 |
| <b>Earnings per share attributable to the ordinary equity holders of the Company:</b> |             |                              |                              |
|   |             | <b>Cents</b>                 | <b>Cents</b>                 |
| Basic earnings per share from continuing operations                                   | 4           | 53.5                         | 35.8                         |
| Diluted earnings per share from continuing operations                                 | 4           | 52.7                         | 35.5                         |

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As at 30 June 2021

|   | <i>Note</i> | <b>2021</b><br><b>\$'000</b> | <b>2020</b><br><b>\$'000</b> |
|---|-------------|------------------------------|------------------------------|
| <b>Assets</b>   |             |                              |                              |
| Cash and cash equivalents   | 15          | 6,690                        | 6,470                        |
| Investment  | 15          | 275                          | 275                          |
| Trade and other receivables                                       | 7           | 14,153                       | 10,111                       |
| Prepayments   |             | 304                          | 357                          |
| Inventories   | 8           | 12,445                       | 10,555                       |
| <b>Total current assets</b>                                       |             | <b>33,867</b>                | <b>27,768</b>                |
| Property, plant and equipment                                     | 12          | 16,589                       | 15,857                       |
| Right-of-use asset  | 14          | 6,068                        | 4,655                        |
| <b>Total non-current assets</b>                                   |             | <b>22,657</b>                | <b>20,512</b>                |
| <b>Total assets</b>   |             | <b>56,524</b>                | <b>48,280</b>                |
| <b>Liabilities</b>  |             |                              |                              |
| Trade and other payables  | 9           | 8,461                        | 5,901                        |
| Employee benefits   | 10          | 2,925                        | 2,624                        |
| Tax payable   |             | 1,217                        | 832                          |
| Lease liabilities   | 14          | 787                          | 782                          |
| Provisions  | 11          | 46                           | 34                           |
| <b>Total current liabilities</b>                                  |             | <b>13,436</b>                | <b>10,173</b>                |
| Employee benefits   | 10          | 208                          | 172                          |
| Deferred tax liability  | 19          | 1,016                        | 801                          |
| Lease liabilities   | 14          | 5,447                        | 3,965                        |
| Provisions  | 11          | 492                          | 520                          |
| <b>Total non-current liabilities</b>                              |             | <b>7,163</b>                 | <b>5,458</b>                 |
| <b>Total liabilities</b>  |             | <b>20,599</b>                | <b>15,631</b>                |
| <b>Net assets</b>   |             | <b>35,925</b>                | <b>32,649</b>                |
| <b>Equity</b>   |             |                              |                              |
| Share capital   | 17          | 14,268                       | 14,202                       |
| Reserves  | 17          | 21,657                       | 18,447                       |
| Retained profit / (losses)  |             | -                            | -                            |
| <b>Total equity attributable to equity holders of the Company</b> |             | <b>35,925</b>                | <b>32,649</b>                |
| <b>Total equity</b>   |             | <b>35,925</b>                | <b>32,649</b>                |

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 30 June 2021

|  | Note | 2021<br>\$'000 | 2020<br>\$'000 |
|--|------|----------------|----------------|
| <b>Cash flows from operating activities</b>            |      |                |                |
| Cash receipts from customers                           |      | 76,611         | 76,764         |
| Cash receipts from JobKeeper                           |      | 2,386          | 537            |
| Cash paid to suppliers and employees                   |      | (70,263)       | (65,083)       |
| Cash generated from operating activities               |      | 8,734          | 12,218         |
| Interest received                                      |      | 14             | 84             |
| Interest paid lease liabilities                        |      | (127)          | (120)          |
| Income tax (payments) / refunds                        |      | (2,112)        | (1,722)        |
| <b>Net cash from operating activities</b>              | 15   | 6,509          | 10,460         |
| <b>Cash flows from investing activities</b>            |      |                |                |
| Proceeds from sale of property, plant and equipment    |      | 20             | 25             |
| Acquisition of property, plant and equipment           | 12   | (2,334)        | (3,196)        |
| <b>Net cash from investing activities</b>              |      | (2,314)        | (3,171)        |
| <b>Cash flows from financing activities</b>            |      |                |                |
| Transaction costs related to issue of share capital    |      | (2)            | (1)            |
| Payment of lease liabilities                           |      | (804)          | (795)          |
| Dividends paid   |      | (3,169)        | (3,149)        |
| <b>Net cash from financing activities</b>              |      | (3,975)        | (3,945)        |
| Net increase / (decrease) in cash and cash equivalents |      | 220            | 3,344          |
| Cash and cash equivalents at 1 July                    |      | 6,470          | 3,126          |
| <b>Cash and cash equivalents at 30 June</b>            | 15   | 6,690          | 6,470          |

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 30 June 2021

|  | Share capital<br>\$'000 | Equity compensation<br>reserve<br>\$'000 | Asset revaluation<br>reserve<br>\$'000 | Profits reserve<br>\$'000 | Retained profits /<br>(losses)<br>\$'000 | Total<br>\$'000 |
|--|-------------------------|--|--|---------------------------|--|-----------------|
| Balance at 1 July 2020   | 14,202                  | 433                                      | 4,393                                  | 13,621                    | -  | 32,649          |
| <b>Total comprehensive income for the year</b>                               |                         |  |  |                           |  |                 |
| Profit for the year  | -                       | -  | -                                      | -                         | 6,054                                    | 6,054           |
| Other comprehensive income   | -                       | -  | -                                      | -                         | -  | -               |
| <b>Total comprehensive income for the year</b>                               | -                       | -  | -                                      | -                         | 6,054                                    | 6,054           |
| <b>Transactions with owners of the Company recognised directly in equity</b> |                         |  |  |                           |  |                 |
| <b>Contributions by and distributions to owners of the Company</b>           |                         |  |  |                           |  |                 |
| Shares issued under the Share Plans  | 66                      | -  | -                                      | -                         | -  | 66              |
| Equity-settled share-based payments  | -                       | 325                                      | -                                      | -                         | -  | 325             |
| Issue of ordinary shares   | -                       | -  | -                                      | -                         | -  | -               |
| Dividends to shareholders  | -                       | -  | -                                      | (3,169)                   | -  | (3,169)         |
| Total contributions by and distributions to owners of the Company            | 66                      | 325                                      | -                                      | (3,169)                   | -  | (2,778)         |
| Transfer to profits reserve  | -                       | -  | -                                      | 6,054                     | (6,054)                                  | -               |
| <b>Balance at 30 June 2021</b>   | <b>14,268</b>           | <b>758</b>                               | <b>4,393</b>                           | <b>16,506</b>             | <b>-</b>                                 | <b>35,925</b>   |
| Balance at 1 July 2019   | 14,142                  | 304                                      | 3,735                                  | 12,743                    | -  | 30,924          |
| <b>Total comprehensive income for the year</b>                               |                         |  |  |                           |  |                 |
| Profit for the year  | -                       | -  | -                                      | -                         | 4,027                                    | 4,027           |
| Other comprehensive income   | -                       | -  | 658                                    | -                         | -  | 658             |
| <b>Total comprehensive income for the year</b>                               | -                       | -  | 658                                    | -                         | 4,027                                    | 4,685           |
| <b>Transactions with owners of the Company recognised directly in equity</b> |                         |  |  |                           |  |                 |
| <b>Contributions by and distributions to owners of the Company</b>           |                         |  |  |                           |  |                 |
| Shares issued under the Share Plans  | 60                      | -  | -                                      | -                         | -  | 60              |
| Equity-settled share-based payments  | -                       | 129                                      | -                                      | -                         | -  | 129             |
| Issue of ordinary shares   | -                       | -  | -                                      | -                         | -  | -               |
| Dividends to shareholders  | -                       | -  | -                                      | (3,149)                   | -  | (3,149)         |
| Total contributions by and distributions to owners of the Company            | 60                      | 129                                      | -                                      | (3,149)                   | -  | (2,960)         |
| Transfer to profits reserve  | -                       | -  | -                                      | 4,027                     | (4,027)                                  | -               |
| <b>Balance at 30 June 2020</b>   | <b>14,202</b>           | <b>433</b>                               | <b>4,393</b>                           | <b>13,621</b>             | <b>-</b>                                 | <b>32,649</b>   |

The notes on pages 26 to 57 are an integral part of these consolidated financial statements.

## Notes to the financial statements

### Basis of preparation

#### *Corporate information*

Korvest Ltd (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 580 Prospect Road, Kilburn SA 5084. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and is primarily involved in manufacturing businesses as detailed in the Segment Reporting (Note 6).

#### *Basis of accounting*

##### **Statement of compliance**

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

The consolidated financial statements were approved by the Board of Directors on 22 July 2021.

##### **Basis of measurement**

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

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

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

#### *Use of estimates and judgements*

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

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

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

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

#### *Rounding*

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

## Notes to the financial statements

### For the year ended 30 June 2021

#### *Foreign currency*

##### **Foreign currency transactions**

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

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

Foreign currency differences are generally recognised in profit or loss.

##### ***Standards issued but not yet effective***

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements and they are not expected to have a material effect on the Group's financial statements.

## Notes to the financial statements

For the year ended 30 June 2021

### Results for the Year

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

#### 1. Revenue and other income

##### *Accounting policies*

##### *Sale of goods and services*

Revenue from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods (industrial products) is recognised when the customer gains control of the goods which is usually when the goods are delivered to the customer or picked up from the Group's premises. Revenue from galvanising services is recognised at the point the services are provided which, given the short term nature of the process, is when the customers' product has been galvanised. The Group's standard trading terms are 30 days end of month.

##### *Goods and services tax*

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

##### **Sales revenue**

Sale of goods and services

**2021**

**\$'000**

2020

\$'000

**69,786**

63,088

Disaggregation of revenue is presented in Note 6 Segment Reporting.

#### 2. Expenses

##### *Accounting policies*

##### *Good and services tax*

Expenses are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the expense.

##### *Expenses by nature*

Cost of goods sold

Sales, marketing and warehousing expenses

Administration expenses

Distribution expenses

Bad and doubtful debts expense net of reimbursement right

Loss on sale of fixed assets

**2021**

**\$'000**

2020

\$'000

**42,100**

38,098

**12,692**

12,144

**2,809**

2,825

**5,057**

4,528

**(34)**

710

**148**

1

**62,772**

58,306

## Notes to the financial statements

### For the year ended 30 June 2021

#### 2. Expenses (continued)

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

##### Employee benefits:

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Wages and salaries   | 17,231         | 15,158         |
| Other associated personnel expenses                        | 2,023          | 1,799          |
| Contributions to defined contribution superannuation funds | 1,395          | 1,264          |
| Expense relating to annual and long service leave          | 1,439          | 1,252          |
| Termination benefits                                       | 3              | 24             |
| Employee share bonus plan expense                          | 66             | 60             |
| Executive share plan expense                               | 325            | 129            |

##### Other:

|   |       |       |
|---|-------|-------|
| Loss on disposal of property, plant and equipment | 148   | 1     |
| Research and development expense                  | 78    | 21    |
| Depreciation – property, plant and equipment      | 1,434 | 1,286 |
| Depreciation – right-of-use asset                 | 879   | 887   |

#### 3. Finance income

##### Accounting policies

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

#### 4. Earnings per share

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

##### Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2021 was based on the net profit attributable to ordinary shareholders of \$6,053,841 (2020: \$4,026,958) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2021 of 11,309,777 (2020: 11,238,716).

The calculation of diluted earnings per share at 30 June 2021 was based on the net profit attributable to ordinary shareholders of \$6,053,841 (2020: \$4,026,958) and a weighted average number of potential ordinary shares outstanding during the financial year ended 30 June 2021 of 11,487,557 (2020: 11,330,387).

## Notes to the financial statements

## For the year ended 30 June 2021

## 4. Earnings per share (continued)

**Weighted average number of ordinary shares (basic)**

Issued ordinary shares at 1 July  
 Effect of shares issued during year  
 Weighted average number of ordinary shares at 30 June

| 2021<br>Shares '000 | 2020<br>Shares '000 |
|---------------------|---------------------|
| 11,258              | 11,178              |
| 52                  | 61                  |
| <b>11,310</b>       | <b>11,239</b>       |

**Weighted average number of ordinary shares (diluted)**

Weighted average number of ordinary shares (basic)  
 Effect of Executive Share Plan  
 Weighted average number of ordinary shares at 30 June

| 2021          | 2020          |
|---------------|---------------|
| 11,310        | 11,239        |
| 178           | 91            |
| <b>11,488</b> | <b>11,330</b> |

**Basic and diluted earnings per share**

Basic earnings per share from continuing operations  
 Diluted earnings per share from continuing operations

| 2021<br>Cents per share | 2020<br>Cents per Share |
|-------------------------|-------------------------|
| 53.5                    | 35.8                    |
| <b>52.7</b>             | <b>35.7</b>             |

## 5. Auditor's remuneration

**Audit services:**

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

| 2021<br>\$    | 2020<br>\$    |
|---------------|---------------|
| 97,914        | 97,250        |
| <b>97,914</b> | <b>97,250</b> |

**Other services:**

Auditors of the Group (KPMG Australia)  
 – taxation advice and tax compliance services

| 2021          | 2020         |
|---------------|--------------|
| 15,000        | 8,280        |
| <b>15,000</b> | <b>8,280</b> |

## 6. Segment Reporting

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

**Business segments**

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

**Industrial Products**

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

**Production**

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

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

## Notes to the financial statements

## For the year ended 30 June 2021

## 6. Segment reporting (continued)

*Geographical segments*

The Group predominantly operates in Australia.

*Customers*

Revenue from one customer of the Group's Industrial Products segment represented \$10,114,000 (2020: nil) of the Group's total revenues.

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

| Business segments                    | Industrial Products |                | Production     |                | Total          |                |
|--------------------------------------|---------------------|----------------|----------------|----------------|----------------|----------------|
|                                      | 2021<br>\$'000      | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Sales revenue                        | 63,254              | 57,089         | 6,532          | 5,999          | 69,786         | 63,088         |
| Depreciation and amortisation        | (863)               | (766)          | (256)          | (218)          | (1,119)        | (984)          |
| Depreciation ROU asset               | (870)               | (879)          | (9)            | (8)            | (879)          | (887)          |
| Reportable segment profit before tax | 6,804               | 4,497          | 859            | 690            | 7,663          | 5,187          |
| Reportable segment assets            | 28,361              | 22,423         | 5,267          | 4,583          | 33,628         | 27,006         |
| Capital expenditure                  | 1,503               | 2,536          | 723            | 570            | 2,226          | 3,106          |

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

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| <b>Profit</b>  |                |                |
| Total profit for reportable segments                                     | 7,663          | 5,187          |
| JobKeeper income   | 1,864          | 1,059          |
| Unallocated amounts – other corporate expenses (net of corporate income) | (762)          | (441)          |
| Profit before income tax   | 8,765          | 5,805          |
| <b>Assets</b>  |                |                |
| Total assets for reportable segments                                     | 33,628         | 27,006         |
| Land and buildings   | 8,159          | 8,232          |
| Cash, cash equivalents and investments                                   | 6,965          | 6,745          |
| Right-of-use asset   | 6,068          | 4,655          |
| Other unallocated amounts  | 1,704          | 1,642          |
| Total assets   | 56,524         | 48,280         |
| <b>Capital expenditure</b>   |                |                |
| Capital expenditure for reportable segments                              | 2,226          | 3,106          |
| Other corporate capital expenditure                                      | 108            | 90             |
| Total capital expenditure  | 2,334          | 3,196          |
| <b>Other material items</b>  |                |                |
| Depreciation and amortisation for reportable segments                    | 1,119          | 984            |
| Unallocated amounts – corporate depreciation                             | 315            | 302            |
| Total depreciation and amortisation                                      | 1,434          | 1,286          |

## Notes to the financial statements

### For the year ended 30 June 2021

#### Working Capital

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

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

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

#### 7. Trade and other receivables

##### *Accounting policies*

##### **Trade receivables**

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

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

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

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

|                                | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Current</b>                 |                |                |
| Trade receivables              | 14,230         | 9,758          |
| Less: Allowance for impairment | (120)          | (241)          |
| Add: Reimbursement right       | 43             | 72             |
| JobKeeper receivable           | -              | 522            |
| Net trade receivables          | 14,153         | 10,111         |

##### **Impairment**

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

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

On 1 April 2020 the Group took out trade credit insurance. This gives rise to a reimbursement right for any expected credit loss that arises on trade receivables. This reimbursement right is recognised at the same time as the expected credit loss provision is recognised.

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

The Group sells to a variety of customers including wholesalers and end users and does not have a concentration of credit risk in any one sector.

## Notes to the financial statements

## For the year ended 30 June 2021

## 7. Trade and other receivables (continued)

**Movement in allowance for impairment**

Balance at 1 July

Amounts written off against allowance

Net remeasurement of loss allowance

Balance at 30 June

| 2021<br>\$'000 | 2020<br>\$'000 |
|----------------|----------------|
| (241)          | (608)          |
| 50             | 1,149          |
| 71             | (782)          |
| <b>(120)</b>   | <b>(241)</b>   |

## 8. Inventories

**Accounting policies****Inventories**

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

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

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

**Current**

Raw materials and consumables

Work in progress

Finished goods

| 2021<br>\$'000 | 2020<br>\$'000 |
|----------------|----------------|
| 3,576          | 2,393          |
| 670            | 283            |
| 8,199          | 7,879          |
| <b>12,445</b>  | <b>10,555</b>  |

Finished goods are shown net of an impairment provision amounting to \$1,222,000 (2020: \$1,396,000) 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.

## Notes to the financial statements

## For the year ended 30 June 2021

## 9. Trade and other payables

*Accounting policies***Payables**

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

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

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| <b>Current</b>                          |                |                |
| Trade payables and accrued expenses     | 4,939          | 3,024          |
| Non-trade payables and accrued expenses | 3,522          | 2,877          |
|   | <b>8,461</b>   | <b>5,901</b>   |

## 10. Employee benefits

*Accounting policies***Short-term benefits**

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Long-term benefits**

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the reporting date which have maturity dates approximating to the terms of the Company's obligations.

|                                  | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------|----------------|----------------|
| <b>Current</b>                   |                |                |
| Liability for annual leave       | 1,199          | 1,039          |
| Liability for long service leave | 1,726          | 1,585          |
|                                  | <b>2,925</b>   | <b>2,624</b>   |
| <b>Non-current</b>               |                |                |
| Liability for long service leave | 208            | 172            |
| Total employee benefits          | <b>3,133</b>   | <b>2,796</b>   |

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

**Defined contribution superannuation funds**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## Notes to the financial statements

### For the year ended 30 June 2021

#### 10. Employee benefits (continued)

##### Share based payments

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

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

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

##### Employee Share Bonus Plan

The Employee Share Bonus Plan allows Group employees to receive shares of the Company. Shares are allotted to employees who have served a qualifying period. Up to \$1,000 per year in shares is allotted to each qualifying employee. The fair value of shares issued is recognised as an employee expense with a corresponding increase in equity. The fair value of the shares granted is measured using a present value method.

##### Executive Share Plan

The Executive Share Plan and the Performance Rights Plan allow Group employees to receive shares of the Company. The fair value of options or rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options/right.

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

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

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

The options were offered only to selected senior executives.

## Notes to the financial statements

## For the year ended 30 June 2021

## 10. Employee benefits (continued)

## Korvest Performance Rights Plan (KPRP)

In August 2011 the Company established a performance rights plan to replace the ESP. In November 2011 the first performance rights were granted under the plan and further issues have been granted annually since. The plan is designed to provide long term incentives to eligible senior employees of the Group and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles. For each issue two performance hurdles are applied. The 2018 issue used Earnings per Share (EPS) and Relative Total Shareholder Return (RTSR). The 2019 and 2020 issues used EPS and Return on Invested Capital (ROIC).

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

| Grant date                                      | Plan | Performance hurdles | Number of options / rights initially granted | Number outstanding at balance date AASBs | Number outstanding at balance date ASX |
|---|------|---------------------|--|--|--|
| March 2005                                      | ESP  |                     | 60,000                                       | 15,000                                   | -                                      |
| October 2018                                    | KPRP | EPS/RTSR            | 102,105                                      | 100,929                                  | 100,929                                |
| November 2019                                   | KPRP | EPS/ROIC            | 91,796                                       | 91,796                                   | 91,796                                 |
| October 2020                                    | KPRP | EPS/ROIC            | 84,814                                       | 84,814                                   | 84,814                                 |
| <b>Total share options / performance rights</b> |      |                     | <b>338,715</b>                               | <b>292,539</b>                           | <b>277,539</b>                         |

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

## Measurement of fair values

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

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

|  | 2021    | 2020    |
|--|---------|---------|
| Fair value at grant date                   | \$3.92  | \$2.63  |
| Share price at grant date                  | \$4.69  | \$3.24  |
| Exercise price                             | -       | -       |
| Share price volatility                     | 48.1%   | 35.4%   |
| Dividend yield                             | 5.97%   | 6.8%    |
| Risk free interest rate                    | 0.86%   | 1.06%   |
| Life of options                            | 2.7 yrs | 2.7 yrs |
| Advised restriction period (after vesting) | 2 yrs   | 2 yrs   |

## Notes to the financial statements

## For the year ended 30 June 2021

## 10. Employee benefits (continued)

## Reconciliation of outstanding share options/rights

| Grant date                             | Exercise date | Expiry date | Exercise price | Number of options /rights at beginning of year | Rights granted | Lapsed   | Forfeited | Exercised | Number of options at end of year on issue | Exercisable at 30 June |
|--|---------------|-------------|----------------|--|----------------|----------|-----------|-----------|---|------------------------|
| <b>2021</b>                            |               |             |                |  |                |          |           |           |   |                        |
| <b>Previous plan</b>                   |               |             |                |  |                |          |           |           |   |                        |
| Mar 05                                 | Jan 07        | Jan 27      | \$4.36         | 15,000   | -              | -        | -         | -         | 15,000                                    | -                      |
|  |               |             |                | 15,000   | -              | -        | -         | -         | 15,000                                    | -                      |
| <i>Weighted average exercise price</i> |               |             |                | \$4.36   |                |          |           |           | \$4.36                                    |                        |
| <b>Current plan</b>                    |               |             |                |  |                |          |           |           |   |                        |
| Nov 17                                 | Jul 20        | Jun 20      | -              | 38,150   | -              | -        | -         | (38,150)  | -   | -                      |
| Oct 18                                 | Jul 21        | Jun 21      | -              | 102,105  | -              | (1,176)  | -         | -         | 100,929                                   | 100,929                |
| Nov 19                                 | Jul 22        | Jun 22      | -              | 91,796   | -              | -        | -         | -         | 91,796                                    | -                      |
| Oct 20                                 | Jul 23        | Jun 23      | -              | -  | 84,814         | -        | -         | -         | 84,814                                    | -                      |
|  |               |             |                | 232,051  | 84,814         | (1,176)  | -         | (38,150)  | 277,539                                   | 100,929                |
| <i>Weighted average exercise price</i> |               |             |                | \$Nil  | \$Nil          | \$Nil    | \$Nil     |           | \$Nil                                     | \$Nil                  |
| <b>2020</b>                            |               |             |                |  |                |          |           |           |   |                        |
| <b>Previous plan</b>                   |               |             |                |  |                |          |           |           |   |                        |
| Mar 05                                 | Jan 07        | Jan 27      | \$4.36         | 15,000   | -              | -        | -         | -         | 15,000                                    | -                      |
| Mar 09                                 | Jan 11        | Jan 31      | \$3.79         | 10,000   | -              | -        | -         | (10,000)  | -   | -                      |
|  |               |             |                | 25,000   | -              | -        | -         | (10,000)  | 15,000                                    | -                      |
| <i>Weighted average exercise price</i> |               |             |                | \$4.13   |                |          |           |           | \$4.36                                    |                        |
| <b>Current plan</b>                    |               |             |                |  |                |          |           |           |   |                        |
| Nov 16                                 | Jul 19        | Jun 19      | -              | 33,152   | -              | -        | -         | (33,152)  | -   | -                      |
| Nov 17                                 | Jul 20        | Jun 20      | -              | 76,300   | -              | (38,150) | -         | -         | 38,150                                    | 38,150                 |
| Oct 18                                 | Jul 21        | Jun 21      | -              | 102,105  | -              | -        | -         | -         | 102,105                                   | -                      |
| Nov 19                                 | Jul 22        | Jun 22      | -              | -  | 91,796         | -        | -         | -         | 91,796                                    | -                      |
|  |               |             |                | 211,557  | 91,796         | (38,150) | -         | (33,152)  | 232,051                                   | 38,150                 |
| <i>Weighted average exercise price</i> |               |             |                | \$Nil  | \$Nil          | \$Nil    | \$Nil     |           | \$Nil                                     | \$Nil                  |

## Notes to the financial statements

### For the year ended 30 June 2021

#### 11. Provisions

##### Accounting policies

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting risk adjusted future expected cash flows at a pre-tax discount rate that reflects the time value of money. The unwinding of the discount is recognised as a finance cost.

##### Warranties

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

##### Site restoration and safety

A provision of \$492,000 (2020: \$520,000) is held in respect of the Company's obligation to rectify potential environmental damage at the main site premises in Kilburn. The provision is reassessed annually and is based on an estimate of the cost to rectify the site. It has been assumed that the rectification would occur in 15 years (2020: 15 years). Provisions are determined by discounting risk adjusted future expected cash flows at a pre-tax discount rate that reflects the time value of money. A discount rate of 3.29% (2020: 2.8%) and an inflation rate of 2.0% (2020: 2.0%) have been used for the calculation at 30 June 2021.

|                    | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------|----------------|----------------|
| <b>Current</b>     |                |                |
| Warranties         | 46             | 34             |
| <b>Non-current</b> |                |                |
| Site restoration   | 492            | 520            |
|                    | <b>538</b>     | <b>554</b>     |

#### Tangible assets

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

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

##### Depreciation

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

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

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

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

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

## Notes to the financial statements

### For the year ended 30 June 2021

#### 12. Property, plant and equipment

##### *Accounting policies*

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

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

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

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

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

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

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

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

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Land and buildings are valued by an independent valuer every three years. In the intervening years between independent valuations the directors make an assessment of the value of the land and buildings having regard for the most recent independent valuation.

## Notes to the financial statements

## For the year ended 30 June 2021

## 12. Property, plant and equipment (continued)

## Subsequent expenditure

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

|   | Land &<br>Buildings<br>(fair value)<br>\$'000 | Plant &<br>Equipment<br>(cost)<br>\$'000 | Total<br>\$'000 |
|---|---|--|-----------------|
| <b>Cost</b>   |   |  |                 |
| Balance at 1 July 2019                                | 7,417   | 22,341                                   | 29,758          |
| Acquisitions  | -   | 3,196                                    | 3,196           |
| Disposals and write-offs                              | -   | (145)                                    | (145)           |
| Revaluation   | 815   | -  | 815             |
| Balance at 30 June 2020                               | 8,232   | 25,392                                   | 33,624          |
| Balance at 1 July 2020                                | 8,232   | 25,392                                   | 33,624          |
| Acquisitions  | -   | 2,334                                    | 2,334           |
| Disposals and write-offs                              | -   | (1,698)                                  | (1,698)         |
| Revaluation   | -   | -  | -               |
| Balance at 30 June 2021                               | 8,232   | 26,028                                   | 34,260          |
| <b>Accumulated depreciation and impairment losses</b> |   |  |                 |
| Balance at 1 July 2019                                | 84  | 16,641                                   | 16,725          |
| Depreciation charge for the year                      | 42  | 1,244                                    | 1,286           |
| Revaluation   | (126)   | -  | (126)           |
| Disposals   | -   | (118)                                    | (118)           |
| Balance at 30 June 2020                               | -   | 17,767                                   | 17,767          |
| Balance at 1 July 2020                                | -   | 17,767                                   | 17,767          |
| Depreciation charge for the year                      | 73  | 1,361                                    | 1,434           |
| Revaluation   | -   | -  | -               |
| Disposals   | -   | (1,530)                                  | (1,530)         |
| Balance at 30 June 2021                               | 73  | 17,598                                   | 17,671          |
| <b>Carrying amounts</b>                               |   |  |                 |
| At 30 June 2019                                       | 7,333   | 5,700                                    | 13,033          |
| At 30 June 2020                                       | 8,232   | 7,625                                    | 15,857          |
| At 30 June 2021                                       | 8,159   | 8,430                                    | 16,589          |

## Notes to the financial statements

### For the year ended 30 June 2021

#### 12. Property, plant and equipment (continued)

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

At least every three years the directors obtain an independent valuation to support the fair value of Land and Buildings. This valuation is used by the directors as a guide in determining the directors' valuation for the Land and Buildings. An independent valuation of Land and Buildings was carried out in April 2020 by Mr Mark Klenke, AAPI MRICS of AON Valuation Services on the basis of the open market value of the properties concerned in their highest and best use and was used as a reference for the directors' valuation as at 30 June 2021.

The carrying amount of the Land and Buildings at cost at 30 June 2021 if not revalued would be \$928,000 (2020: \$983,000).

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

The following table shows the valuation technique used in measuring the fair value of Land and Buildings, as well as the significant unobservable inputs used. The valuation of land and buildings is based on Level 3 fair values.

| Valuation technique  | Significant unobservable inputs   | Inter-relationship between key unobservable inputs and fair value measurement   |
|--|---|---|
| Capitalised income approach: the valuation model applies a yield to the property's value to assess its value less any required capital expenditure. The yield applied to the potential rental return from the property is based on recent sales and has been calculated by dividing the estimated rental return from comparable sales to derive a fair market sales price. Capitalised value has been increased by the value of vacant land as the property has below average site coverage indicating further capacity for development. | Market yield – 8.0%<br>Potential rental rate - \$55/m2<br>Land value for vacant land - \$177/m2 | The estimated market value would increase if: <ul style="list-style-type: none"> <li>• Market yield was lower</li> <li>• Potential rental rate was higher</li> <li>• Land value was higher</li> </ul> |

## Notes to the financial statements

### For the year ended 30 June 2021

#### 13. Impairment testing

##### *Accounting policies*

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

##### *Results*

The Group has determined that calculation of the recoverable amount of assets or CGUs is not required as at 30 June 2021 as there were no impairment indicators.

#### Leases

#### 14. Leases

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

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

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

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

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

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

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

## Notes to the financial statements

## For the year ended 30 June 2021

## Leases as a lessee

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

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

## i. Right-of-use assets

|                                    | Warehouses<br>\$'000 | Forklifts<br>\$'000 | Total<br>\$'000 |
|------------------------------------|----------------------|---------------------|-----------------|
| Balance at 1 July 2020             | 4,553                | 103                 | 4,656           |
| Additions to right-of-use assets   | 2,291                | -                   | 2,291           |
| Depreciation of right-of-use asset | (833)                | (46)                | (879)           |
| <b>Balance at 30 June 2021</b>     | <b>6,011</b>         | <b>57</b>           | <b>6,068</b>    |
| Balance at 1 July 2019             | 5,013                | 149                 | 5,162           |
| Additions to right-of-use assets   | 380                  | -                   | 380             |
| Depreciation of right-of-use asset | (841)                | (46)                | (887)           |
| <b>Balance at 30 June 2020</b>     | <b>4,553</b>         | <b>103</b>          | <b>4,655</b>    |

## ii. Lease liability

|                              | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------|----------------|----------------|
| Current                      | 787            | 782            |
| Non-current                  | 5,447          | 3,965          |
| <b>Total Lease liability</b> | <b>6,234</b>   | <b>4,747</b>   |

## iii. Amounts recognised in profit or loss

|  |     |     |
|--|-----|-----|
| Depreciation right-of-use asset        | 879 | 887 |
| Interest on lease liabilities          | 127 | 120 |
| Expenses relating to short-term leases | 98  | 96  |

## iv. Amounts recognised in statement of cash flows

|   |              |              |
|---|--------------|--------------|
| Cash flows used in operating activities | 225          | 216          |
| Cash flows used in financing activities | 804          | 795          |
| <b>Total cash outflow for leases</b>    | <b>1,029</b> | <b>1,011</b> |

## Notes to the financial statements

### For the year ended 30 June 2021

#### Capital Structure

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

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

#### 15. Cash and cash equivalents

##### *Accounting policies*

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

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

Cash flows are included in the Statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Bank balances  | 2,691          | 1,356          |
| Call deposits  | 3,999          | 5,114          |
| Cash and cash equivalents in the statement of cash flows | 6,690          | 6,470          |
| Term deposits  | 275            | 275            |

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

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

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| Profit for the year                                       | 6,054          | 4,027          |
| <i>Adjustment for:</i>                                    |                |                |
| Depreciation and amortisation                             | 1,434          | 1,286          |
| Depreciation right-of-use asset                           | 879            | 887            |
| Impairment of trade receivables                           | (71)           | 710            |
| Impairment of inventories                                 | (174)          | (58)           |
| Increase / (decrease) in provision for site rectification | (28)           | 67             |
| Loss on disposal of property, plant and equipment         | 148            | 1              |
| Equity-settled share-based payment expense                | 391            | 189            |
|   | 8,633          | 7,109          |
| Changes in:   |                |                |
| Trade and other receivables                               | (3,970)        | 3,259          |
| Prepayments   | 53             | (85)           |
| Inventories   | (1,716)        | 7              |
| Trade and other payables                                  | 2,560          | (72)           |
| Deferred tax  | 215            | 88             |
| Income taxes payable                                      | 385            | (32)           |
| Provisions and employee benefits                          | 349            | 186            |
| <b>Net cash from operating activities</b>                 | <b>6,509</b>   | <b>10,460</b>  |

## Notes to the financial statements

### For the year ended 30 June 2021

#### 16. Financial instruments

##### **Accounting policies**

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

The Group applies AASB 13 Fair Value Measurement, which establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other Accounting Standards. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other Accounting Standards. As a result, the Group has applied additional disclosures in this regard within Notes 7 and 9.

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

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

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

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

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

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

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

##### **Financial assets and liabilities**

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

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

## Notes to the financial statements

### For the year ended 30 June 2021

#### 16. Financial instruments (continued)

##### *Financial risk management*

###### Overview

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

- credit risk;
- liquidity risk; and
- market risk.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

The Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

###### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

###### Exposure to credit risk

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

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Cash, cash equivalents and Investments | 6,965          | 6,745          |
| Trade and other receivables            | 14,153         | 10,111         |

###### Cash and cash equivalents

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

## Notes to the financial statements

## For the year ended 30 June 2021

## 16. Financial instruments (continued)

## Trade and other receivables

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

There is an established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings and trade references when applicable and available. Purchase limits are established for each customer, which represent the maximum open amount without requiring further approval. These limits are subject to on-going review. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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

On 1 April 2020 the Group took out trade credit insurance to reduce the Group's credit risk exposure.

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

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

|                        | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------|----------------|----------------|
| <b>Carrying values</b> |                |                |
| Australia              | 14,067         | 10,106         |
| New Zealand            | 80             | 2              |
| South America          | -              | 2              |
| Other                  | 6              | 1              |
|                        | <b>14,153</b>  | <b>10,111</b>  |

At 30 June 2021, the Group's most significant customer, located in Australia, accounted for \$3,239,121 of the trade and other receivables carrying amount (2020: \$2,999,049).

## Impairment losses

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

|                           | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>Gross</b>              |                |                |
| Not past due nor impaired | 9,827          | 7,798          |
| Past due 0-30 days        | 4,259          | 2,101          |
| Past due 31-90 days       | 67             | 212            |
| More than 91 days         | -              | -              |
|                           | <b>14,153</b>  | <b>10,111</b>  |

## Notes to the financial statements

## For the year ended 30 June 2021

## 16. Financial instruments (continued)

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

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

|   | 2021                      |                 |                            |                     |                             | 2020                      |                 |                            |                     |                             |
|---|---------------------------|-----------------|----------------------------|---------------------|-----------------------------|---------------------------|-----------------|----------------------------|---------------------|-----------------------------|
|   | Contractual cash flows    |                 |                            |                     |                             | Contractual cash flows    |                 |                            |                     |                             |
|   | Carrying amount<br>\$'000 | Total<br>\$'000 | Less than 1 year<br>\$'000 | 1-5 years<br>\$'000 | More than 5 years<br>\$'000 | Carrying amount<br>\$'000 | Total<br>\$'000 | Less than 1 year<br>\$'000 | 1-5 years<br>\$'000 | More than 5 years<br>\$'000 |
| <b>Non-derivative financial liabilities</b> |                           |                 |                            |                     |                             |                           |                 |                            |                     |                             |
| Trade and other payables                    | 8,461                     | (8,461)         | (8,461)                    | -                   | -                           | 5,901                     | (5,901)         | (5,901)                    | -                   | -                           |
| Lease liabilities*                          | 6,234                     | (7,158)         | (949)                      | (2,712)             | (3,497)                     | 4,747                     | (5,373)         | (902)                      | (2,611)             | (1,860)                     |
|   | 14,695                    | (15,619)        | (9,410)                    | (2,712)             | (3,497)                     | 10,648                    | (11,274)        | (6,803)                    | (2,611)             | (1,860)                     |

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

## Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## Currency risk

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

## Exposure to currency risk

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

## Interest rate risk

The Group is not currently exposed in any material way to interest rate risk. The risk is limited to the re-pricing of short term deposits utilised for surplus funds. Such deposits generally re-price approximately every 30 days.

## Exposure to interest rate risk

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

## Notes to the financial statements

### For the year ended 30 June 2021

#### 16. Financial instruments (continued)

##### Other market price risk

The Group has no material financial instrument exposure to other market price risk as it is not exposed to either commodity price risk or equity securities price risk. The Group does not enter into commodity contracts other than to meet the Group's expected usage requirements.

##### **Capital management**

The Group's objectives when managing capital (net debt and equity) are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

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

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

#### 17. Capital and reserves

##### **Accounting policies**

##### **Ordinary shares**

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

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

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

##### **Profits reserve**

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

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

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

## Notes to the financial statements

## For the year ended 30 June 2021

## 17. Capital and reserves (continued)

*Share capital***Ordinary shares**

|  |
|--|
| On issue at 1 July                         |
| Issued under the Employee Share Bonus Plan |
| Issued under the Executive Share Plan      |
| On issue at 30 June – fully paid           |

| 2021<br>Shares '000 | 2020<br>Shares '000 |
|---------------------|---------------------|
| 11,258              | 11,178              |
| 31                  | 37                  |
| 38                  | 43                  |
| <b>11,327</b>       | <b>11,258</b>       |

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<br>per share | Total amount<br>\$'000 | Percentage<br>franked | Tax<br>rate | Date of<br>payment |
|-----------------------|--------------------|------------------------|-----------------------|-------------|--------------------|
| <b>2021</b>           |                    |                        |                       |             |                    |
| Interim 2021 ordinary | 15.0               | 1,699                  | 100%                  | 30%         | 5 March 2021       |
| Final 2020 ordinary   | 13.0               | 1,470                  | 100%                  | 30%         | 4 September 2020   |
| Total amount          |                    | <b>3,169</b>           |                       |             |                    |
| <b>2020</b>           |                    |                        |                       |             |                    |
| Interim 2020 ordinary | 15.0               | 1,688                  | 100%                  | 30%         | 6 March 2020       |
| Final 2019 ordinary   | 13.0               | 1,461                  | 100%                  | 30%         | 6 September 2019   |
| Total amount          |                    | <b>3,149</b>           |                       |             |                    |

*Unrecognised amounts*

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

|                     | Cents<br>per share | Total amount<br>\$'000 | Percentage<br>franked | Tax rate | Date to be paid  |
|---------------------|--------------------|------------------------|-----------------------|----------|------------------|
| <b>2021</b>         |                    |                        |                       |          |                  |
| Final 2021 ordinary | 20.0               | 2,268                  | 100%                  | 30%      | 3 September 2021 |

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2021 and will be recognised in subsequent financial reports.

## Notes to the financial statements

## For the year ended 30 June 2021

## 18. Dividends (continued)

*Dividend franking account*

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| 30% franking credits available to shareholders of Korvest Ltd for subsequent financial years | <b>10,363</b>  | 9,224          |

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liabilities;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon being able to declare dividends. The impact on the dividend franking account of dividends proposed after the reporting date but not recognised as a liability is to reduce it by \$972,000 (2020: reduce by \$628,000).

## Notes to the financial statements

### For the year ended 30 June 2021

#### Taxation

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

#### *IFRIC 23 Uncertainty over Income Tax Treatments*

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

### 19. Current and deferred taxes

#### **Accounting policies**

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

#### **Current tax**

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

#### **Deferred tax**

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **Tax consolidation**

The Company and the wholly owned Australian subsidiaries set out in Note 20 are part of a tax-consolidated group with Korvest Ltd as the head entity. The implementation date of the tax consolidation system for the tax-consolidated group was 1 March 2013.

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

## Notes to the financial statements

## For the year ended 30 June 2021

## 19. Current and deferred taxes (continued)

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

*Income tax recognised in the income statement*

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| <b>Current tax expense</b>  |                |                |
| Current year  | 2,496          | 1,690          |
|   | <b>2,496</b>   | <b>1,690</b>   |
| <b>Deferred tax expense</b>   |                |                |
| Origination and reversal of temporary differences                                       |                |                |
| - relating to current year  | 215            | 88             |
|   | <b>215</b>     | <b>88</b>      |
| <b>Total income tax expense in Statement of profit or loss and comprehensive income</b> | <b>2,711</b>   | <b>1,778</b>   |

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

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Profit before tax  | 8,765          | 5,805          |
| Income tax using the domestic corporation tax rate of 30% (2020:30%) | 2,630          | 1,742          |
| Non-deductible expenses  | 81             | 36             |
| Income tax expense on pre-tax net profit                             | <b>2,711</b>   | <b>1,778</b>   |

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

|                                       | Assets         |                | Liabilities    |                | Net            |                |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                       | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Property, plant and equipment         | -              | -              | 2,374          | 2,139          | 2,374          | 2,139          |
| Leases                                | (1,871)        | (1,424)        | 1,821          | 1,397          | (50)           | (27)           |
| Inventories                           | (367)          | (419)          | 530            | 507            | 163            | 88             |
| Provisions / accruals                 | (1,169)        | (1,061)        | -              | -              | (1,169)        | (1,061)        |
| Provision for doubtful debts          | (8)            | (51)           | -              | -              | (8)            | (51)           |
| Other                                 | (7)            | -              | -              | -              | (7)            | -              |
| Tax loss carried forward              | (287)          | (287)          | -              | -              | (287)          | (287)          |
| Tax (assets) / liabilities            | (3,709)        | (3,242)        | 4,725          | 4,043          | 1,016          | 801            |
| Set off of tax                        | 3,709          | 3,242          | (3,709)        | (3,242)        | -              | -              |
| <b>Net tax (assets) / liabilities</b> | <b>-</b>       | <b>-</b>       | <b>1,016</b>   | <b>801</b>     | <b>1,016</b>   | <b>801</b>     |

## Notes to the financial statements

## For the year ended 30 June 2021

## 19. Current and deferred taxes (continued)

*Movement in deferred tax balances during the year*

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

  

|                               | Balance<br>30 June 19<br>\$'000 | Recognised in profit<br>\$'000 | Recognised<br>directly in equity<br>\$'000 | Balance<br>30 June 20<br>\$'000 |
|-------------------------------|---------------------------------|--------------------------------|--|---------------------------------|
| Property, plant and equipment | (1,780)                         | (77)                           | (282)                                      | (2,139)                         |
| Leases                        | -                               | 27                             | -  | 27                              |
| Inventories                   | (94)                            | 6                              | -  | (88)                            |
| Provisions / accruals         | 975                             | 86                             | -  | 1,061                           |
| Provision for doubtful debts  | 181                             | (130)                          | -  | 51                              |
| Tax loss carried forward      | 287                             | -                              | -  | 287                             |
|                               | (431)                           | (88)                           | (282)                                      | 801                             |

## Notes to the financial statements

For the year ended 30 June 2021

### Group Composition

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

#### 20. Investment in subsidiaries

##### *Accounting policies*

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

These financial statements are the financial statements for all the entities that comprise the Group, being the Company and its subsidiaries as defined in Accounting Standard AASB 10 Consolidated Financial Statements.

##### **Subsidiaries**

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

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

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

##### **Group entities**

|                                      | Country of Incorporation | Ownership interest |           |
|--------------------------------------|--------------------------|--------------------|-----------|
|                                      |                          | 2021<br>%          | 2020<br>% |
| <b>Parent entity</b>                 |                          |                    |           |
| Korvest Ltd                          | Australia                |                    |           |
| <b>Subsidiaries</b>                  |                          |                    |           |
| Power Step (Australia) Pty Ltd       | Australia                | 100                | 100       |
| Power Step (Chile) SpA               | Chile                    | 100                | 100       |
| Titan Technologies (SE Asia) Pty Ltd | Australia                | 100                | 100       |

## Notes to the financial statements

For the year ended 30 June 2021

### 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

- Graeme Billings (Chairman)
- Gary Francis
- Gerard Hutchinson
- Andrew Stobart

##### Executive Directors

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

##### Executives

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

#### ***Key management personnel compensation policy***

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

#### ***Key management personnel compensation***

The key management personnel compensation comprised:

|                              | 2021             | 2020             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 1,760,573        | 1,642,237        |
| Post-employment benefits     | 134,637          | 128,145          |
| Long term benefits           | 42,408           | 25,616           |
| Share based payments         | 325,807          | 129,027          |
|                              | <b>2,263,425</b> | <b>1,925,025</b> |

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

Information regarding individual directors' and executives' compensation and some equity instrument disclosure as permitted by Corporations Regulations 2M.3 is provided in the remuneration report section of the Directors' report.

## Notes to the financial statements

## For the year ended 30 June 2021

## 22. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2021 the parent entity of the Group was Korvest Ltd.

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| <b>Result of parent entity</b>                         |                |                |
| Profit for the period                                  | 5,713          | 3,677          |
| Other comprehensive income                             | -              | 658            |
| <b>Total comprehensive income for the period</b>       | <b>5,713</b>   | <b>4,335</b>   |
| <b>Financial position of parent entity at year end</b> |                |                |
| Current Assets   | 32,327         | 26,639         |
| Total Assets   | 55,563         | 47,187         |
| Current Liabilities                                    | 12,827         | 8,585          |
| Total Liabilities                                      | 20,221         | 14,780         |
| Share capital  | 14,268         | 14,202         |
| Reserves   | 21,074         | 18,205         |
| Retained earnings                                      | -              | -              |
| <b>Total Equity</b>                                    | <b>35,342</b>  | <b>32,407</b>  |

**Guarantees entered into by the Company**

Bank guarantees given by the Company in favour of customers and landlords amounted to \$990,908 (2020: \$10,656). The significant increase is due to performance guarantees provided in relation to the large infrastructure projects commenced during FY21.

**Contingent liabilities of the Company**

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

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

At 30 June 2021, the Company had contractual commitments for the acquisition of property, plant and equipment of \$650,000 (2020: \$542,000).

## 23. Commitments and contingencies

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

## 24. Subsequent events

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 2021

1. In the opinion of the Directors of Korvest Ltd (the Company):
  - (a) the consolidated financial statements and notes that are set out on pages 22 to 57 and the Remuneration report in the Directors' report, set out on pages 9 to 18, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 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 2021.
3. The Directors draw attention to the Basis of preparation note on page 26, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 22<sup>nd</sup> July 2021

Signed in accordance with resolution of directors:



Graeme Billings  
Director

# Independent Auditor's Report

To the shareholders of Korvest Ltd

## Report on the audit of the Financial Report

### Opinion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 30 June 2021;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

### Basis for opinion

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

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

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

### Key Audit Matters

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

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

## Valuation of finished goods inventory (\$8.199m)

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 the:

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

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

### How the matter was addressed in our audit

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

- Assessing the Group's policies for the valuation of finished goods inventory against the requirements of the accounting standards;
- Critically evaluating the Group's methodology to identify finished goods that are slow moving or selling below cost;
- Testing the Group's finished goods inventory impairment assessment at year-end, by:
  - Assessing the accuracy of the underlying finished goods inventory provision model by performing computation checks;
  - Checking the accuracy of the 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 in FY21. We checked a sample of those sales quantities to sales invoices.
- Comparing the unit cost of each finished good on hand from the Group's impairment assessment to the average sales price for the year of these products, as a proxy for expected recoverable amount. Where estimated metal scrap value is used by the Group to estimate recoverable amount, we compared Korvest's calculation to externally published product weights and the scrap customer's quoted purchase prices.
- Challenging the Group's assumptions, such as the provision percentages by product category and aging, using our understanding of the Group's business and knowledge of the market; and
- Attending stocktakes in significant locations observing the Group's processes, which included identifying slow moving and potentially obsolete finished goods inventory.

## Other Information

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

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

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

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

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Korvest Ltd for the year ended 30 June 2021, 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 9 to 18 of the Directors' report for the year ended 30 June 2021.

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



Paul Cenko  
Partner

Adelaide

22 July 2021



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

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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 2021 there have been:

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

**KPMG**  
KPMG

Paul Cenko  
Partner

Adelaide

22 July 2021

## 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 20 July 2021)

#### Substantial shareholders

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

| Shareholder                         |        | Number    |
|-------------------------------------|--------|-----------|
| Mitsubishi UFJ Financial Group, Inc | 10.21% | 1,150,462 |
| Phoenix Portfolios Pty Ltd          | 8.30%  | 941,380   |
| Donald Cant Pty Ltd                 | 5.43%  | 611,759   |

#### Voting rights

##### Ordinary shares

Refer to note 17 in the financial statements.

##### Options

Refer to note 10 in the financial statements.

#### Distribution of equity security holders

| Category         | NUMBER OF EQUITY SECURITY HOLDERS |                   |                  |
|------------------|-----------------------------------|-------------------|------------------|
|                  | Total Holders                     | Units             | % Issued Capital |
| 1 - 1,000        | 916                               | 348,113           | 3.07             |
| 1,001 - 5,000    | 713                               | 1,827,365         | 16.11            |
| 5,001 - 10,000   | 155                               | 1,169,658         | 10.31            |
| 10,001 - 100,000 | 150                               | 3,352,019         | 29.56            |
| 100,001 and over | 13                                | 4,644,961         | 40.95            |
|                  | <b>1,947</b>                      | <b>11,342,116</b> | <b>100</b>       |

The number of shareholders holding less than a marketable parcel of ordinary shares is 90.

#### Securities Exchange

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

#### Other information

Korvest Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

#### On Market Buy Back

There is no current on-market buy back.

**ASX Additional information****For the year ended 30 June 2021****Twenty largest shareholders**

| <b>Name</b>  | <b>Number of ordinary<br/>Shares held</b> | <b>Percentage of<br/>capital held</b> |
|--|---|---------------------------------------|
| Citicorp Nominees Pty Limited                                | 1,166,970                                 | 10.29                                 |
| J P Morgan Nominees Australia Pty Limited                    | 697,530                                   | 6.15                                  |
| Donald Cant Pty Ltd  | 621,759                                   | 5.48                                  |
| Anacacia Pty Ltd <Wattle Fund A/C>                           | 502,152                                   | 4.43                                  |
| Creative Living (Qld) Pty Ltd                                | 320,000                                   | 2.82                                  |
| National Nominees Limited                                    | 310,836                                   | 2.74                                  |
| Rathvale Pty Limited   | 191,558                                   | 1.69                                  |
| Brazil Farming Pty Ltd                                       | 166,416                                   | 1.47                                  |
| Allegro Two Super Fund Pty Ltd <Allegro Super Fund No 2 A/C> | 160,000                                   | 1.41                                  |
| Angueline Capital Pty Limited                                | 150,000                                   | 1.32                                  |
| Mr William Francis Cannon                                    | 130,083                                   | 1.15                                  |
| Robert Nairn Pty Ltd   | 126,206                                   | 1.11                                  |
| Brazil Farming Pty Ltd                                       | 124,554                                   | 1.10                                  |
| Gotterdamerung Pty Limited <Gotterdamerung S/F A/C>          | 91,430                                    | 0.81                                  |
| Gotterdamerung Pty Limited <Gotterdamerung Family A/C>       | 79,539                                    | 0.70                                  |
| Mrs Helen Elizabeth Rollinson                                | 72,343                                    | 0.64                                  |
| Ms Nina Tschernykow  | 60,720                                    | 0.54                                  |
| A & R Truda Pty Ltd <A&R Truda Super A/C>                    | 60,683                                    | 0.54                                  |
| Mr Geoffrey Neil Huddleston + Mrs Raelene Jane Huddleston    | 54,644                                    | 0.48                                  |
| Kalingo Pty Ltd  | 52,390                                    | 0.46                                  |
|  | <b>5,139,813</b>                          | <b>45.32</b>                          |

**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

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