Korvest Ltd
We deliver on our promise

2018 KORVEST ANNUAL REPORT

Korvest Ltd

KORVEST LTD:
A MARKET LEADING INFRASTRUCTURE PROVIDER

Since 1970, Korvest Ltd has grown to become Australia's largest manufacturer and supplier of cable and pipe support systems trading as EzyStrut. EzyStrut produces a range of standard, customised and innovative products. Queensland based Power Step and Titan Technologies design and assemble access systems for large mobile equipment as well as bolting solutions. Korvest Galvanisers operates a hot dip galvanising business in South Australia servicing a range of local and national customers.

Korvest's workforce of around 180 employees is multi-skilled, and lead by a central management team.

The EzyStrut manufacturing plant and national distribution centre are in Adelaide servicing sales offices and warehouses in Adelaide, Melbourne, Sydney, Brisbane and Perth, and distributors in Townsville and Hobart.

we deliver solutions

EzyStrut

AUSTRALIA'S LEADING RANGE OF CABLE AND PIPE SUPPORT SYSTEMS

www.ezystrut.com.au

POWER STEP

SAFETY ACCESS SYSTEMS FOR ALL LARGE MOBILE EQUIPMENT

www.powerstep.com.au

korvest galvanisers

QUICK TURNAROUND GALVANISING OF THE LARGEST, SMALLEST, AND MOST COMPLEX CONSTRUCTION INFRASTRUCTURE

www.korvestgalvanisers.com.au

TITAN TECHNOLOGIES

SUPERIOR AND COMPLETE BOLTING SOLUTIONS FOR ANY INDUSTRY

www.titantools.com.au

Korvest Ltd
We deliver on our promise

TABLE OF CONTENTS

Korvest Ltd
ABN: 20 007 698 106

Annual Report, 30 June 2018

2018 ANNUAL REPORT

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 2018 AND THE AUDITOR'S REPORT THEREON.

DIRECTORS

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

Graeme Billings
Chairman

BCom, FCA, MAICD
Appointed Chairman 18 September 2014
A Director since May 2013

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

Director G.U.D. Holdings Limited
Director Clover Corporation Limited
Chairman Azure Healthcare Ltd
Director DomaCom Ltd
Director Escala Partners Ltd

Age 62

Chris Hartwig
Managing Director

BA(Acc), MAICD

A Director since 28 February 2018

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

Director Harness Racing SA Limited

Age 47

Gerard Hutchinson
Independent Non-Executive Director

MBA, MBL, MSc(IS), BEc, MA (Research), FCA, FAICD, FAIM

A Director since November 2014
Chairman of Audit Committee

Mr Hutchinson has held roles at Chief Financial Officer and Managing Director level in a range of large businesses. He is currently Group Chief Financial Officer of a multinational facilities management business.

Age 50

Gary Francis
Independent Non-Executive Director

BSc. Hon. (Civil), MAICD

A Director since February 2014
Chairman of Remuneration Committee

Mr Francis has worked in the construction industry at Senior Manager or Director level in Australia and Asia.

Director ZKP Group Ltd

Age 63

Andrew Stobart
Independent Non-Executive Director

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

Appointed 1 August 2016

Executive Chairman Nexans Olex Australia & New Zealand

Age 63

Steven McGregor
Finance Director

BA(Acc), CA, AGIA, ACIS

Company Secretary since April 2008
Appointed as Finance Director 1 January 2009

Age 46

Alexander Kachellek
Former Managing Director

BSc.CEng MIET FAICD

A Director since June 2007

Retired 30 September 2017

Age 65

COMPANY SECRETARY

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

RETIREMENT AND RE-ELECTIONS

In accordance with the Constitution, Gerard Hutchinson retires from the Board at the forthcoming Annual General Meeting on 24 October 2018 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 MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
Mr G Billings	14	14	4	4	3	3
Mr G Francis	13	14	4	4	3	3
Mr G Hutchinson	14	14	4	4	3	3
Mr A Stobart	14	14	4	4	2	3
Mr C Hartwig	4	4	-	-	-	-
Mr S McGregor	14	14	-	-	-	-
Mr A Kachellek	2	4	-	-	-	-

A Number of meetings attended
B Total number of meetings available for attendance

FINANCIAL RESULTS

The revenue from trading activities for the year under review was $57.0m, up 27.3% on the previous year. The Group recorded a profit after tax of $1.4m compared to a loss after tax of $1.6m in the previous year.

The FY18 result is a significant improvement on the prior year result, due to an increase in project work and day-to-day activity levels. Gross margins recovered after sell price increases were successfully implemented to counteract the rising cost of steel, zinc and energy.

DIVIDENDS

The directors announced a fully franked final dividend of 7.0 cents per share (2017: 3.0 cents per share) and 5.0 cents per share at the half year. The Dividend Reinvestment Plan (DRP) will be suspended for the final dividend. The dividend will be paid on 7 September 2018 with a record date of 24 August 2018.

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

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
Declared and paid during the year 2018				
Interim 2018 ordinary	5.0	556	Fully franked	9 March 2018
Final 2017 ordinary	3.0	333	Fully franked	8 September 2017
Total amount		**889**		

DIRECTORS' REPORT

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	7.0	781	Fully franked	7 September 2018
Total amount		**781**		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial reports.

Dividends have been dealt within the financial report as:

	Note	TOTAL AMOUNT $'000
Dividends	19	889
Dividends subsequent to 30 June 2018	19	781

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. By servicing this broad range of industries Korvest has the opportunity to capitalise on the relative movement in the activity of these sectors.

The current and forecast activity levels in the infrastructure sector are positive. There are many large road and rail projects being constructed over the next few years which should provide Korvest with encouraging opportunities during that period. In addition, there are signs of improved levels of investment in the mining and resources sector which should also provide opportunities for the Company.

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

REVIEW OF OPERATIONS

Industrial Products

In the Industrial Products group, the EzyStrut cable and pipe support business supplies products for major infrastructure developments and also supplies products to contractors for small industrial developments. During FY18 activity levels grew in the markets serviced by EzyStrut. The increased activity was in the day-to-day and small project market as well as in major projects. NSW achieved the most significant growth as a result of a large infrastructure project however strong growth was recorded in almost all states. Major project work is expected to increase in FY19 as a result of work already secured however the timing of supply will be dependent on customers' construction schedules. Revenue growth was also achieved following a price rise on 1 August 2017. The price rise was in response to the increasing cost of raw materials and energy.

Power Step designs and assembles access systems for large mobile equipment. Titan Technologies supplies specialised tools in the form of torque wrenches, hydraulic pumps and related accessories. These businesses entered the year with a lower cost base and the combination of this, and increased activity in the mining sector, resulted in their best financial result under Korvest ownership.

Production

In the Production group, the Galvanising business volumes improved significantly with growth in both external and internal work. Galvanising revenue grew by 18% through a combination of volume and price increases. The price increases were necessary due to increases in zinc and energy costs. The weighted average cost of zinc in FY18 was 13% higher than in FY17 and energy costs increased by $145,000 in FY18.

Due to the increased EzyStrut activity the internal tonnes processed through the galvanising plant were 46% higher than the prior year. This volume assists with overhead recovery and therefore was a strong contributor to the improved Production result.

Risk

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

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 bought in finished goods the ability for the product to also be manufactured in-house mitigates the risk.

Korvest's in-house engineering and maintenance department is responsible for preventative maintenance programmes to ensure a high level of plant reliability and low down time.

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.

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

At the date of this report there is no matter or circumstance that has arisen since 30 June 2018, 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 2018.

LIKELY DEVELOPMENTS

The key focus for the next financial year will be to capitalise on the significant infrastructure pipeline in the domestic market as well as the improving day to day market. The drive to ensure that both production costs and external sourcing costs are minimised will remain.

Working capital management will continue to play a key role with an emphasis on inventory reduction and optimisation.

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 AND OFFICERS INSURANCE

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.

REMUNERATION REPORT AUDITED

Principles of compensation

Remuneration is referred to as compensation throughout this report.

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

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

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

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

Fixed compensation

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

Compensation levels are reviewed annually by the remuneration committee.

Performance linked compensation

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

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the indices set out in the 5 Year Summary on page 18.

Short-term incentive bonus

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

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

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

During the financial year Chris Hartwig transitioned from Executive General Manager EzyStrut to Managing Director. As a result his performance was measured against different KPIs for each role.

CHRIS HARTWIG		
MANAGING DIRECTOR	**EXECUTIVE GENERAL MANAGER EZYSTRUT**	**OTHER KMP***
Financial performance (40%)	Financial performance (65%)	Financial performance
Group reorganisation (30%)	Working Capital (35%)	Operational performance
Cost reduction (30%)		Working Capital
		Group reorganisation
		Cost reductions

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

Long-term incentive bonus

Performance rights are issued under the Korvest Performance Rights Plan to employees (including KMP) as determined by the remuneration committee. Performance rights become vested performance rights if the Group achieves its performance hurdles. If rights become vested performance rights and do not lapse, the holder is able to acquire ordinary shares in the Company for no cash payment.

For performance rights issued during the year two performance hurdles were applied. Half of the rights issued will be tested against each of the two performance hurdles. The first performance hurdle relates to growth in basic earnings per share (EPS). EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year vesting period. The % growth is based on a base EPS which was calculated as the average of the statutory EPS for the FY14, FY15 and FY16 years as the Board considers that this represents an appropriate EPS hurdle. For the most recent issue of Performance Rights the table below sets out the % of rights that vest depending on the level of EPS growth achieved.

COMPOUND ANNUAL EPS GROWTH OVER 3 YEAR VESTING PERIOD	% OF RIGHTS THAT VEST
Less than 5%	Nil
5%	25%
Between 5% - 15%	Pro rata between 25% – 100%
15% or greater	100%

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

The second performance hurdle relates to Relative Total Shareholder Return (RTSR). The RTSR is a ranking of Korvest's total shareholder return compared to a comparative group of 20 companies over the three year performance period. Total shareholder return is calculated as the growth in share price plus dividends and any capital returns to shareholders to produce the total return to each shareholder expressed as a percentage. The comparator group of companies was selected by the Board as a group that has a spread and size of operations similar to Korvest and also are impacted by economic and cyclical factors in a manner similar to Korvest.

At the end of the three year performance period, Korvest's performance will be assessed against the comparator group and the % of rights that will vest will be determined in accordance with the following table.

KORVEST'S TSR AGAINST TSR OF THE COMPARATOR GROUP	% OF RIGHTS THAT VEST
Below the 51st percentile	Nil
At the 51st percentile	50%
Above the 51st percentile but below the 75th percentile	Between 50% and 100% using a straight line analysis
At or above the 75th percentile	100%

Notwithstanding Korvest's performance relative to the comparator group, no performance rights will vest if Korvest's TSR over the performance period is less than zero.

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

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

Services from remuneration consultants

No remuneration consultants were used during the year.

Non-executive directors

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

The following base fees became effective on 1 July 2017 and were applied for the entirety of the financial year ended 30 June 2018:

Chairman	$128,088
Director	$64,050

The Chairman of a Board Committee receives a further $10,674 p.a.

Superannuation is added to these fees where appropriate.

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

Directors and Executive Remuneration

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

		SHORT TERM		POST EMPLOYMENT
NAME		SALARY & FEES $	BONUS $	SUPERANNUATION BENEFITS $
DIRECTORS				
G Billings	**2018**	**128,088**	**-**	**12,168**
Non-executive (Chairman)	2017	125,454	-	11,918
G Francis	**2018**	**81,816**	**-**	**-**
Non-executive (Director)	2017	80,136	-	-
G Hutchinson	**2018**	**74,724**	**-**	**7,099**
Non-executive (Director)	2017	73,182	-	6,952
A Stobart (appointed 1 August 2016)	**2018**	**64,050**	**-**	**6,085**
Non-executive (Director)	2017	57,500	-	5,462
C Hartwig [1]	**2018**	**293,150**	**48,404**	**25,199**
Executive (Managing Director)	2017	270,903	-	34,533
S McGregor	**2018**	**285,533**	**10,636**	**25,046**
Executive (Finance Director)	2017	277,800	-	26,581
A Kachellek (retired 30 September 2017)	**2018**	**80,054**	**-**	**25,351**
Executive (Former Managing Director)	2017	313,635	-	35,733
EXECUTIVES/OTHER KMP				
S Taubitz (became KMP 1 March 2018) [2]	**2018**	**61,833**	**19,633**	**5,874**
General Manager Sales	2017	-	-	-
G Christie	**2018**	**183,780**	**2,343**	**17,459**
General Manager Operations	2017	180,000	-	19,361
P Assaf *General Manager Power Step &*	**2018**	**220,842**	**11,042**	**20,980**
Titan Technologies	2017	216,300	-	20,549

* 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.

** A Kachellek's termination payment comprised $87,570 of accrued leave entitlements and $160,110 in lieu of notice.

[1] C Hartwig was KMP for the entire year. From 1 July 2017 to 28 February 2018 he was Executive General Manager EzyStrut. From 4 September 2017 to 28 February 2018 he was also acting CEO. From 1 March 2018 he was Managing Director.

[2] S Taubitz was appointed as General Manager Sales EzyStrut on 1 March 2018. Salary and superannuation benefits disclosed relate only to the period that he was part of KMP. The bonus and long service leave values are full year values and therefore also include the period when he was in his role as State Manager – Victoria and not KMP. As the bonus payment relates to a full year the proportion of performance related remuneration has been calculated by annualising the salary and superannuation components.

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

		SHARE BASED PAYMENTS			
OTHER LONG TERM – LONG SERVICE LEAVE $ *	TERMINATION PAYMENT $**	SHARES $	OPTIONS & RIGHTS $	TOTAL $	PROPORTION OF REMUNERATION PERFORMANCE RELATED %
-		**-**	**-**	**140,256**	**-**
-		-	-	137,372	-
-		**-**	**-**	**81,816**	**-**
-		-	-	80,136	-
-		**-**	**-**	**81,823**	
-		-	-	80,134	-
-		**-**	**-**	**70,135**	**-**
-		-	-	62,962	-
9,539		**499**	**9,143**	**385,934**	**14.9**
(1,898)		998	**3,450**	307,986	1.1
10,193		**-**	**10,233**	**341,641**	**6.1**
10,265		-	4,275	318,921	1.3
(93,334)	**247,680**	**-**	**(4,575)**	**255,176**	**(1.8)**
11,877		-	-	365,820	1.3
250		**-**	**-**	**87,590**	**8.8**
-		-	-	-	-
6,468		**998**	**5,738**	**216,786**	**3.7**
15,712		998	1,875	217,946	0.9
5,229		**998**	**-**	**259,091**	**4.3**
4,670		998	-	242,517	-

DIRECTORS' REPORT

Options and rights over equity instruments granted as compensation during the reporting period

Details on performance rights that were granted as compensation to each KMP during the reporting period are as follows:

	NUMBER OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR	GRANT DATE	FAIR VALUE PER RIGHT AT GRANT DATE ($)	EXPIRY DATE
DIRECTORS				
C Hartwig	28,000	1 Nov 2017	$1.84/$1.22	30 June 2020
S McGregor	29,300	1 Nov 2017	$1.84/$1.22	30 June 2020
EXECUTIVES				
G Christie	19,000	1 Nov 2017	$1.84/$1.22	30 June 2020

Half of the performance rights issued to each KMP will be tested against an EPS hurdle with the other half being tested against a Relative Total Shareholder Return (RTSR) hurdle. The fair value of the EPS hurdle rights is $1.84. The fair value of the RTSR hurdle rights is $1.22.

All performance rights have a nil exercise price.

All performance rights expire on the earlier of their expiry date or termination of the individual's employment. The performance rights are exercisable for one year after the conclusion of the vesting period. In addition to the continuing employment service condition, the ability to exercise performance rights is conditional on the Group achieving performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 9.

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

Exercise of options granted as compensation

No shares were issued on the exercise of performance rights previously granted as compensation during the reporting period.

Analysis of options and rights over equity instruments granted as compensation

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

	OPTIONS/RIGHTS GRANTED				
	NUMBER	DATE	% VESTED IN CURRENT YEAR	% FORFEITED OR LAPSED IN CURRENT YEAR	YEAR IN WHICH GRANT VESTS
DIRECTORS					
A Kachellek	36,400	Nov 15	-	100	30 Jun 18
	30,500	Nov 16	-	100	30 Jun 19
S McGregor	28,800	Nov 15	-	100	30 Jun 18
	28,500	Nov 16	-	-	30 Jun 19
	29,300	Nov 17	-	-	30 Jun 20
C Hartwig	10,000*	Mar 09	-	-	30 Jun 11
	21,200	Nov 15	-	100	30 Jun 18
	23,000	Nov 16	-	-	30 Jun 19
	28,000	Nov 17	-	-	30 Jun 20
EXECUTIVES					
G Christie	5,000	Nov 15	-	100	30 Jun 18
	12,500	Nov 16	-	-	30 Jun 19
	19,000	Nov 16	-	-	30 Jun 20

* These options were issued under the previous Korvest Ltd Executive Share Plan. They vested during the year ended 30 June 2011 and were exercised in January 2011. Restricted ordinary shares were issued at an exercise price of $3.79 per share. Under the terms of the previous Korvest Ltd Executive Share Plan upon exercise of the options the individual must pay the exercise price over a maximum term of 20 years. Dividends, after deduction of an amount intended for the participant's tax, are applied in payment of the exercise price. The arrangement to pay the exercise price over 20 years is interest free and without personal recourse to the participants (recourse is limited to the shares themselves). As a result of these arrangements, under Australian Accounting standards, the instruments are treated as options until such time as the associated non-recourse loan is fully repaid. The shares remain restricted until such time as the loan is fully paid.

Analysis of movements in options and rights granted as compensation

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each company director and KMP are detailed below.

	VALUE OF RIGHTS/OPTIONS	
	GRANTED IN YEAR $ (A)	EXERCISED IN YEAR $ (B)
DIRECTORS		
C Hartwig	42,788	-
S McGregor	44,775	-
EXECUTIVES		
G Christie	29,035	-

(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 for the EPS hurdle performance rights and a Monte Carlo simulation for the RTSR hurdle performance rights. 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 2017 to 30 June 2020) subject to meeting the associated performance conditions.

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

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

Options and rights over equity instruments

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

	HELD AT 1 JULY 2017 AASB	GRANTED AS COMPENSATION	EXERCISED	LAPSED	HELD AT 30 JUNE 2018 AASB	HELD AT 30 JUNE 2018 ASX	VESTED DURING THE YEAR
DIRECTORS							
A Kachellek	66,900	-	-	(66,900)	-	-	-
C Hartwig	54,200	28,000	-	(21,200)	61,000	51,000	-
S McGregor	57,300	29,300	-	(28,800)	57,800	57,800	-
EXECUTIVES							
G Christie	17,500	19,000	-	(5,000)	31,500	31,500	-
S Taubitz	N/A	-	-	-	-	-	-

No options held by KMP are vested but not exercisable.

	HELD AT 1 JULY 2016 AASB	GRANTED AS COMPENSATION	EXERCISED	LAPSED	HELD AT 30 JUNE 2017 AASB	HELD AT 30 JUNE 2017 ASX	VESTED DURING THE YEAR
DIRECTORS							
A Kachellek	60,400	30,500	-	(24,000)	66,900	66,900	-
S McGregor	47,800	28,500	-	(19,000)	57,300	57,300	-
EXECUTIVES							
C Hartwig	45,200	23,000	-	(14,000)	54,200	44,200	-
G Christie	10,000	12,500	-	(5,000)	17,500	17,500	-
P Assaf	5,000	-	-	(5,000)	-	-	-

No options held by KMP are vested but not exercisable.

* Holding has been noted as N/A where the person was not a member of KMP at that date. Transactions have only been recorded where they occurred whilst the person was a member of KMP.

Movements in shares

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

	HELD AT 1 JULY 2017	PURCHASES	ALLOCATED UNDER EMPLOYEE/ EXEC SHARE PLAN	HELD AT 30 JUNE 2018	SHARES HELD SUBJECT TO NON-RECOURSE LOANS
DIRECTORS					
G Billings	667	-	-	667	-
C Hartwig	13,760	-	233	13,993	10,000
S McGregor	32,004	-	-	32,004	-
A Kachellek*	57,110	-	-	N/A	-
G Francis	6,271	-	-	6,271	-
G Hutchinson	500	-	-	500	-
A Stobart	500	-	-	500	-
EXECUTIVES					
G Christie	1,664	-	464	2,128	-
P Assaf	1,152	-	464	1,616	-
S Taubitz	N/A	-	-	-	-

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 1 JULY 2016	PURCHASES	ALLOCATED UNDER EMPLOYEE/ EXEC SHARE PLAN	ALLOCATED UNDER DRP	HELD AT 30 JUNE 2017	SHARES HELD SUBJECT TO NON-RECOURSE LOANS
DIRECTORS						
G Billings	642	-	-	25	667	-
P Brodribb *	26,755	-	-	N/A	N/A	-
S McGregor	30,769	-	-	1,235	32,004	-
A Kachellek	56,335	-	-	775	57,110	-
G Francis	6,029	-	-	242	6,271	-
G Hutchinson	500	-	-	-	500	-
A Stobart *	N/A	500	-	-	500	-
EXECUTIVES						
C Hartwig	12,844	-	393	523	13,760	10,000
G Christie	1,271	-	393	-	1,664	-
P Assaf	759	-	393	-	1,152	-

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.

* Shareholding has been noted as N/A where the person was not a member of KMP at that date. Purchase and sale transactions have only been recorded where they occurred whilst the person was a member of KMP.

Analysis of bonuses included in remuneration

Executive bonuses are paid on the achievement of specified performance targets. Those targets vary for each executive and are aligned to each executive's role and responsibilities. The targets relate to financial, operational, strategic and safety measures.

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company, and to other key management personnel are detailed below.

	SHORT-TERM INCENTIVE BONUS			
	MAXIMUM POSSIBLE STI	INCLUDED IN REMUNERATION $ (A)	% VESTED IN YEAR	% FORFEITED IN YEAR (B)
KMP				
C Hartwig	168,000	48,404	28.8	71.2
S McGregor	42,545	10,636	25	75
G Christie	46,864	2,343	5	95
P Assaf	22,084	11,042	50	50
S Taubitz	33,333	19,633	59	41
A Kachellek	144,100	-	-	100

(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.

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

	KORVEST LTD ORDINARY SHARES	KORVEST LTD PERFORMANCE RIGHTS UNVESTED
C Hartwig	23,993	51,000
G Billings	667	-
S McGregor	32,004	57,800
G Francis	6,271	-
G Hutchinson	500	-
A Stobart	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 55 and forms part of the Directors' report for the financial year ended 30 June 2018.

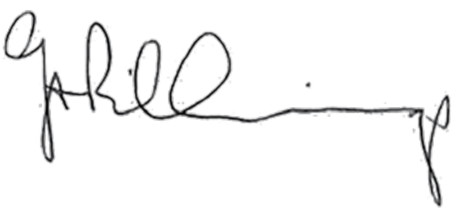
ROUNDING OFF

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

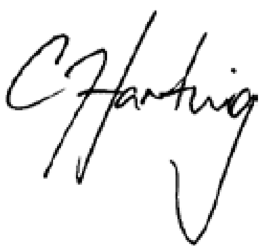
CORPORATE GOVERNANCE

The Company's Corporate Governance Statement can be found on the Korvest website at http://www.korvest.com.au/assets/downloads/Korvest-Corporate-Governance-2018.pdf

Signed at Adelaide this Friday 27th of July 2018 in accordance with a resolution of the directors.



G A BILLINGS, Director



C A HARTWIG, Director

5 YEAR SUMMARY

		2018	2017	2016	2015	2014
SALES REVENUE	($'000)	56,962	44,731	54,981	63,025	73,756
PROFIT / (LOSS) AFTER TAX	($'000)	1,369	(1,578)	950	1,455	5,603
DEPRECIATION/AMORTISATION	($'000)	1,625	1,710	1,716	1,642	1,774
CASH FLOW FROM OPERATIONS	($'000)	5,110	(384)	7,432	5,115	4,228
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES						
- As % of Shareholders' Equity		4.6%	(5.4%)	2.9%	4.4%	15.1%
- As % of Sales Revenue		2.4%	(3.5%)	1.7%	2.3%	7.6%
DIVIDEND						
- Total amount paid	($'000)	889	2,192	2,328	5,032	12,830
- Per issued share		8.0c	20.0c	22.0c	48.0c	146.0c
- Times covered by profit from ordinary activities		1.5	-	0.4	0.3	0.4
EARNINGS PER SHARE		12.3c	(14.4c)	8.9c	13.9c	64.1c
NUMBER OF EMPLOYEES		180	171	193	225	242
SHAREHOLDERS						
- Number at year end		1,694	1,813	1,882	2,029	2,034
NET ASSETS PER ISSUED ORDINARY SHARE		$2.66	$2.63	$2.97	$3.13	$3.50
NET TANGIBLE ASSETS PER ISSUED ORDINARY SHARE		$2.66	$2.63	$2.97	$3.13	$3.33
SHARE PRICE AS AT 30 JUNE		$2.07	$2.36	$2.19	$3.55	$5.60

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$'000	$'000
CONTINUING OPERATIONS			
Sales revenue	1	56,962	44,731
Expenses, excluding net finance costs	2	(55,100)	(47,022)
PROFIT/ (LOSS) BEFORE FINANCING COSTS		1,862	(2,291)
Finance income	3	40	54
NET FINANCE INCOME		40	54
PROFIT/ (LOSS) BEFORE INCOME TAX		1,902	(2,237)
Income tax expense	20	(533)	659
PROFIT/ (LOSS) FROM CONTINUING OPERATIONS		1,369	(1,578)
PROFIT/ (LOSS) FOR THE YEAR		1,369	(1,578)
OTHER COMPREHENSIVE INCOME			
Revaluation of property plant and equipment		-	214
Related tax		-	(64)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		1,369	(1,428)
ATTRIBUTABLE TO:			
Equity holders of the Company		1,369	(1,428)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		1,369	(1,428)
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:		**CENTS**	**CENTS**
Basic earnings per share from continuing operations	4	12.3	(14.4)
Diluted earnings per share from continuing operations	4	12.3	(14.4)

Korvest Ltd

The notes on pages 24 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $'000	2017 $'000
ASSETS			
Cash and cash equivalents	16	5,119	1,694
Investment	16	275	275
Trade and other receivables	7	9,950	9,278
Prepayments		243	220
Inventories	8	9,395	10,733
Tax receivable		-	107
TOTAL CURRENT ASSETS		24,982	22,307
Property, plant and equipment	13	12,882	13,725
Intangible assets	12	-	8
Deferred tax asset	20	-	82
TOTAL NON-CURRENT ASSETS		12,882	13,815
TOTAL ASSETS		37,864	36,122
LIABILITIES			
Trade and other payables	9	4,666	3,950
Employee benefits	10	2,325	2,216
Provisions	11	37	38
TOTAL CURRENT LIABILITIES		7,028	6,204
Employee benefits	10	240	319
Deferred tax liability	20	451	-
Provisions	11	433	433
TOTAL NON-CURRENT LIABILITIES		1,124	752
TOTAL LIABILITIES		8,152	6,956
NET ASSETS		29,712	29,166
EQUITY			
Issued capital	18	14,084	14,039
Reserves	18	15,837	16,705
Retained losses		(209)	(1,578)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		29,712	29,166
TOTAL EQUITY		29,712	29,166

The notes on pages 24 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		64,563	47,863
Cash paid to suppliers and employees		(59,600)	(49,165)
Cash generated from / (used by) operations		4,963	(1,302)
Interest received	3	40	54
Income tax refunds		107	864
NET CASH FROM OPERATING ACTIVITIES	16	5,110	(384)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment and assets held for sale		10	10
Investments and term deposits		-	(275)
Acquisition of property, plant and equipment and intangible assets	12,13	(804)	(745)
NET CASH FROM INVESTING ACTIVITIES		(794)	(1,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction costs related to issue of share capital		(2)	(5)
Dividends paid		(889)	(1,995)
NET CASH FROM FINANCING ACTIVITIES		(891)	(2,000)
Net increase/ (decrease) in cash and cash equivalents		3,425	(3,394)
Cash and cash equivalents at 1 July		1,694	5,088
CASH AND CASH EQUIVALENTS AT 30 JUNE	16	5,119	1,694

The notes on pages 24 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

In thousands of AUD	SHARE CAPITAL	EQUITY COMPENSATION RESERVE	ASSET REVALUATION RESERVE	PROFITS RESERVE	RETAINED LOSSES	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	14,039	227	3,735	12,743	(1,578)	29,166
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit	-	-	-	-	1,369	1,369
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-		1,369	1,369
TRANSACTIONS WITH OWNERS OF THE COMPANY RECOGNISED DIRECTLY IN EQUITY						
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY						
Shares issued under the Share Plans	45	21	-	-	-	66
Issue of ordinary shares	-	-	-	-	-	-
Dividends to shareholders	-	-	-	(889)	-	(889)
Total contributions by and distributions to owners of the Company	45	21	-	(889)	-	(823)
BALANCE AT 30 JUNE 2018	14,084	248	3,735	11,854	(209)	29,712
Balance at 1 July 2016	13,798	211	3,585	14,935	-	32,529
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Loss	-	-	-	-	(1,578)	(1,578)
Other comprehensive income	-	-	150	-	-	150
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	150		(1,578)	(1,428)
TRANSACTIONS WITH OWNERS OF THE COMPANY RECOGNISED DIRECTLY IN EQUITY						
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF THE COMPANY						
Shares issued under the Share Plans	56	16	-	-	-	72
Issue of ordinary shares	185	-	-	-	-	185
Dividends to shareholders	-	-	-	(2,192)	-	(2,192)
Total contributions by and distributions to owners of the Company	241	16	-	(2,192)	-	(1,935)
BALANCE AT 30 JUNE 2017	14,039	227	3,735	12,743	(1,578)	29,166

The notes on pages 24 to 49 are an integral part of these consolidated financial statements.

Basis of preparation

Reporting entity

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 2018 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 27 July 2018.

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

The preparation of the consolidated financial statements in conformity with AASBs and IFRS requires management to make judgements, estimates and assumptions that affect the application of 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 in the period in which the estimate is revised and in any future periods affected.

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 13 – Tangible assets

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies 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.

New standards and interpretations not yet adopted

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

NEW OR AMENDED STANDARD	SUMMARY OF REQUIREMENTS	POSSIBLE IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS
AASB 9 Financial Instruments	AASB 9, published in July 2014, replaces the existing guidance in IAS 39 Financial instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 39. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group has assessed the potential impact on its consolidated financial statements resulting from the application of AASB 9. The most significant impact identified relates to the calculation of the impairment of trade receivables using an expected credit loss model. It is likely that the new calculation methodology will result in a reduction in the provision recognised.
AASB 15 Revenue from Contracts with Customers	AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 Revenue, AASB 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group's assessment has identified two potential performance obligations being: - the provision of industrial products or galvanising services; and - where applicable, delivery of product. Revenue is currently recognised when the significant risks and rewards of ownership transfer. In the case of the galvanising business, this is the point when the product is ready for collection by, or delivery to, the customer. In the case of Industrial Products, this is the point of collection by, or delivery to, the customer. Under the new standard revenue will be recognised when performance obligations are satisfied. In most contracts this will be at the point the customer takes final receipt of Industrial Product or galvanised product. Where the group enters a contract to provide bespoke product for which the group does not have an alternate use, revenue will be recognised over time. The new standard is not expected to materially impact the Group's net profit after tax.
AASB 16 Leases	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019.	The Group has assessed the potential impact on its consolidated financial statements resulting from application of AASB 16. The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of warehouses and mobile plant. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to $2,131,000, on an undiscounted basis (see Note 15).

RESULTS FOR THE YEAR

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

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

1. Revenue and other income

Accounting policies

Sale of goods

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 is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of the revenue can be measured reliably. Transfer of risks and rewards vary according to the terms of individual sale contracts. Transfer usually occurs when the product is received by the customer or upon completion when the customer requests delayed delivery.

Good and services tax

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

	2018	2017
SALES REVENUE	$'000	$'000
Sales of goods	56,962	44,731

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

	NOTE	2018	2017
		$'000	$'000
Cost of goods sold		36,088	29,919
Sales, marketing and warehousing expenses		12,320	11,275
Administration expenses		2,403	2,242
Distribution expenses		4,279	3,498
Other expenses		10	88
		55,100	47,022
PROFIT / (LOSS) BEFORE INCOME TAX HAS BEEN ARRIVED AT AFTER CHARGING / (CREDITING) THE FOLLOWING EXPENSES:			
EMPLOYEE BENEFITS:			
Wages and salaries	13	15,317	12,425
Other associated personnel expenses	13	1,708	1,883
Contributions to defined contribution superannuation funds	12	1,180	1,113
Expense relating to annual and long service leave		1,129	1,080
Termination benefits		200	160
Employee share bonus plan expense		48	51

2. Expenses (continued)

	NOTE	2018	2017
		$'000	$'000
OTHER:			
Bad debts written off	7	87	73
Change in allowance for impairment of receivables	7	57	(88)
Loss on disposal of property, plant and equipment		10	88
Research and development expense		-	29

3. Net finance income

Accounting policies

Finance income

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

Finance costs

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest 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 and diluted earnings per share at 30 June 2018 was based on the net profit attributable to ordinary shareholders of $1,368,595 (2017: Loss $1,577,891) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2018 of 11,104,989 (2017: 10,992,738).

Weighted average number of ordinary shares (basic)

	2018	2017
	Shares '000	Shares '000
Issued ordinary shares at 1 July	11,073	10,940
Effect of shares issued during year	32	53
Weighted average number of ordinary shares at 30 June	11,105	10,993

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	11,105	10,993
Effect of Executive Share Plan	-	-
Weighted average number of ordinary shares at 30 June	11,105	10,993

Basic and diluted earnings per share

Basic earnings per share from continuing operations	12.3	(14.4)
Diluted earnings per share from continuing operations	12.3	(14.4)

FINANCIAL STATEMENTS

5. Auditor's remuneration

	2018	2017
	$	$
AUDIT SERVICES:		
Auditors of the Group (KPMG Australia)		
– audit and review of financial statements	97,300	93,970
	97,300	93,970
Other services:		
Auditors of the Group (KPMG Australia)		
– other taxation, consulting and due diligence services	7,175	7,585
	7,175	7,585

6. Segment reporting

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

Business segments

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

Industrial Products

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

Production

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

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

Geographical segments

The Group operates in Australia.

Customers

There was no individually significant customer that would represent more than 10% of total revenues in the current financial year.

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

BUSINESS SEGMENTS	INDUSTRIAL PRODUCTS		PRODUCTION		TOTAL	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Sales revenue	51,682	40,269	5,280	4,462	56,962	44,731
Depreciation and amortisation	942	1,041	291	278	1,233	1,319
Reportable segment profit / (loss) before tax	2,126	(1,633)	227	(301)	2,353	(1,934)
Reportable segment assets	19,531	20,984	4,214	3,720	23,745	24,704
Capital expenditure	421	465	379	222	800	687

6. Segment reporting (continued)

Reconciliation of reportable segment profit, assets and other material items

	2018	2017
PROFIT / (LOSS)	$'000	$'000
Total profit / (loss) for reportable segments	2,353	(1,934)
Unallocated amounts – other corporate expenses (net of corporate income)	(451)	(303)
Profit / (Loss) before income tax	1,902	(2,237)
ASSETS		
Total assets for reportable segments	23,745	24,704
Land and buildings	7,340	7,382
Cash, cash equivalents and investments	5,394	1,969
Other unallocated amounts	1,385	2,067
Total assets	37,864	36,122
CAPITAL EXPENDITURE		
Capital expenditure for reportable segments	800	687
Other corporate capital expenditure	4	58
Total capital expenditure	804	745
OTHER MATERIAL ITEMS		
Depreciation and amortisation for reportable segments	1,233	1,319
Unallocated amounts – corporate depreciation	392	391
Total	1,625	1,710

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.

	2018	2017
	$'000	$'000
CURRENT		
Trade receivables	10,589	9,860
Less: Allowance for impairment	(639)	(582)
Net trade receivables	9,950	9,278

Impairment

Debtors are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. An allowance for impairment is recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor or indications that a debtor will enter administration.

	2018	2017
	$'000	$'000
MOVEMENT IN ALLOWANCE FOR IMPAIRMENT		
Balance at 1 July	(582)	(567)
Amounts written off against allowance	78	73
Impairment loss recognised	(135)	(88)
Balance at 30 June	(639)	(582)

The impairment loss at 30 June 2018 relates to a number of customers where an assessment has been made that the amounts are likely to be uncollectable.

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.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

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.

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

Goods and services tax

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.

	2018	2017
	$'000	$'000
CURRENT		
Raw materials and consumables	2,303	2,142
Work in progress	245	441
Finished goods	6,847	8,150
	9,395	10,733

Finished goods are shown net of an impairment provision amounting to $1,464,000 (2017: $1,409,000) arising from the likely inability to sell a product range at or equal to the cost of inventory.

9. Trade and other payables

Accounting policies

Payables

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

Goods and services tax

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.

	2018	2017
	$'000	$'000
CURRENT		
Trade payables and accrued expenses	2,146	2,226
Non-trade payables and accrued expenses	2,520	1,724
	4,666	3,950

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.

10. Employee benefits (continued)

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.

	2018	2017
	$'000	$'000
CURRENT		
Liability for annual leave	950	940
Liability for long service leave	1,375	1,276
	2,325	2,216
NON-CURRENT		
Liability for long service leave	240	319
Total employee benefits	2,565	2,535

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

Defined contribution superannuation funds

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

Share based payments

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

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

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

Employee Share Bonus Plan

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

Executive Share Plan

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

Executive Share Plan (ESP) – discontinued

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

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

The options were offered only to selected senior executives. Details of the options are below:

Korvest Performance Rights Plan (KPRP)

In August 2011 the Company established a performance rights plan to replace the ESP. In November 2011 the first performance rights were granted under the plan and further issues have been granted annually since. The plan is designed to provide long term incentives to eligible senior employees of the Group and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles. For issues made between November 2011 and November 2015 only one performance hurdle related to earnings per share (EPS) was used. From the November 2016 issue onwards a second hurdle related to Relative Total Shareholder Return (RTSR) was introduced.

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

GRANT DATE	PLAN	NUMBER OF OPTIONS / RIGHTS INITIALLY GRANTED	NUMBER OUTSTANDING AT BALANCE DATE AASBS	NUMBER OUTSTANDING AT BALANCE DATE ASX
March 2005	ESP	60,000	15,000	-
March 2009	ESP	85,000	10,000	-
November 2016	KPRP	117,000	74,000	74,000
November 2017	KPRP	76,300	76,300	76,300
TOTAL SHARE OPTIONS / PERFORMANCE RIGHTS		338,300	175,300	150,300

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 the rights granted through the KPRP with an EPS hurdle was measured based on the Black-Scholes formula. The fair value of the rights granted through the KPRP with an RTSR hurdle is measured using a Monte Carlo simulation. Expected volatility is estimated by considering historic share price volatility over the twelve months prior to grant date.

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

	2018		2017	
	RTSR HURDLE	**EPS HURDLE**	RTSR hurdle	EPS Hurdle
Fair value at grant date	$1.22	$1.84	$0.90	$1.74
Share price at grant date	$2.35	$2.35	$2.00	$2.00
Exercise price	-	-	-	-
Share price volatility	32.0%	32.0%	29.4%	29.4%
Dividend yield	5.4%	5.4%	6.0%	6.0%
Risk free interest rate	2.0%	2.0%	1.9%	1.9%
Life of options	3 yrs	3 yrs	3 yrs	3 yrs
Advised restriction period (after vesting)	2 yrs	2 yrs	2 yrs	2 yrs

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
2018										
PREVIOUS PLAN										
Mar 05	Jan 07	Jan 27	$4.36	15,000	-	-	-	-	15,000	-
Mar 09	Jan 11	Jan 31	$3.79	10,000	-	-	-	-	10,000	-
				25,000	-	-	-	-	25,000	-
Weighted average exercise price				*$4.13*					*$4.13*	
CURRENT PLAN										
Nov 15	Jul 18	Jun 18	-	104,000	-	(67,600)	(36,400)	-	-	-
Nov 16	Jul 19	Jun 19	-	104,500	-	-	(30,500)	-	74,000	-
Nov 17	Jul 20	Jun 20	-	-	76,300	-	-	-	76,300	-
				208,500	76,300	(67,600)	(66,900)	-	150,300	-
Weighted average exercise price				*$Nil*	*$Nil*	*$Nil*	*$Nil*		*$Nil*	
2017										
PREVIOUS PLAN										
Mar 05	Jan 07	Jan 27	$4.36	15,000	-	-	-	-	15,000	-
Mar 09	Jan 11	Jan 31	$3.79	10,000	-	-	-	-	10,000	-
				25,000	-	-	-	-	25,000	-
Weighted average exercise price				*$4.13*					*$4.13*	
CURRENT PLAN										
Nov 14	Jul 17	Jun 17	-	85,000	-	(77,000)	(8,000)	-	-	-
Nov 15	Jul 18	Jun 18	-	114,000	-	-	(10,000)	-	104,000	-
Nov 16	Jul 19	Jun 19	-	-	117,000	-	(12,500)	-	104,500	
				199,000	117,000	(77,000)	(30,500)	-	208,500	-
Weighted average exercise price				*$Nil*	*$Nil*	*$Nil*	*$Nil*		*$Nil*	

11. Provisions

Accounting policies

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

Warranties

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

11. Provisions (continued)

Site restoration and safety

A provision of $433,000 (2017: $433,000) 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 (2017: 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 3.0% (2017: 3.0%) and an inflation rate of 2.0% (2017: 2.0%) have been used for the calculation at 30 June 2018.

	2017	2016
	$'000	$'000
CURRENT		
Warranties	37	38
NON-CURRENT		
Site restoration	433	433
	470	471

TANGIBLE AND INTANGIBLE ASSETS

The following section shows the physical tangible and non-physical intangible assets used by the Group to operate the business, generating revenues and profits. Intangible assets include patents, trademarks and goodwill.

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

Depreciation

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

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

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

- Buildings 40 years
- Plant and equipment 3-12 years

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

Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful life of patents and trademarks for the current and comparative years is 5 years.

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

12. Intangible assets

	2018	2017
	$'000	$'000
Patents and trademarks	-	8

13. Tangible assets

Accounting policies

Recognition and measurement

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

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

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

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

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

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

Fair value measurement

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. Land and buildings are valued by an independent valuer every three years. In the intervening years between independent valuations the directors make an assessment of the value of the land and buildings having regard for the most recent independent valuation.

Subsequent expenditure

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

	LAND & BUILDINGS (FAIR VALUE)	PLANT & EQUIPMENT (COST)	TOTAL
COST	$'000	$'000	$'000
Balance at 1 July 2016	7,282	20,195	27,477
Acquisitions	-	742	742
Revaluation	100	-	100
Disposals and write-offs	-	(390)	(390)
Transfer of equipment to inventory	-	(15)	(15)
Balance at 30 June 2017	7,382	20,532	27,914
Balance at 1 July 2017	7,382	20,532	27,914
Acquisitions	-	804	804
Revaluation	-	-	-
Disposals and write-offs	-	(340)	(340)
Transfer of equipment to inventory	-	(16)	(16)
Balance at 30 June 2018	7,382	20,980	28,362
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
Balance at 1 July 2016	75	12,771	12,846
Depreciation charge for the year	39	1,659	1,698
Revaluation	(114)	-	(114)
Disposals	-	(237)	(237)
Transfer of equipment to inventory	-	(4)	(4)
Balance at 30 June 2017	-	14,189	14,189
Balance at 1 July 2017	-	14,189	14,189
Depreciation charge for the year	42	1,575	1,617
Revaluation	-	-	-
Disposals	-	(320)	(320)
Transfer of equipment to inventory	-	(6)	(6)
Balance at 30 June 2018	42	15,438	15,480
CARRYING AMOUNTS			
At 30 June 2016	7,207	7,424	14,631
At 30 June 2017	7,382	6,343	13,725
At 30 June 2018	7,340	5,542	12,882

13. Tangible assets (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 March 2017 by Mr Mark Klenke, AAPI MRICS FFIN 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 director's valuation as at 30 June 2018.

The carrying amount of the Land and Buildings at cost at 30 June 2018 if not revalued would be $1,056,410 (2017:$1,109,869).

The following table shows a reconciliation from the opening balances to the closing balances for Land and Buildings being based on Level 3 fair values:

	$'000
Balance at 1 July 2016	7,207
Revaluation	214
Depreciation charge for the year	(39)
Balance at 30 June 2017	7,382
Balance at 1 July 2017	7,382
Depreciation charge for the year	(42)
Balance at 30 June 2018	7,340

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.

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 - 9.25% Potential rental rate - $53/m^2 Land value for vacant land - $150/m^2	TThe estimated market value would increase if: • Potential rental rate was higher • Land value was higher

14. Impairment testing

Accounting policies

The carrying amounts of the Group's tangible and intangible 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. Goodwill is tested annually for impairment. 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. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

14. Impairment testing (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amount of the other 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 asset's carrying amounts does 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 2018.

15. Commitments for expenditure

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Leases as lessee

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	$'000	$'000
Less than one year	759	801
Between one and five years	1,372	974
More than five years	-	-
	2,131	1,775

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of up to five years, with an option to renew the lease after that date. Lease payments are increased periodically to reflect market rentals. None of the leases includes contingent rentals. Rentals are increased by CPI or similar each year.

During the financial year ended 30 June 2018 $883,769 was recognised as an expense in the Statement of profit or loss and comprehensive income in respect of operating leases (2017: $893,204).

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.

16. CASH AND CASH EQUIVALENTS / (BANK OVERDRAFT)

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 acquisition date.

Goods and services tax

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.

	2018	2017
	$'000	$'000
Cash in hand	1	1
Bank balances	1,467	1,156
Call deposits	3,651	537
Cash and cash equivalents in the statement of cash flows	5,119	1,694
Investments and term deposits	275	275

16. Cash and cash equivalents / (Bank overdraft) (continued)

Reconciliation of cash flows from operating activities

	2018	2017
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the period	1,369	(1,578)
Adjustment for:		
Depreciation and amortisation	1,625	1,710
Impairment of trade receivables	144	88
Impairment of inventories	55	(40)
Disposal of property, plant and equipment including transfer to inventory and write-offs	10	154
Equity-settled share-based payment expense	69	72
	3,272	406
Changes in:		
Trade and other receivables	(817)	(1,334)
Prepayments	(23)	(9)
Inventories	1,293	800
Trade and other payables	716	(287)
Deferred tax	533	(659)
Income taxes payable	107	864
Provisions and employee benefits	29	(165)
NET CASH FROM OPERATING ACTIVITIES	5,110	(384)

17. Financial instruments

Accounting policies

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

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

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

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

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

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

17. Financial instruments (continued)

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.

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or if it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through the profit or loss, held to maturity financial assets, loans and receivables and available-for-sale financial assets.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and other borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

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.

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

17. Financial instruments (continued)

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:

	2018	2017
	$'000	$'000
Cash, cash equivalents and Investments	5,394	1,969
Trade and other receivables	9,950	9,278

Cash and cash equivalents

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

Trade and other receivables

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

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

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

	2018	2017
	$'000	$'000
CARRYING VALUES		
Australia	9,948	9,377
South East Asia	-	81
Other	2	40
	9,950	9,498

At 30 June 2018, the Group's most significant customer, located in Australia, accounted for $2,015,121 of the trade and other receivables carrying amount (2017: $1,588,100).

Impairment losses

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

	2018	2017
	$'000	$'000
GROSS		
Not past due nor impaired	7,050	6,519
Past due 0-30 days	2,900	2,829
Past due 31-90 days	-	150
More than 91 days	-	-
	9,950	9,498

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).

	2018				2017			
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6 – 12 MONTHS	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6 – 12 MONTHS
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade and other payables	4,666	(4,666)	(4,666)	-	3,950	(3,950)	(3,950)	-
	4,666	(4,666)	(4,666)	-	3,950	(3,950)	(3,950)	-

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.

Current risk

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

Exposure to currency risk

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

Interest rate risk

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

Exposure to interest rate risk

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

Other market price risk

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

Capital management

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

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

There were no changes in the Group's approach to capital management during the year.

Accounting classifications and fair values

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

18. 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.

Profit reserve

The profits reserve represents current year and accumulated profits transferred to a reserve to preserve the characteristic as a profit and not appropriate against prior year accumulated losses. Such profits are available to enable payment of franked dividends in the future.

Equity compensation reserve

The Equity compensation reserve represents the accumulated expense recognised for share-based payments granted by the Company to date. This reserve will be reversed against share capital or retained earnings when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share capital

	2018	2017
ORDINARY SHARES	Shares '000	Shares '000
On issue at 1 July	11,073	10,940
Issued under the Employee Share Bonus Plan	59	57
Issued under Dividend Reinvestment Plan	-	76
On issue at 30 June – fully paid	11,132	11,073

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.

19. Dividends

Accounting policies

Dividends paid are classified as distribution of profit consistent with the balance sheet classification of the related debt or equity instrument.

Recognised amounts

	CENTS PER SHARE	TOTAL AMOUNT $'000	PERCENTAGE FRANKED	TAX RATE	DATE OF PAYMENT
2018					
Interim 2018 ordinary	5.0	556	100%	30%	9 March 2018
Final 2017 ordinary	3.0	333	100%	30%	8 September 2017
Total amount		889			
2017					
Interim 2017 ordinary	10.0	1,098	100%	30%	10 March 2017
Final 2016 ordinary	10.0	1,094	100%	30%	9 September 2016
Total amount		2,192			

Unrecognised amounts

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

	CENTS PER SHARE	TOTAL AMOUNT $'000	PERCENTAGE FRANKED	TAX RATE	DATE OF PAYMENT
2018					
Final 2018 ordinary	7.0	781	100%	30%	7 September 2018

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2018 and will be recognised in subsequent financial reports.

19. Dividends (continued)

Dividend franking account

	2018	2017
	$'000	$'000
30% franking credits available to shareholders of Korvest Ltd for subsequent financial years	7,273	7,761

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 $334,700 (2017: reduce by $142,688).

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.

20. 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 21 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.

20. 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 consolidation 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

	2018	2017
	$'000	$'000
CURRENT TAX EXPENSE		
Current year	67	(701)
Adjustments for prior year	-	-
	67	(701)
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences		
-relating to current year	466	42
-relating to prior year	-	-
	466	42
TOTAL INCOME TAX EXPENSE IN STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	533	(659)

Numerical reconciliation between tax expense and pre-tax net profit

	2018	2017
	$'000	$'000
Profit / (Loss) before tax	1,902	(2,237)
Income tax using the domestic corporation tax rate of 30% (2017:30%)	570	(671)
Adjustments relating to prior years	-	-
Non-deductible expenses	(1)	12
Recognition of previously unrecognised tax losses	(36)	-
Income tax expense / (benefit) on pre-tax net profit / (loss).	533	(659)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	1,862	1,960	1,862	1,960
Inventories	(439)	(423)	568	470	129	47
Provisions / accruals	(970)	(945)	-	-	(970)	(945)
Other items	(192)	(194)	2	2	(190)	(192)
Tax loss carried forward	(380)	(952)	-	-	(380)	(952)
Tax (assets) / liabilities	(1,981)	(2,514)	2,432	2,432	451	(82)
Set off of tax	1,981	2,432	(1,981)	(2,432)	-	-
NET TAX (ASSETS) / LIABILITIES	-	(82)	451	-	451	(82)

Movement in deferred tax balances during the year

	BALANCE 30 JUNE 17	RECOGNISED IN PROFIT	BALANCE 30 JUNE 2018
	$'000	$'000	$'000
Property, plant and equipment	(1,960)	98	(1,862)
Inventories	(47)	(82)	(129)
Provisions / accruals	945	25	970
Other items	192	(2)	190
Tax loss carried forward	952	(572)	380
	82	(533)	(451)

	BALANCE 30 JUNE 16	RECOGNISED IN PROFIT		BALANCE 30 JUNE 17
		RELATING TO CURRENT YEAR	RECOGNISED DIRECTLY IN EQUITY	
	$'000	$'000	$'000	$'000
Property, plant and equipment	(1,932)	36	(64)	(1,960)
Inventories	(36)	(11)	-	(47)
Provisions / accruals	995	(50)	-	945
Other items	210	(18)	-	192
Tax loss carried forward	250	702	-	952
	(513)	659	(64)	82

BUSINESS COMBINATIONS

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

21. Investment in subsidiaries

Accounting policies

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.
The Group measures goodwill at acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The fair value of contingent consideration arising in a business combination is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it is discounted to present value.

There were no business combinations in the current or prior years.

21. Investment in subsidiaries (continued)

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	
		2018	2017
		%	%
PARENT ENTITY			
Korvest Ltd	Australia		
SUBSIDIARIES			
Power Step (Australia) Pty Ltd	Australia	100	100
Power Step (Chile) SpA	Chile	100	100
Titan Technologies (SE Asia) Pty Ltd	Australia	100	100
EzyStrut Pte. Ltd	Singapore	-	100

OTHER NOTES

22. Key mangement personnel

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

Non-executive Directors

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

Executive Directors

- Chris Hartwig (Managing Director from 28 February 2018, prior to that was Executive General Manager, Sales & Marketing)
- Steven McGregor (Finance Director and Company Secretary)
- Alexander Kachellek (Managing Director until 30 September 2017)

Executives

- Gavin Christie (General Manager, Operations)
- Paul Assaf (General Manager, Power Step & Titan Technologies)
- Stephen Taubitz (General Manager Sales - EzyStrut) – became a member of KMP on 1 March 2018

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:

	2018	2017
	$	$
Short-term employee benefits	1,565,929	1,600,137
Post-employment benefits	145,261	161,586
Termination payments	247,680	-
Long term benefits	(61,655)	40,626
Share based payments	23,034	17,170
	1,920,249	1,819,519

22. Key mangement personnel (continued)

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.

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 year and there were no material contracts involving directors' interests existing at year-end.

Other key management personnel transactions with the Group

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.

23. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2018 the parent entity of the Group was Korvest Ltd.

	2018	2017
	$'000	$'000
Result of parent entity		
Profit / (Loss) for the period	1,262	(1,617)
Other comprehensive income	-	150
Total comprehensive income for the period	1,262	(1,467)
Financial position of parent entity at year end		
Current Assets	24,074	21,361
Total Assets	37,510	35,598
Current Liabilities	6,385	5,400
Total liabilities	7,787	6,318
Share capital	14,084	14,039
Reserves	15,793	16,858
Retained earnings	(154)	(1,617)
Total Equity	29,723	29,280

Guarantees entered into by the Company

Bank guarantees given by the Company in favour of customers amounted to $68,498 (2017: $156,468).

Contingent liabilities of the Company

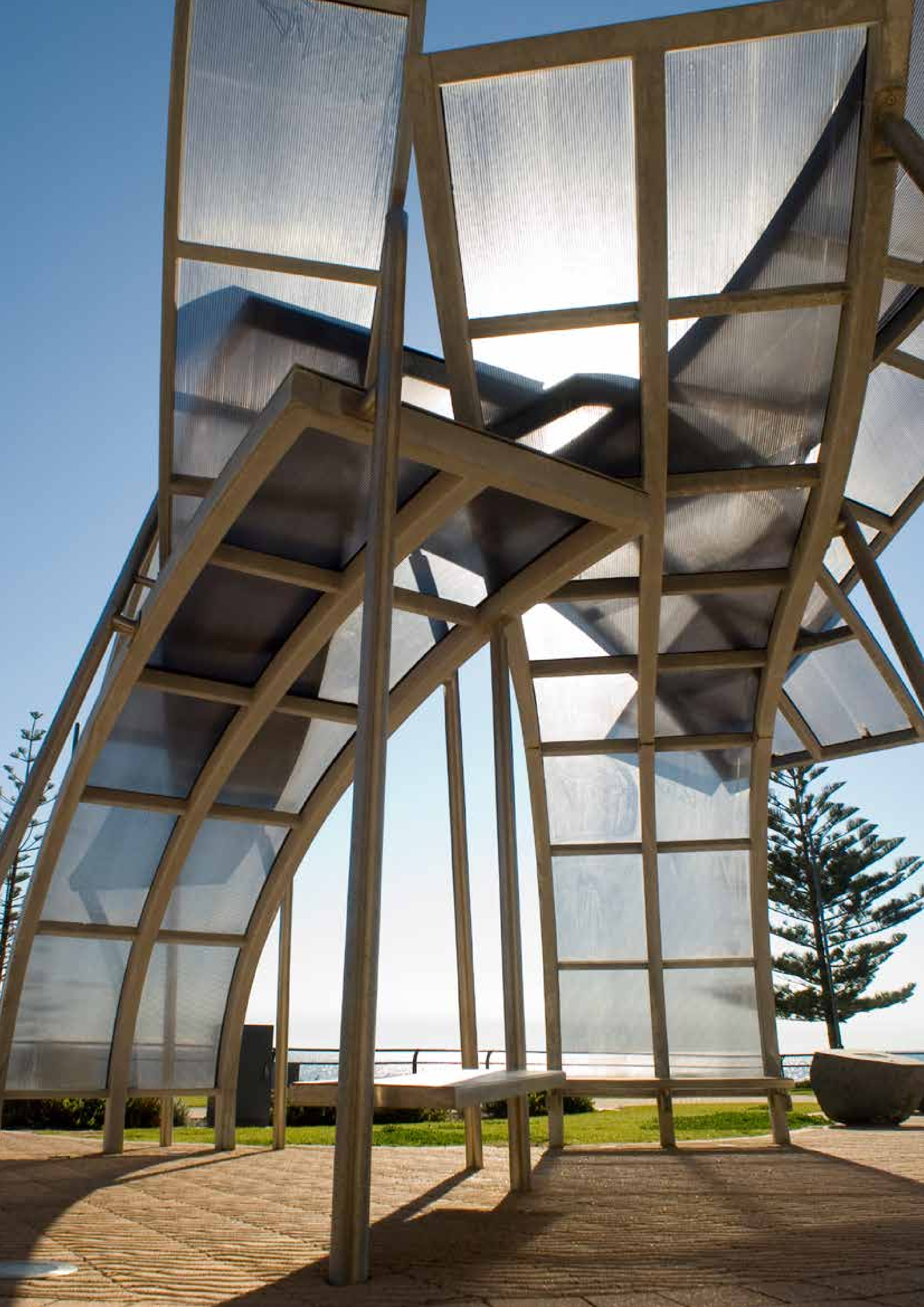
The Company does not have any contingent liabilities other than the guarantees disclosed above.

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

At 30 June 2018, the Company had contractual commitments for the acquisition of property, plant and equipment of $144,000 (2017: $214,000).

24. Subsequent events

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



DIRECTORS' DECLARATION

1. In the opinion of the Directors of Korvest Ltd (the Company):
   (a) the consolidated financial statements and notes that are set out on pages 20 to 49 and the Remuneration report in the Directors' report, set out on pages 8 to 16, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2018 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 2018.
3. The Directors draw attention to the Basis of preparation note on page 24, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 27th July 2018
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 2018 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 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The Group consists of the Korvest Ltd (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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

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

KPMG

Valuation of inventories ($9.4m)	
Refer to Note 8 Inventories to the Financial report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of inventories is a key audit matter because of its highly specialised nature which results in the Group holding various inventory types that can be unique to the equipment they are manufactured for. This adds complexity to our evaluation of the Group's assessment of obsolescence and net realisable value (NRV) of inventories. We particularly focused on the estimates listed below which significantly impact the valuation: 1. Expected selling price of inventory. 2. Ageing of inventory. 3. Future inventory usage. In assessing this key audit matter, we used senior team members who understand the Group's business, industry and the relevant economic environment.	Our procedures included: • We tested the controls relevant to management's valuation of inventories, including authorisation of key inputs such as inventory cost, expected selling price of inventory and inventory purchased and sold during the year. • We attended year-end stocktakes in significant locations which included observing the management's process of identifying slow moving and potentially obsolete inventory. • We analysed the future selling price and resulting gross margin for each product to identify evidence of negative gross margin and compared this to the inventory obsolescence provision. • We obtained management's calculation for the inventory obsolescence provision, including the ageing of inventory, and considered it against the Group's accounting policies, historic sales trends, analysis of slow moving inventory and future usage estimates.

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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Korvest Ltd for the year ended 30 June 2018, 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 the Directors' report for the year ended 30 June 2018.

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

KPMG

KPMG

Paul Cenko
Partner

Adelaide

27 July 2018

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

To the Directors of Korvest Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Korvest Ltd for the financial year ended 30 June 2018 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

27 July 2018

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 25 JULY 2018)

Substantial shareholders

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

SHAREHOLDER		NUMBER
Colonial First State Asset Management (Australia) Limited	10.31%	1,150,462
Perpetual Limited	8.94%	997,060
Phoenix Portfolios Pty Ltd	6.14%	684,607
Donald Cant Pty Ltd	5.48%	611,759

VOTING RIGHTS

Ordinary shares

Refer to note 18 in the financial statements.

Options

Refer to note 10 in the financial statements.

Distribution of equity security holders

	NUMBER OF EQUITY SECURITY HOLDERS		
CATEGORY	TOTAL HOLDERS	UNITS	% ISSUED CAPITAL
1 - 1,000	754	277,260	2.49
1,001 - 5,000	641	1,644,528	14.74
5,001 - 10,000	155	1,179,753	10.57
10,001 - 100,000	131	2,982,355	26.73
100,001 and over	13	5,072,781	45.47
	1,694	**11,156,677**	**100**

The number of shareholders holding less than a marketable parcel of ordinary shares is 357.

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.

TWENTY LARGEST SHAREHOLDERS

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Citicorp Nominees Pty Limited	1,184,189	10.61
HSBC Custody Nominees (Australia) Limited	1,028,588	9.22
J P Morgan Nominees Australia Limited	875,153	7.84
Donald Cant Pty Ltd	611,759	5.48
Brazil Farming Pty Ltd	237,058	2.12
National Nominees Limited	206,618	1.85
Ace Property Holdings Pty Ltd	200,000	1.79
De Bruin Securities Pty Ltd	180,000	1.61
South Hong Nominees Pty Ltd <Hong Super Fund A/C>	137,368	1.23
Allegro Two Super Fund Pty Ltd <Allegro Super Fund No 2 A/C>	129,803	1.16
Brazil Farming Pty Ltd	124,554	1.12
Creative Living (Qld) Pty Ltd	120,000	1.08
Angueline Capital Pty Limited	115,000	1.03
Robert Nairn Pty Ltd	100,000	0.90
Rathvale Pty Limited	95,358	0.85
Gotterdamerung Pty Limited <Gotterdamerung S/F A/C>	84,327	0.76
Mrs Helen Elizabeth Rollinson	66,633	0.60
Mr William Francis Cannon	64,213	0.58
Mr David Philip Rickards + Mrs Kerry Anne Rickards	61,296	0.55
Ms Nina Tschernykow	60,720	0.54
	5,682,637	50.93

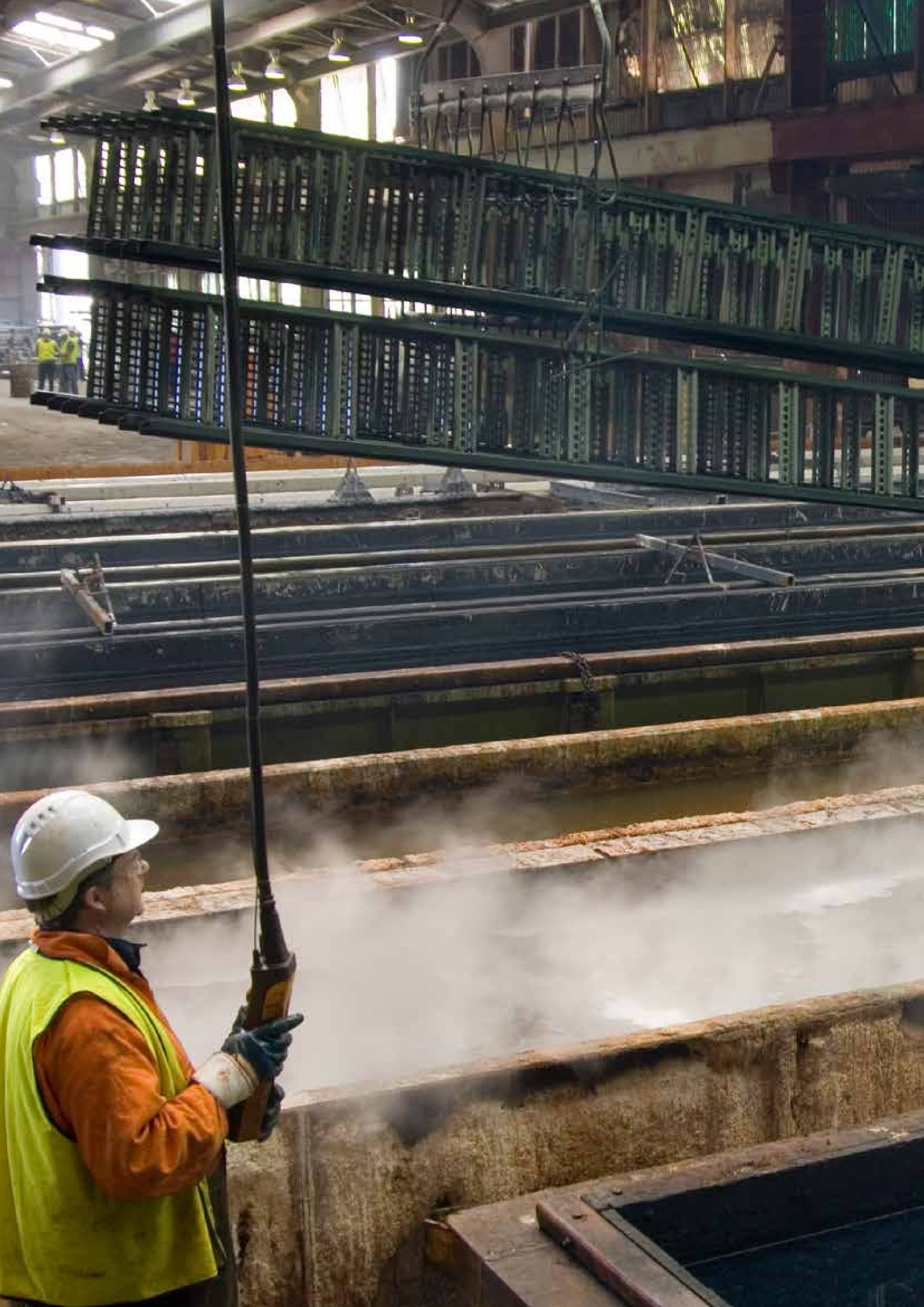
OFFICES AND OFFICERS

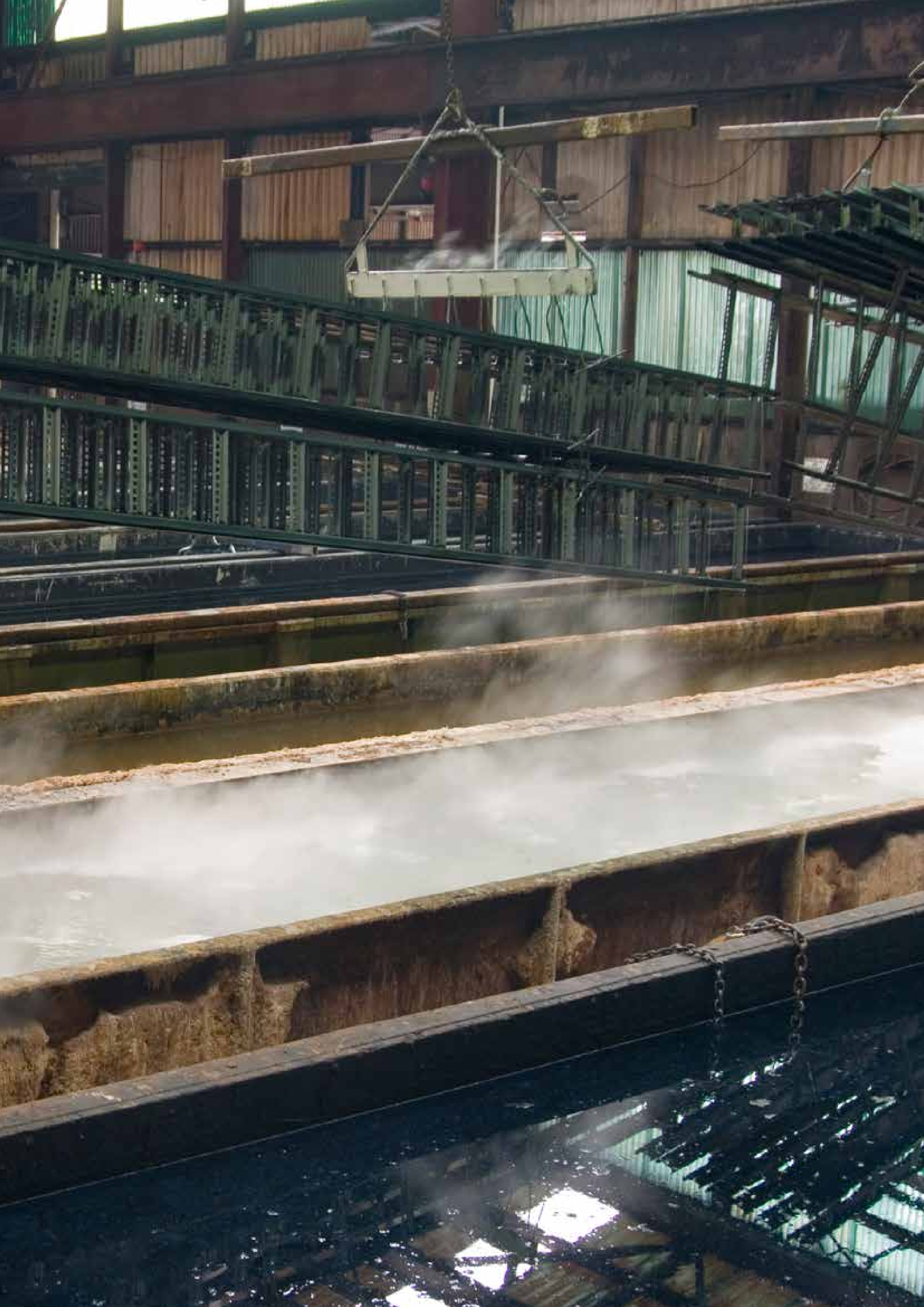
Company Secretary
Steven John William McGregor BA(Acc), CA, AGIA, ACIS

Principal Registered Office
Korvest Ltd
580 Prospect Road
Kilburn, South Australia, 5084
Ph: (08) 8360 4500
Fax: (08) 8360 4599

Locations of Share Registry
Adelaide

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





Korvest Ltd

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