

Appendix 4E

Korvest Ltd
ABN 20 007 698 106

Preliminary Final Report **Financial Year Ended 30 June 2024**

Results for announcement to the market:

\$A'000

Revenues from ordinary activities	Down 4.3%	to	102,890
Profit from ordinary activities after tax attributable to members	Down 1.2%	to	11,044
Net profit for the period attributable to members	Down 1.2%	to	11,044
Earnings per share	Down 2.1%	to	94.7¢
Dividends	Amount per security	Franked amount per security	
Final dividend (#) - current reporting period	40.0¢	40.0¢	
- previous corresponding period	35.0¢	35.0¢	
Interim dividend - current reporting period	25.0¢	25.0¢	
- previous corresponding period	25.0¢	25.0¢	
Special dividend - current reporting period	-	-	
- previous corresponding period	-	-	
# Final dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period. The Dividend Reinvestment Plan is suspended for the final dividend.			
Record date for determining entitlements to the dividend	16 August 2024		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market: Refer attached press release. This report is based on financial statements that have been audited. The audit report is included in the 30 June 2024 financial report.			

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

The announcement was approved for release by the Board.

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Annual Report

Korvest Ltd
(ABN 20 007 698 106)

30 June 2024

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ESG Strategy Statement and Core Values

Our ESG Vision is as follows:

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

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

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

Social

Safety performance

Korvest has continued to implement safety and wellbeing engagement strategies throughout the business, resulting in a further reduction in the lost time injury frequency rate. The FY24 achievement was a 47% reduction compared to FY23 which in turn was a 67% reduction on the FY22 level.

The FY24 medically treated injury frequency rate also improved, reducing by 60% compared to FY23.

Safety remains a key focus for Korvest as we continue to automate our processes and investigate ways to reduce interactions between workers and material handling equipment.

Employee health & wellbeing

In addition to safety, over the last 12 months Korvest has undertaken a number of programmes to improve the health and wellbeing of our employees:

- Hearing checks for our workers exposed to noise
- Voluntary free skin checks
- Voluntary free influenza vaccinations

Korvest's Employee Assistance Programme remains strong with an increase in workers accessing the free and confidential services. Korvest value this as an essential support for workers and their families.

Korvest also increased the number of Mental Health First Aiders in the business to increase its capacity in recognising the first signs of mental health issues and to offer assistance in accessing support services.

Korvest Charity Schemes

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

The Korvest Community Support Program, launched in FY23, provides donations to staff-nominated not for profit groups, organisations and charities that are important to our staff and their community. This Program was continued in FY24 and a total of \$22,500 was donated by Korvest under this scheme.

Diversity and Inclusion

Korvest is committed to promoting a culture that embraces a diverse mix of employees throughout all levels of the company. We recognise that our success is directly related to our people. Our people reflect a growing diversity, with different gender, ages, family status, cultures, ethnicities, and religions represented among our employees. As part of our annual staff survey, ethnicity data was collected for the first time on an anonymous basis, allowing this aspect of diversity to be considered when developing relevant policies, procedures and company activities.

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

	Objective %	FY23		FY24	
		Number	%	Number	%
Number of females in senior management positions	40%	4	20%	4	19%
Number of females in administration/sales positions	50%	22	63%	24	65%
Number of female employees in the whole organisation	20%	31	13%	33	13%

Environment

The protection of our environment and reducing Korvest’s environmental impact remains a core value for Korvest. Korvest has maintained ISO14001 (Environmental Management) accreditation and its South Australian Environmental Protection Authority (EPA) Licence for the Kilburn manufacturing and galvanising facility.

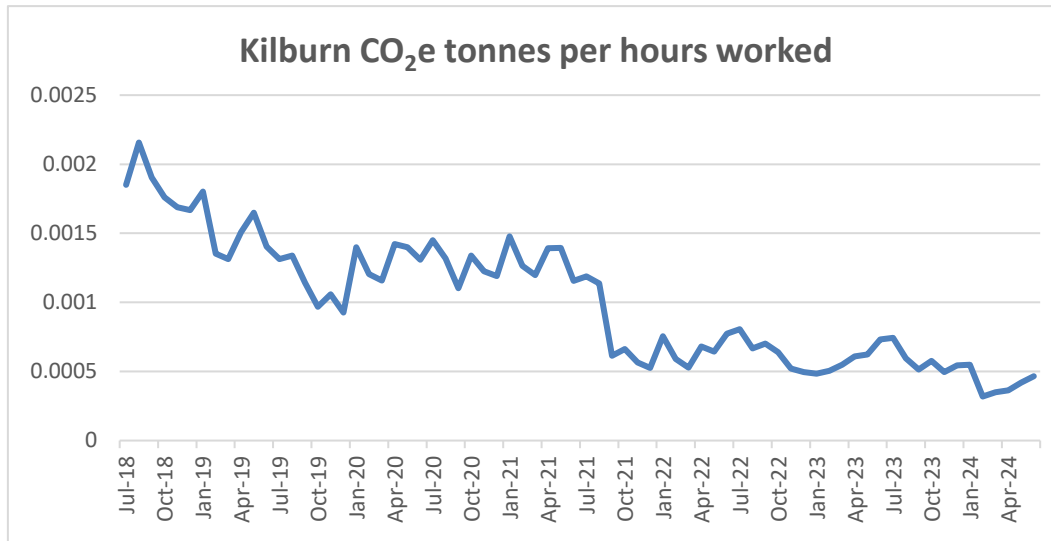
Noise Management

In consultation with the SA EPA, Korvest continues to research, plan and implement strategies to reduce noise emissions at the Kilburn site.

Energy

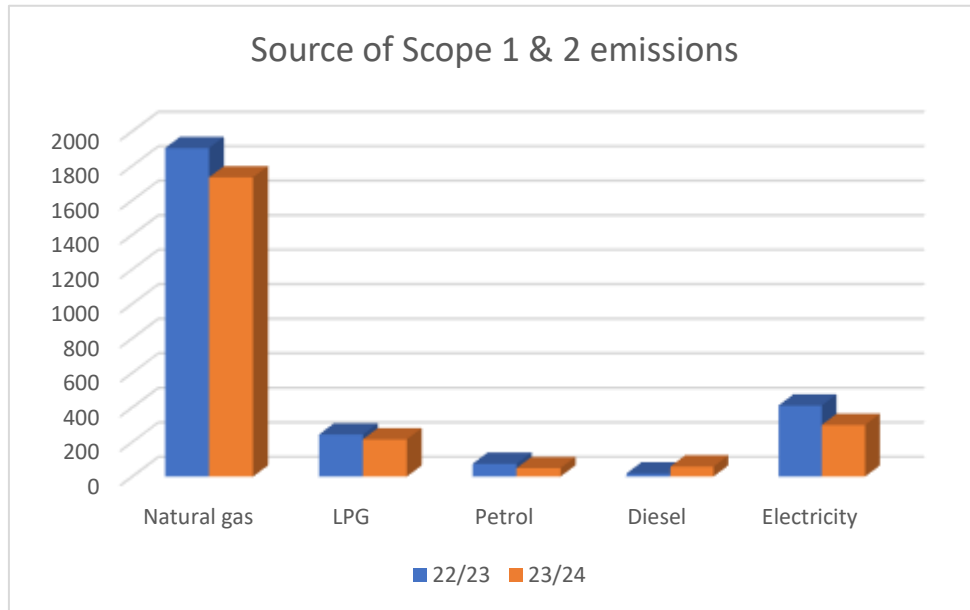
Korvest’s Kilburn solar installations produced approximately 590 MWh of power during FY24. This contributed approximately 35% of the electrical consumption of the Kilburn site as well as exporting approximately 160 MWh back into the grid.

The chart below demonstrates the effect of the LED and Solar Projects on CO₂e emissions for the Kilburn plant relative to the hours worked over the period.



Year	Total Scope 1 CO ₂ e emissions (tonnes)	Total Scope 2 CO ₂ e emissions (tonnes)
23/24	2,055	299
22/23	2,237	411
Change	8% reduction	27% reduction
Overall change	11% reduction	

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Scope 1 emissions fell by 8%, in the main due to a reduction in gas consumed in the galvanising plant. The rise in diesel consumption was due to the implementation of our own fleet of trucks in the NSW branch. This moves what were previously Scope 3 emissions created by a third party provider, into Scope 1 emissions for Korvest.

The consumption of natural gas in our Galvanising plant is the dominant contributor to Scope 1 emissions. In early FY25 Korvest will commission a heat reclamation plant that will use waste heat from the galvanising kettle to heat pretreatment fluids used in the pickling process. This system will integrate with the current pretreatment heating system, which will also have a more efficient burner and improved controls installed. There are a number of other projects being investigated to further reduce gas consumption in the galvanising process.

Galvanising Plant Emissions

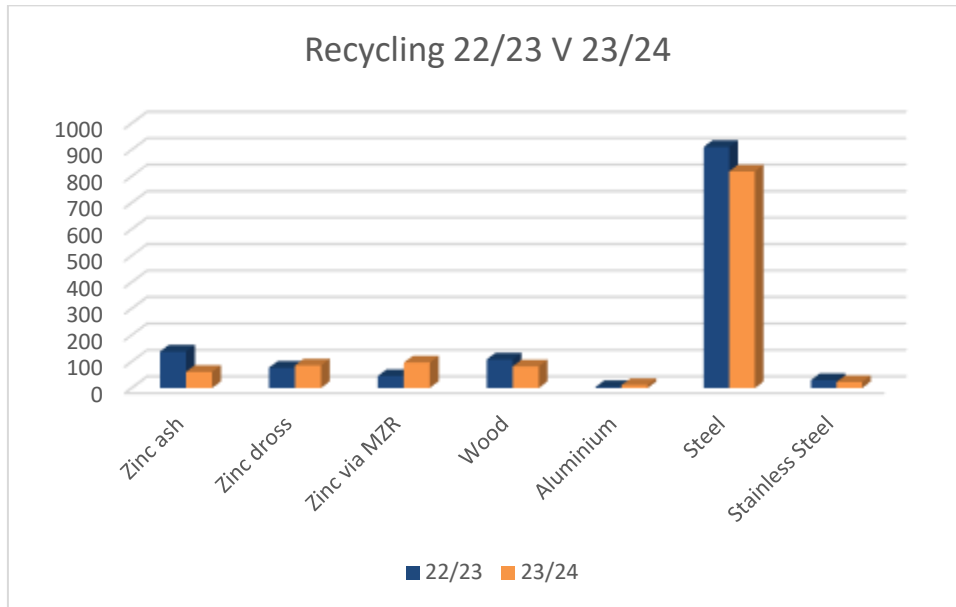
Korvest continues to participate in the National Pollution Inventory (NPI) reporting scheme for our galvanising emissions. This data is publicly available through the NPI web site.

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

Waste Management & Recycling

Korvest measures the tonnes of all materials sent off site for recycling. This includes zinc composites recovered from the galvanising kettles and the dust plant, various metals and wood. Prior to being sent off for recycling, zinc ash is reprocessed on site (MZR recovery). This year a new MZR recovery unit was commissioned enabling the more efficient recycling of zinc ash resulting in more zinc being reclaimed, with a corresponding reduction in ash being sent offsite for further recycling.

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Governance

Korvest’s corporate governance statement, which was reviewed and approved by the Board on 26 July 2024 is available on the company’s website at [Corporate Governance](#).

Compliance Training

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

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

Cyber Security

Given the increasing risks associated with cyber security, Korvest engages IT specialists to assist with the operation and security of the Korvest IT environment. During the year Korvest engaged IT specialists to conduct a Cyber Maturity Assessment. This assessed Korvest’s cyber maturity across a wide range of controls. A number of improvements have been made to the cyber security environment as a result of the review.

User training plays a key role in reducing cyber risks and Korvest continued providing all IT users with regular training on cyber security. Users receive a short 3 minute training video every 3-4 weeks on different cyber security topics.

Directors' report

For the year ended 30 June 2024

The directors present their report together with the financial statements of Korvest Ltd ('the Company') for the financial year ended 30 June 2024 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:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Andrew Stobart B. Eng (Hons), Grad Dip Bus Admin, GAICD Chairman	Appointed Chairman 31 August 2021 A Director since August 2016 Former Chairman Nexans Olex Australia & New Zealand Member of Audit and Remuneration Committees
Chris Hartwig BA(Acc), MAICD Managing Director	Appointed as Managing Director 28 February 2018 Mr Hartwig has held a number of senior roles in the steel and electrical manufacturing industries Finance Director Galvanising Association of Australia Finance Director Athletics South Australia
Gary Francis BSc. (Hons) (Civil), MAICD Independent Non-Executive Director	A Director since February 2014 Mr Francis has worked in the construction industry at Senior Manager or Director level in Australia and Asia Chairman of Remuneration Committee and member of Audit Committee
Warrick Ranson FCA, MBA, GAICD Independent Non-Executive Director	A Director since November 2023 Chairman of Audit Committee and member of Remuneration Committee Member Finance, Audit & Compliance Committee, Surf Life Saving Australia Group Chief Financial Officer, Sims Limited
Therese Ryan LLB, GAICD Independent Non-Executive Director	A Director since 1 September 2021 Director Sustainable Timber Tasmania Chair Hancock Victorian Plantations Former Director Bapcor Limited (March 2014 - September 2022) Member of Audit and Remuneration Committees
Steven McGregor BA(Acc), FCA, AGIA, ACG Finance Director	Company Secretary since April 2008 Appointed as Finance Director 1 January 2009 Mr McGregor previously held the role of Chief Operating Officer and Company Secretary for an unlisted public company. Prior to that he spent 9 years in the assurance division of KPMG.
Former Director Gerard Hutchinson MBA, MBL, MSc(IS), BEc, MA (Research), FCA, FAICD Independent Non-Executive Director	A Director since November 2014, retired 31 October 2023 Chairman of Audit Committee and member of Remuneration Committee

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Directors' Report

For the year ended 30 June 2024

COMPANY SECRETARY

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

RETIREMENT AND RE-ELECTIONS

In accordance with the Constitution, Therese Ryan and Warrick Ranson retire from the Board at the forthcoming Annual General Meeting on 25 October 2024 and offer themselves for re-election.

DIRECTORS' MEETINGS

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

Director	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Mr A Stobart	11	11	4	4	2	2	-	-
Mr G Francis	11	11	4	4	2	2	-	-
Mr G Hutchinson	3	3	1	1	1	1	-	-
Mr W Ranson	8	8	3	3	1	1	-	-
Ms T Ryan	11	11	4	4	2	2	-	-
Mr C Hartwig	11	11	-	-	-	-	-	-
Mr S McGregor	11	11	-	-	-	-	-	-

A = Number of meetings attended

B = Total number of meetings available for attendance

FINANCIAL RESULTS

The revenue from trading activities for the year ended 30 June 2024 (FY24) was \$102.89m, down 4.3% on the previous year as a result of lower major project revenue in the Industrial Products segment. The FY24 result included a non-recurring pre-tax gain of \$0.32 million arising from the accounting treatment of entering a property sublease.

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Directors' Report

For the year ended 30 June 2024

DIVIDENDS

The directors announced a fully franked final dividend of 40.0 cents per share (2023: 35.0 cents per share) following an interim dividend of 25.0 cents per share at the half year (2023: 25.0 cents per share). The Dividend Reinvestment Plan (DRP) will remain suspended for the final dividend. The dividend will be paid on 6 September 2024 with a record date of 16 August 2024.

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 2024				
Interim 2024 ordinary	25.0	2,918	Fully franked	5 March 2024
Final 2023 ordinary	35.0	4,081	Fully franked	6 September 2023
Total amount		<u>6,999</u>		

Dividends declared and paid during the year were fully franked.

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	40.0	<u>4,671</u>	Fully franked	6 September 2024
Total amount		<u>4,671</u>		

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2024 and will be recognised in subsequent financial reports.

	Note	Total amount \$'000
Dividends have been dealt with in the financial report as:		
Dividends	17	6,999
Dividends – subsequent to 30 June 2024	17	4,671

PRINCIPAL ACTIVITIES, STRATEGY AND FUTURE PERFORMANCE

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

The Company is comprised of the Industrial Products Group which includes the EzyStrut business and the Production Group which includes the Korvest Galvanisers business.

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

The major project work from the infrastructure sector was significantly lower in FY24 due to the timing of the supply of rail and road projects down the East Coast. The outlook for the infrastructure sector remains buoyant. Korvest also sees improving opportunities in the data centre market and has enhanced its product offerings to service this growing market. The day-to-day market grew in FY24 which offset a significant portion of the reduction in major project revenue. Subject to the broader economic environment the day-to-day market is expected to continue at similar levels in FY25.

Korvest undertook significant capital investment in the business during FY24. As has been the case in recent years, a primary focus of the investment has been on adding production capability and capacity at Kilburn with further development anticipated over the next few years. In addition, this year there was investment in equipment, racking and the transport fleet for the new leased site for EzyStrut in NSW.

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

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Directors' Report

For the year ended 30 June 2024

REVIEW OF OPERATIONS

Industrial Products

In the Industrial Products segment, the EzyStrut cable and pipe support business supplies products for major infrastructure developments and also supplies products to electrical wholesalers and contractors for small industrial developments.

Four major infrastructure projects were supplied at various times during the year with one being completed and two nearing completion by the end of the year. The fourth project will continue into FY25 along with another secured project with supply commencing in FY25. Both projects are expected to extend into FY26.

The day-to-day and small project markets generally improved with NSW, Victoria and Western Australia achieving growth when compared to the prior year.

In July 2023 the NSW EzyStrut branch relocated to a new facility in the Bankstown Airport precinct. This facility is substantially larger than the previous Prestons site with the extra space enabling the site to operate more efficiently which is improving customer service. The new lease arrangements result in a significant increase in both the right-of-use asset and lease liability in the statement of financial position.

The input cost environment remains volatile with key costs such as steel and import freight remaining at relatively high levels despite fluctuations during the year. The ongoing high CPI has maintained pressure on staff costs as well as impacting leasing costs as most leases have an annual CPI rental adjustment

Production

Overall plant volumes in the Galvanising business were similar to the FY23 level with improved external volume compensating for the lower levels of internal work. External tonnes were the highest achieved for the past decade. Contracted energy costs remain historically high. The increased gas costs, which have been incurred since January 2023, continue to be recovered through a customer gas levy. Energy costs are contracted through to December 2025 and there are ongoing projects to reduce energy consumption.

Profitability of the plant improved due to improved zinc consumption and more efficient use of labour.

There was investment in the plant with the major projects related to improving production capacity and energy use reduction.

RISK

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

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

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

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

Korvest's risks in relation to climate change are similar to those faced by other manufacturers. The cost and availability of energy has become a significant national issue in recent years. Electricity is predominantly used in the factory and gas is used in the galvanising plant. Over recent years Korvest has invested in solar generation at Kilburn and has 443kW of generation capacity on site to reduce consumption of externally generated electricity. Korvest is also undertaking projects to re-use waste heat with the aim of reducing the volume of gas consumed in the galvanising plant.

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Directors' Report

For the year ended 30 June 2024

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the dividend declared after reporting date, at the date of this report there is no matter or circumstance that has arisen since 30 June 2024, that has significantly affected, or may significantly affect:

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

in the financial years subsequent to 30 June 2024.

LIKELY DEVELOPMENTS

Korvest intends to continue to invest in the Kilburn production facility. This ongoing investment is to grow production capacity to ensure that increasing market demand can be met.

Working capital management remains a focus area with ongoing work being undertaken to optimise inventory levels. Collection of accounts receivables has been well controlled during the year and this focus on collection will continue.

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

ENVIRONMENTAL REGULATION

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

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

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

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

INDEMNIFICATION AND INSURANCE OF OFFICER AND AUDITORS

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

- a) costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- b) other liabilities that may arise from their position, with the exception of conduct involving a 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 as such disclosure is prohibited under the terms of the contract.

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

Directors' Report

For the year ended 30 June 2024

SHARE OPTIONS AND PERFORMANCE RIGHTS

Options

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

Unvested performance rights

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

Expiry date (end of Performance Period)	Exercise price	Number of shares
30 June 2024	Nil	65,230
30 June 2025	Nil	67,232
30 June 2026	Nil	69,020

Shares issued on exercise of options

No options were exercised during the year ended 30 June 2024 or up to the date of this report.

Vested Performance Rights

84,814 ordinary shares of Korvest Ltd were issued during the year ended 30 June 2024 on the vesting of performance rights granted under the Korvest Performance Rights Plan. No amount is payable on the vesting of the performance rights and accordingly there are no amounts unpaid on the shares issued.

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Remuneration Report – Audited

For the year ended 30 June 2024

Principles of compensation

Remuneration is referred to as compensation throughout this report.

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

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

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

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

Compensation packages include a mix of fixed compensation as well as short and long-term performance-based incentives. The table below represents the target remuneration mix for group executives in the current year. The short-term incentive is provided at stretch levels, and the long-term incentive amount is provided based on the value granted in the current year.

	Fixed remuneration	At risk	
		Short-term incentive	Long-term incentive
Managing Director	46%	36%	18%
Finance Director	62%	13%	25%
General Manager Sales	53%	29%	18%
General Manager Operations	57%	24%	20%

Fixed compensation

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

Compensation levels are reviewed annually by the Remuneration Committee.

Performance linked compensation

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

Employee Share Plan

The Company operates an employee share plan. Under the Plan employees who have completed at least two years of service receive up to \$1,000 of Korvest shares per annum. These are granted twice each year for approximately \$500 in each issue. Executive directors do not participate in the scheme and other KMP ceased participating in the scheme from 1 July 2023.

Remuneration Report – Audited

For the year ended 30 June 2024

Consequences of performance on shareholder wealth

In considering the Company’s performance and benefits for shareholder wealth, the Remuneration Committee have regard to the financial indicators set out below.

		2024	2023	2022	2021	2020
Profit after tax	(\$'000)	11,044	11,177	11,336	6,054	4,027
Dividend						
- Total amount paid	(\$'000)	6,999	6,937	5,152	3,169	3,149
- Per issued share		60.0c	60.0c	45.0c	28.0c	28.0c
Earnings per share		94.7c	96.7c	99.0c	53.5c	35.8c
Share price as at 30 June		\$8.89	\$7.75	\$7.01	\$4.99	\$4.00
Return on invested capital (ROIC)		24.8%	23.5%	26.7%	18.4%	13.8%

Short-term incentive bonus

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

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

For each executive 50% of their target STI is based on EBIT and the other 50% is based on non-EBIT KPIs.

For EBIT based measures, 50% of the STI is payable at a threshold level with 100% of the STI being payable at a target level. 150% of the STI is payable at 130% of target level. Pro rata vesting is applied between each of these points.

For other measures, 100% of the STI is payable at a target level. Stretch targets are also set and up to 125% of the relevant STI can be paid for the achievement of the stretch target. Board discretion is used to determine the level of achievement for KPIs with no quantitative measure.

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

KPI category	Measurement	Weighting at target			
		Managing Director	Finance Director	General Manager Sales	General Manager Operations
Financial Performance	Group PBT or Segment EBIT	50%	50%	50%	50%
Capacity Improvement	Kilburn Site development planning	15%	10%	-	15%
Working Capital	Improvement in inventory days	10%	5%	5%	5%
Strategy	Strategy development	10%	5%	-	-
Safety & Environment	Lost Time Injury performance	5%	5%	5%	10%
	Emissions reductions	10%	5%	-	-
Financial Performance	Secured projects	-	-	35%	-
	Product & customer channel growth	-	-	-	-
Operational Performance	Customer delivery in full on time (DIFOT)	-	-	5%	5%
	Cyber security environment, ERP upgrade planning, Statutory reporting processes	-	20%	-	-
	Factory enhancements	-	-	-	15%

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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 compared to Target levels 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.

KPI category	Measurement	2024 Vesting vs Target			
		Managing Director	Finance Director	General Manager Sales	General Manager Operations
Financial Performance	Group PBT or Segment EBIT	100%	100%	85%	85%
Capacity Improvement	Kilburn Site development planning	125%	125%	-	125%
Working Capital	Improvement in inventory days	0%	0%	0%	0%
Strategy	Strategy development	100%	100%	-	-
Safety & Environment	Lost Time Injury performance	100%	100%	100%	100%
	Emissions reductions	100%	100%	-	-
Financial Performance	Secured projects	-	-	111%	-
	Product & customer channel growth	-	-	-	-
Operational Performance	Customer delivery in full on time (DIFOT)	-	-	100%	100%
	Cyber security environment, ERP upgrade planning, Statutory reporting processes	-	67%	-	-
	Factory enhancements	-	-	-	100%

This year the incentive scheme was changed to include a stretch component. The vesting percentages disclosed below are in relation to the maximum possible incentive achievable if all stretch targets were achieved.

KMP	Short-term incentive bonus		
	Included in remuneration \$ (A)	% vested in year	% forfeited in year (B)
C Hartwig	192,375	68.9	31.1
S McGregor	47,328	67.9	32.1
S Taubitz	107,401	67.1	32.9
G Christie	62,598	66.9	33.1

- (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.

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Remuneration Report - Audited

For the year ended 30 June 2024

Long-term incentive bonus

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

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

The first performance hurdle relates to growth in basic earnings per share (EPS). The EPS objective was chosen because it is a good indicator of the Company's earnings growth and is aligned to shareholder wealth objectives. EPS performance is measured in total over a three year period. The performance hurdle is tested once at the completion of the three year performance period. To determine the aggregate EPS performance required over the performance period, a % growth is applied to a base EPS. For the most recent issue of Performance Rights, the base EPS is the statutory EPS for the FY23 year. The table below sets out the % of rights that vest depending on the aggregate level of EPS achieved over the performance period.

Aggregate EPS over performance period (3 years to 30 June 2026)	% of rights that vest
Less than 320.09 cents	Nil
320.09 cents	25%
Between 320.09 and 365.46	Pro rata between 25% – 100%
365.46 or greater	100%

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

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

Where

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

* this calculation excludes Right of Use Assets.

The ROIC performance rights issued during FY24 will vest in accordance with the table below:

Average 3 year ROIC	% of rights that vest
Less than 10%	Nil
10%	50%
Above 10% and below 14%	Between 50% and 100% on a straight line basis
14% or greater	100%

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

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

Remuneration Report - Audited

For the year ended 30 June 2024

Service contracts

The Company has entered into an unlimited term service contract with each executive KMP. The Managing Director and Finance Director have contracts with a company notice period of 6 months and an individual notice period of 3 months. Other KMP have contracts with both company and individual notice periods of 1 month. The Company retains the right to terminate the contracts immediately by making payment in lieu of notice.

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

Services from remuneration consultants

The Company engaged AON during FY24 to provide a report on current trends in relation to Long Term Incentive (LTI) schemes and how Korvest's current scheme structure aligns with the current trends. The report was for information purposes only and AON was not asked to make any recommendations in relation to Korvest's LTI structure. AON received a fee of \$13,800 for their services.

AON did not meet with any members of Key Management Personnel whilst undertaking their engagement and their report was provided directly to the Remuneration Committee. The Board confirms that given there was no interaction between the consultants and Management, the Board is confident that the report was not unduly influenced by Management.

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 31 October 2023 and is not to exceed \$500,000.

The following base fees became effective on 1 July 2023 and were applied for the entirety of the financial year ended 30 June 2024:

Chairman	\$140,700
Director	\$73,900

The Chairman of a Board Committee receives a further \$12,306 p.a.

Superannuation is added to these fees where appropriate.

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

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Remuneration Report - Audited
For the year ended 30 June 2024

Directors and Executive Remuneration

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

Name		Short Term	Post employment	Total \$
		Fees \$	Superannuation benefits \$	
Non-Executive Directors				
A Stobart	2024	140,700	15,477	156,177
<i>Non-executive (Chairman)</i>	2023	136,067	14,287	150,354
G Francis	2024	86,196	9,480	95,676
<i>Non-executive (Director)</i>	2023	83,402	8,757	92,159
W Ranson	2024	57,471	6,322	63,793
<i>Non-executive (Director) appointed November 2023</i>	2023	-	-	-
T Ryan	2024	73,900	8,129	82,029
<i>Non-executive (Director)</i>	2023	71,508	7,508	79,016
Former Director				
G Hutchinson	2024	28,735	3,161	31,896
<i>Non-executive (Director) retired 31 October 2023</i>	2023	83,402	8,757	92,159
Total	2024	387,002	42,569	429,571
	2023	374,379	39,309	413,688

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Remuneration Report - Audited
For the year ended 30 June 2024

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Name		Short Term		Post employment	Other long term – Long Service leave \$ **	Share based payments		Total \$	Proportion of remuneration performance related %
		Salary & Fees* \$	Bonus \$	Superannuation benefits \$		Shares \$	Performance Rights \$		
Executive Directors									
C Hartwig ¹	2024	392,203	192,375	27,858	16,685	-	84,721	713,842	38.8
<i>Executive (Managing Director)</i>	2023	360,583	168,784	27,773	10,990	-	100,642	668,772	40.3
S McGregor ¹	2024	361,827	47,328	27,843	22,405	-	81,206	540,609	23.8
<i>Executive (Finance Director)</i>	2023	333,285	42,856	27,764	11,358	-	96,450	511,713	27.2
Executives / other KMP									
S Taubitz ¹	2024	310,493	107,401	28,407	12,852	-	62,063	521,216	32.5
<i>General Manager Sales</i>	2023	286,569	111,100	27,865	16,537	994	72,698	515,763	35.6
G Christie ¹	2024	228,292	62,598	27,722	14,265	-	48,821	381,698	29.2
<i>General Manager Operations</i>	2023	210,000	59,934	27,134	7,327	994	60,087	365,476	32.8
<i>Total executives' remuneration</i>	2024	1,292,815	409,702	111,830	66,207	-	276,811	2,157,365	
	2023	1,190,437	382,674	110,536	46,212	1,988	329,877	2,061,724	

* Salary & fees includes payments for annual leave taken.

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

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

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

Remuneration Report - Audited**For the year ended 30 June 2024*****Performance rights over equity instruments granted as compensation during the reporting period***

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

	Number of performance rights granted during the year	Grant date	Fair value per right at grant date (\$)	Expiry date
Directors				
C Hartwig	18,983	8 Nov 2023	\$5.69	31 July 2027
S McGregor	18,201	8 Nov 2023	\$5.69	31 July 2027
Executives				
S Taubitz	13,515	8 Nov 2023	\$5.69	31 July 2027
G Christie	10,319	8 Nov 2023	\$5.69	31 July 2027

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

All performance rights have a nil exercise price.

All performance rights expire on the earlier of their expiry date or termination of the individual's employment. The performance rights are exercisable for one year after they become vested performance rights. In addition to the continuing employment service condition, the ability to exercise performance rights is conditional on the Company achieving performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 16. Once exercised, the resulting shares are subject to a two year trading restriction.

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

Exercise of performance rights granted as compensation

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

Number of Shares	84,814
Amount paid on each share	Nil

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Remuneration Report - Audited

For the year ended 30 June 2024

Analysis of performance rights over equity instruments granted as compensation

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

	Rights Granted		% vested in current year	% forfeited or lapsed in current year	Year in which grant vests	Maximum value yet to vest (A)
	Number	Date				
Directors						
C Hartwig	19,530*	Oct 21	100	-	30 Jun 24	0
	18,490	Oct 22	-	-	30 Jun 25	31,083
	18,983	Nov 23	-	-	30 Jun 26	90,011
S McGregor	18,710*	Oct 21	100	-	30 Jun 24	0
	17,730	Oct 22	-	-	30 Jun 25	29,763
	18,201	Nov 23	-	-	30 Jun 26	86,303
Executives						
S Taubitz	14,860*	Oct 21	100	-	30 Jun 24	0
	13,164	Oct 22	-	-	30 Jun 25	22,098
	13,515	Nov 23	-	-	30 Jun 26	64,084
G Christie	12,130*	Oct 21	100	-	30 Jun 24	0
	10,052	Oct 22	-	-	30 Jun 25	16,874
	10,319	Nov 23	-	-	30 Jun 26	48,929

(A) The maximum value of share rights yet to vest is determined based on the amount of the grant date fair value that is yet to be expensed. The minimum value of share rights yet to vest is nil since the shares will be forfeited if the vesting conditions are not met.

* The three year performance period for performance rights issued in October 2021 ended on 30 June 2024. These rights were tested against two performance hurdles, earnings per share (EPS) and return on invested capital (ROIC).

Korvest's aggregate EPS was 290.4 over the performance period. This results in 100% of the EPS performance rights vesting.

Korvest's ROIC was 23.8% over the performance period. This results in 100% of the ROIC performance rights vesting.

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Remuneration Report - Audited

For the year ended 30 June 2024

Analysis of movements in performance rights granted as compensation

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

	Value of Options	
	Granted in year \$ (A)	Exercised in year \$ (B)
Directors		
C Hartwig	108,067	209,822
S McGregor	103,615	201,053
Executives		
S Taubitz	76,939	145,054
G Christie	58,744	130,217

(A) The value of performance rights granted in the year is the fair value of the options calculated at grant date using the Black-Scholes option-pricing model. The total value of the options granted is included in the table above. This amount will be allocated to remuneration over the vesting period (i.e. in years 1 July 2023 to 30 June 2026) subject to meeting the associated performance conditions.

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

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

Rights over equity instruments

The movement during the reporting period in the number of rights 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 2023	Granted as compensation	Exercised	Lapsed	Held at 30 June 2024	Vested, not yet exercised
2024						
Directors						
C Hartwig	63,956	18,983	(25,936)	-	57,003	19,530
S McGregor	61,292	18,201	(24,852)	-	54,641	18,710
Executives						
S Taubitz	45,954	13,515	(17,930)	-	41,539	14,860
G Christie	38,278	10,319	(16,096)	-	32,501	12,130

No options held by KMP are vested but not exercisable.

Vested, not yet exercised rights are those where the performance period ended at balance date and are exercisable, but have not been exercised as at balance date.

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Remuneration Report - Audited**For the year ended 30 June 2024*****Movements in shares***

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

	Held at 30 June 2023	Purchases	Exercise of Performance Rights	Held at 30 June 2024
<i>Directors</i>				
C Hartwig	114,106	-	25,936	140,042
S McGregor	116,636	-	24,852	141,488
A Stobart	16,000	-	-	16,000
G Francis	8,947	-	-	8,947
G Hutchinson*	500	-	-	N/A
W Ranson	-	-	-	-
T Ryan	3,000	-	-	3,000
<i>Executives</i>				
S Taubitz	40,048	-	17,930	57,978
G Christie	55,036	-	16,096	71,132

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

* G Hutchinson retired 31 October 2023

Key management personnel transactions

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

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Directors' Report**For the year ended 30 June 2024*****DIRECTORS' INTERESTS***

The relevant interest of each director over the shares and rights over such instruments issued by the Company as notified by the directors to the ASX in accordance with S250G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Korvest Ltd Ordinary Shares	Korvest Ltd Performance Rights	
		Unvested	Vested
C Hartwig	140,042	37,473	19,530
S McGregor	141,488	35,931	18,710
G Francis	8,947	-	-
A Stobart	16,000	-	-
W Ranson	-	-	-
T Ryan	3,000	-	-

NON-AUDIT SERVICES

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

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

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 67 and forms part of the Directors' report for the financial year ended 30 June 2024.

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 [Corporate Governance](#).

Signed at Adelaide this Friday 26th of July 2024 in accordance with a resolution of the directors.



A STOBART, Director



C HARTWIG, Director

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5 Year Summary

		2024	2023	2022	2021	2020
Sales revenue	(\$'000)	102,890	107,484	99,223	69,786	63,088
Profit after tax	(\$'000)	11,044	11,177	11,336	6,054	4,027
Depreciation/Amortisation (plant & equipment)	(\$'000)	1,792	1,459	1,282	1,434	1,286
Depreciation (right-of-use asset)	(\$'000)	1,160	846	874	879	887
Cash flow from operations	(\$'000)	10,350	14,944	3,987	6,509	10,460
Profit from ordinary activities						
- As % of Shareholders' Equity		20.7%	22.8%	25.9%	16.9%	12.3%
- As % of Sales Revenue		10.7%	10.4%	11.4%	8.7%	6.4%
Dividend						
- Total amount paid	(\$'000)	6,999	6,937	5,152	3,169	3,149
- Per issued share		60.0c	60.0c	45.0c	28.0c	28.0c
Earnings per share (Basic)		94.7c	96.7c	99.0c	53.5c	35.8c
Number of employees		246	241	215	207	189
Shareholders						
- Number at year end		2,598	2,420	2,157	1,947	1,708
Net assets per issued ordinary share		\$4.58	\$4.24	\$3.82	\$3.17	\$2.90
Net tangible assets per issued ordinary share		\$3.92	\$3.81	\$3.37	\$2.63	\$2.48
Share price as at 30 June		\$8.89	\$7.75	\$7.01	\$4.99	\$4.00

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Financial Statements

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Statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	<i>Note</i>	2024 \$'000	2023 \$'000
Revenue	1	102,890	107,484
Other income		38	27
Gain at inception of sublease	13	319	-
Expenses, excluding net finance costs	2	(87,428)	(91,432)
Profit before financing costs		15,819	16,079
Finance income	3	430	134
Finance income – lease receivable interest		88	-
Finance costs – lease liability interest		(445)	(137)
Net finance cost		73	(3)
Profit before income tax		15,892	16,076
Income tax expense	18	(4,848)	(4,899)
Profit from continuing operations		11,044	11,177
Profit for the year		11,044	11,177
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		-	814
Related tax		-	(244)
Total other comprehensive income		-	570
Total comprehensive income for the period		11,044	11,747
Attributable to:			
Equity holders of the Company		11,044	11,747
Total comprehensive income for the period		11,044	11,747
Earnings per share attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share from continuing operations	4	94.7	96.7
Diluted earnings per share from continuing operations	4	94.0	95.5

The notes on pages 32 to 61 are an integral part of these financial statements.

Statement of financial position

As at 30 June 2024

	<i>Note</i>	2024 \$'000	2023 \$'000
Assets			
Cash and cash equivalents	14	6,789	8,940
Investment	15	275	275
Trade and other receivables	7	22,556	18,864
Prepayments		586	537
Inventories	8	16,986	16,791
Lease receivable	13	180	-
Total current assets		47,372	45,407
Property, plant and equipment	11	23,039	20,353
Right-of-use asset	13	7,704	4,896
Lease receivable	13	1,430	-
Total non-current assets		32,173	25,249
Total assets		79,545	70,656
Liabilities			
Trade and other payables	9	9,294	9,671
Employee benefits	10	3,605	3,274
Tax payable		1,289	664
Lease liabilities	13	1,161	776
Total current liabilities		15,349	14,385
Employee benefits	10	347	355
Deferred tax liability	18	2,079	2,460
Lease liabilities	13	8,322	4,418
Total non-current liabilities		10,748	7,233
Total liabilities		26,097	21,618
Net assets		53,448	49,038
Equity			
Share capital	16	14,462	14,395
Reserves	16	38,986	34,643
Retained profit / (losses)		-	-
Total equity attributable to equity holders of the Company		53,448	49,038
Total equity		53,448	49,038

The notes on pages 32 to 61 are an integral part of these financial statements.

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Statement of cash flows

For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Cash receipts from customers		116,546	122,979
Cash paid to suppliers and employees		(101,665)	(102,590)
Cash generated from operating activities		14,881	20,389
Interest received		430	135
Interest received lease receivable		88	-
Interest paid lease liabilities		(445)	(137)
Income tax payments		(4,604)	(5,443)
Net cash from operating activities	14	10,350	14,944
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		70	53
Acquisition of property, plant and equipment	12	(4,513)	(1,864)
Net cash from investing activities		(4,443)	(1,811)
Cash flows from financing activities			
Transaction costs related to issue of share capital		(7)	(7)
Payment of lease liabilities		(1,052)	(805)
Dividends paid	17	(6,999)	(6,937)
Net cash from financing activities		(8,058)	(7,749)
Net increase / (decrease) in cash and cash equivalents		(2,151)	5,384
Cash and cash equivalents at 1 July		8,940	3,556
Cash and cash equivalents at 30 June	14	6,789	8,940

The notes on pages 32 to 61 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2024

	Share capital \$'000	Equity compensation reserve \$'000	Asset revaluation reserve \$'000	Profits reserve \$'000	Retained profits / (losses) \$'000	Total \$'000
Balance at 1 July 2023	14,395	1,410	6,303	26,930	-	49,038
Total comprehensive income for the year						
Profit for the year	-	-	-	-	11,044	11,044
Total comprehensive income for the year	-	-	-	-	11,044	11,044
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	67	-	-	-	-	67
Equity-settled share-based payments	-	298	-	-	-	298
Dividends to shareholders	-	-	-	(6,999)	-	(6,999)
Total contributions by and distributions to owners of the Company	67	298	-	(6,999)	-	(6,634)
Transfer to profits reserve	-	-	-	11,044	(11,044)	-
Balance at 30 June 2024	14,462	1,708	6,303	30,975	-	53,448
Balance at 1 July 2022	14,334	1,068	5,733	22,690	-	43,825
Total comprehensive income for the year						
Profit for the year	-	-	-	-	11,177	11,177
Other comprehensive income	-	-	570	-	-	570
Total comprehensive income for the year	-	-	570	-	11,177	11,747
Transactions with owners of the Company recognised directly in equity						
Contributions by and distributions to owners of the Company						
Shares issued under the Share Plans	61	-	-	-	-	61
Equity-settled share-based payments	-	342	-	-	-	342
Dividends to shareholders	-	-	-	(6,937)	-	(6,937)
Total contributions by and distributions to owners of the Company	61	342	-	(6,937)	-	(6,534)
Transfer to profits reserve	-	-	-	11,177	(11,177)	-
Balance at 30 June 2023	14,395	1,410	6,303	26,930	-	49,038

The notes on pages 32 to 61 are an integral part of these financial statements.

Consolidated entity disclosure statement

For the year ended 30 June 2024

Korvest Ltd, as a result of not having any subsidiaries, is not required by Australian Accounting standards (AAS) to prepare consolidated financial statements and as a result subsection 295(3A)(a) of the Corporations Act 2001 to prepare a *Consolidated Entity Disclosure Statement* does not apply to the Company.

The notes on pages 32 to 61 are an integral part of these financial statements.

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Notes to the financial statements

For the year ended 30 June 2024

Basis of preparation

Corporate information

Korvest Ltd (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 580 Prospect Road, Kilburn SA 5084. The Company is a for-profit entity and is primarily involved in manufacturing businesses as detailed in the Segment Reporting (Note 6).

Basis of accounting

Statement of compliance

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

The financial statements were approved by the Board of Directors on 26 July 2024.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

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

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

Rounding

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

Notes to the financial statements

For the year ended 30 June 2024

Foreign currency

Foreign currency transactions

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

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

Foreign currency differences are generally recognised in profit or loss.

Standards effective from 1 July 2023

Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

Prior to the Company adopting this amendment to IAS 12, the Company recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets (see Note 18) and these were offset in the statement of financial position in accordance with paragraph 74 of IAS 12 resulting in a similar outcome as under the amendments. There was no impact on the opening retained earnings as at 1 July 2023 as a result of the change.

Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 7 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in line with the amendments.

Notes to the financial statements

For the year ended 30 June 2024

Standards issued but not yet effective

AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 was issued in June 2024 and replaces AASB 101 Presentation of Financial Statements. The new standard introduces new requirements for the Statement of Profit or Loss, including:

- new categories for the classification of income and expenses into operating, investing and financing categories, and
- presentation of subtotals for “operating profit” and “profit before financing and income taxes”.

Additional disclosure requirements are introduced for management-defined performance measures and new principles for aggregation and disaggregation of information in the notes and the primary financial statements and the presentation of interest and dividends in the statement of cash flows. The new standard is effective for annual periods beginning on or after 1 January 2027 and will first apply to the Company for the financial year ending 30 June 2028.

This new standard is not expected to have an impact on the recognition and measurement of assets, liabilities, income and expenses, however there will likely be changes in how the Statement of Profit or Loss and Statement of Financial Position line items are presented as well as some additional disclosures in the Notes to the Financial Statements. The Company is in the process of assessing the impact of the new standard.

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Notes to the financial statements

For the year ended 30 June 2024

Results for the Year

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

1. Revenue

Accounting policies

Sale of goods and services

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

Goods and services tax

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

	2024 \$'000	2023 \$'000
Sales revenue		
Sale of goods and services	102,890	107,484

Disaggregation of revenue is presented in Note 6 Segment Reporting.

2. Expenses

Accounting policies

Good and services tax

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

Expenses

	2024 \$'000	2023 \$'000
Cost of goods sold	62,623	68,397
Sales, marketing and warehousing expenses	17,105	15,612
Administration expenses	3,273	2,894
Distribution expenses	4,424	4,974
Bad and doubtful debts expense net of reimbursement right	3	71
Loss on sale of fixed assets	-	44
Derecognition of site restoration provision	-	(560)
	87,428	91,432

Notes to the financial statements

For the year ended 30 June 2024

2. Expenses (continued)

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

	2024 \$'000	2023 \$'000
Employee benefits:		
Wages and salaries	21,367	21,109
Other associated personnel expenses	2,899	2,653
Contributions to defined contribution superannuation funds	2,164	1,820
Expense relating to annual and long service leave	1,956	1,674
Termination benefits	34	13
Employee share bonus plan expense	74	61
Executive share plan expense	298	342
Other:		
Loss/(Gain) on disposal of property, plant and equipment	(35)	44
Research and development expense	291	306
Depreciation – property, plant and equipment	1,792	1,459
Depreciation – right-of-use asset	1,160	846
Impairment of inventories	53	180

3. Finance income

Accounting policies

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

4. Earnings per share

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

Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2024 was based on the net profit attributable to ordinary shareholders of \$11,044,000 (2023: \$11,177,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2024 of 11,664,426 (2023: 11,561,650).

The calculation of diluted earnings per share at 30 June 2024 was based on the net profit attributable to ordinary shareholders of \$11,044,000 (2023: \$11,177,000) and a weighted average number of potential ordinary shares outstanding during the financial year ended 30 June 2024 of 11,751,878 (2023: 11,704,006).

Notes to the financial statements

For the year ended 30 June 2024

4. Earnings per share (continued)

Weighted average number of ordinary shares (basic)

	2024 Shares '000	2023 Shares '000
Issued ordinary shares at 1 July	11,576	11,466
Effect of shares issued during year	88	96
Weighted average number of ordinary shares at 30 June	11,664	11,562

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	11,664	11,562
Effect of Executive Share Plan	88	142
Weighted average number of ordinary shares at 30 June	11,752	11,704

Basic and diluted earnings per share

	2024 Cents per share	2023 Cents per share
Basic earnings per share from continuing operations	94.7	96.7
Diluted earnings per share from continuing operations	94.0	95.5

5. Auditor's remuneration

	2024 \$	2023 \$
Audit services:		
Auditors of the Company (KPMG Australia) – audit and review of financial statements	160,215	127,000
	160,215	127,000
Other services:		
Auditors of the Company (KPMG Australia) – taxation advice and tax compliance services *	9,928	9,000
	9,928	9,000

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

6. Segment Reporting

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

Business segments

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

Industrial Products

Industrial Products segment includes the manufacture of electrical and cable support systems. It includes the business trading under the EzyStrut name.

Production

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

Notes to the financial statements

For the year ended 30 June 2024

6. Segment reporting (continued)

Geographical segments

The Company predominantly operates in Australia.

Customers

Revenue from one customer of the Group's Industrial Products segment represented \$15,467,000 of the Group's total revenues. In the prior year no single customer represented more than 10% of the Company's total revenue.

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

Business segments	Industrial Products		Production		Total	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Sales revenue	92,734	97,705	10,156	9,779	102,890	107,484
Depreciation and amortisation	(1,171)	(866)	(433)	(316)	(1,604)	(1,182)
Depreciation ROU Asset	(1,160)	(843)	-	(2)	(1,160)	(845)
Interest expense -leased assets	(445)	(137)	-	-	(445)	(137)
Reportable segment profit before tax	14,563	14,488	2,060	1,654	16,623	16,142
Reportable segment assets	45,002	38,094	6,655	5,991	51,657	44,085
Capital expenditure	3,047	1,503	1,361	337	4,408	1,840

Reconciliation of reportable segment profit, assets and other material items

	2024 \$'000	2023 \$'000
Profit		
Total profit for reportable segments	16,623	16,142
Gain at inception of sublease	319	-
Derecognition of site restoration provision	-	560
Unallocated amounts – other corporate expenses (net of corporate income)	(1,050)	(626)
Profit before income tax	15,892	16,076
Assets		
Total assets for reportable segments	51,657	44,085
Land and buildings	10,621	10,730
Cash, cash equivalents and investments	7,064	9,215
Right-of-use asset	7,704	4,896
Lease receivable	1,430	-
Other unallocated amounts	1,069	1,730
Total assets	79,545	70,656
Capital expenditure		
Capital expenditure for reportable segments	4,408	1,840
Other corporate capital expenditure	105	24
Total capital expenditure	4,513	1,864
Other material items		
Depreciation and amortisation for reportable segments	1,604	1,182
Unallocated amounts – corporate depreciation	188	277
Total depreciation and amortisation	1,792	1,459

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Notes to the financial statements

For the year ended 30 June 2024

Working Capital

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

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

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

7. Trade and other receivables

Accounting policies

Trade receivables

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

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

Goods and services tax

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

	2024 \$'000	2023 \$'000
Current		
Trade receivables	22,632	18,958
Less: Allowance for impairment	(192)	(133)
Add: Reimbursement right	116	39
Net trade receivables	22,556	18,864

Impairment

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2024

7. Trade and other receivables (continued)

	2024 \$'000	2023 \$'000
Movement in allowance for impairment		
Balance at 1 July	(133)	(118)
Amounts written off against allowance	20	65
Net remeasurement of loss allowance	(79)	(80)
Balance at 30 June	<u>(192)</u>	<u>(133)</u>

8. Inventories

Accounting policies**Inventories**

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

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

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

	2024 \$'000	2023 \$'000
Current		
Raw materials and consumables	3,118	3,872
Work in progress	394	357
Finished goods	<u>13,474</u>	<u>12,562</u>
	<u>16,986</u>	<u>16,791</u>

Finished goods are shown net of an impairment provision amounting to \$785,000 (2023: \$732,000) arising from the likely inability to sell a product range at or equal to the cost of inventory.

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

During the year ended 30 June 2024 inventories of \$52,126,000 (2023: \$59,410,000) were recognised as an expense during the year and included in cost of goods sold.

Notes to the financial statements

For the year ended 30 June 2024

9. Trade and other payables

*Accounting policies***Payables**

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

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

	2024	2023
	\$'000	\$'000
Current		
Trade payables and accrued expenses	4,339	4,679
Non-trade payables and accrued expenses	4,955	4,992
	9,294	9,671

10. Employee benefits

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

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

Long-term benefits

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

	2024	2023
	\$'000	\$'000
Current		
Liability for annual leave	1,574	1,467
Liability for long service leave	2,031	1,807
	3,605	3,274
Non-current		
Liability for long service leave	347	355
Total employee benefits	3,652	3,629

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

Defined contribution superannuation funds

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

Notes to the financial statements

For the year ended 30 June 2024

10. Employee benefits (continued)

Share based payments

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

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

Employee Share Bonus Plan

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

Korvest Performance Rights Plan (KPRP)

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

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

Grant date	Plan	Performance hurdles	Number of rights initially granted	Number outstanding at balance date
October 2021	KPRP	EPS/ROIC	65,230	65,230
October 2022	KPRP	EPS/ROIC	67,232	67,232
November 2023	KPRP	EPS/ROIC	69,020	69,020
Total performance rights			201,482	201,482

Notes to the financial statements

For the year ended 30 June 2024

10. Employee benefits (continued)

Measurement of fair values

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

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

	2024	2023
Fair value at grant date	\$5.69	\$5.04
Share price at grant date	\$7.80	\$7.01
Exercise price	-	-
Share price volatility	26.2%	35.4%
Dividend yield	7.69%	8.56%
Risk free interest rate	4.93%	3.92%
Life of options	2.7 yrs	2.7 yrs
Advised restriction period (after vesting)	2 yrs	2 yrs

Reconciliation of outstanding share options/rights

Grant date	Exercise date	Expiry date	Exercise price	Number of rights at beginning of year	Rights granted	Lapsed	Forfeited	Exercised	Number of options at end of year on issue	Exercisable at 30 June
2024										
Oct 20	Jul 23	Jul 24	-	84,814	-	-	-	(84,814)	-	-
Oct 21	Jul 24	Jul 25	-	65,230	-	-	-	-	65,230	65,230
Oct 22	Jul 25	Jul 26	-	67,232	-	-	-	-	67,232	-
Nov 23	Jul 26	Jul 27	-	-	69,020	-	-	-	69,020	-
				217,276	69,020	-	-	(84,814)	201,482	65,230
<i>Weighted average exercise price</i>				<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>
2023										
Nov 19	Jul 22	Jul 23	-	91,796	-	-	-	(91,796)	-	-
Oct 20	Jul 23	Jul 24	-	84,814	-	-	-	-	84,814	84,814
Oct 21	Jul 24	Jul 25	-	65,230	-	-	-	-	65,230	-
Oct 22	Jul 25	Jul 26	-	-	67,232	-	-	-	67,232	-
				241,840	67,232	-	-	(91,796)	217,276	84,814
<i>Weighted average exercise price</i>				<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>	<i>\$Nil</i>

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Notes to the financial statements

For the year ended 30 June 2024

Tangible assets

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

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

11. Property, plant and equipment

Accounting policies

Recognition and measurement

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

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

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

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

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

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

Depreciation

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

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

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

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

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

Fair value measurement

Land and buildings are usually 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. The Directors obtained an independent valuation June 2023 and this has been used as the basis for the Directors' valuation as at 30 June 2024.

Subsequent expenditure

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

Notes to the financial statements

For the year ended 30 June 2024

11. Property, plant and equipment (continued)

	Land & Buildings (fair value) \$'000	Plant & Equipment (cost) \$'000	Total \$'000
Cost			
Balance at 1 July 2022	10,000	26,442	36,442
Acquisitions	26	1,836	1,862
Disposals and write-offs	-	(281)	(281)
Revaluation	704	-	704
Balance at 30 June 2023	<u>10,730</u>	<u>27,997</u>	<u>38,727</u>
Balance at 1 July 2023	10,730	27,997	38,727
Acquisitions	-	4,513	4,513
Disposals and write-offs	-	(329)	(329)
Balance at 30 June 2024	<u>10,730</u>	<u>32,181</u>	<u>42,911</u>
Accumulated depreciation and impairment losses			
Balance at 1 July 2022	-	17,210	17,210
Depreciation charge for the year	110	1,348	1,458
Revaluation	(110)	-	(110)
Disposals	-	(184)	(184)
Balance at 30 June 2023	<u>-</u>	<u>18,374</u>	<u>18,374</u>
Balance at 1 July 2023	-	18,374	18,374
Depreciation charge for the year	109	1,683	1,792
Disposals	-	(294)	(294)
Balance at 30 June 2024	<u>109</u>	<u>19,763</u>	<u>19,872</u>
Carrying amounts			
At 30 June 2022	<u>10,000</u>	<u>9,232</u>	<u>19,232</u>
At 30 June 2023	<u>10,730</u>	<u>9,623</u>	<u>20,353</u>
At 30 June 2024	<u>10,621</u>	<u>12,418</u>	<u>23,039</u>

As at 30 June 2024, the plant and equipment asset class held \$1.683m of assets under construction (2023: \$1.239m). Assets under construction are not depreciated until such time as the asset is commissioned and ready for use.

Notes to the financial statements

For the year ended 30 June 2024

11. Property, plant and equipment (continued)

Fair value hierarchy of land and buildings

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

An independent valuation of Land and Buildings was last carried out in June 2023 by Mr Ivo Kafka, AAPI of AON Valuation Services on the basis of the open market value of the properties concerned in their highest and best use and was used as a reference for the directors' valuation as at 30 June 2024.

The carrying amount of the Land and Buildings at cost at 30 June 2024 if not revalued would be \$790,000 (2023: \$846,000).

Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalised income approach: the valuation model applies a yield to the property's income to assess its value less any required capital expenditure. The yield applied to the potential rental return from the property is based on recent sales and has been calculated by dividing the estimated rental return from comparable sales against its sale price to derive a fair market sales price. Capitalised value has been increased by the value of vacant land as the property has below average site coverage indicating further capacity for development.	Market yield – 7.9% Potential rental rate - \$65/m ² Land value for vacant land - \$200/m ²	The estimated market value would increase if: <ul style="list-style-type: none"> • Market yield was lower • Potential rental rate was higher • Land value was higher

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Notes to the financial statements

For the year ended 30 June 2024

12. Impairment testing

Accounting policies

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

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

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

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

Results

The Company has determined that calculation of the recoverable amount of assets or CGUs is not required as at 30 June 2024 as there were no impairment indicators.

Leases

13. Leases

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

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

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

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

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

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

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

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. Lease payments associated with these leases are expensed on a straight-line basis over the lease term. Short term leases are leases with a term of less than 12 months from their commencement date.

Notes to the financial statements

For the year ended 30 June 2024

Leases as a lessee

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

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

i. Right-of-use assets

	Warehouses \$'000	Forklifts \$'000	Total \$'000
Balance at 1 July 2023	4,896	-	4,896
Additions to right-of-use assets	4,156	-	4,156
Derecognition of right-of-use assets	(188)	-	(188)
Depreciation of right-of-use assets	(1,160)	-	(1,160)
Balance at 30 June 2024	7,704	-	7,704
Balance at 1 July 2022	5,200	11	5,211
Additions to right-of-use assets	531	-	531
Depreciation of right-of-use asset	(835)	(11)	(846)
Balance at 30 June 2023	4,896	-	4,896

ii. Lease liability

	2024 \$'000	2023 \$'000
Current	1,161	776
Non-current	8,322	4,418
Total Lease liability	9,483	5,194

iii. Amounts recognised in profit or loss

Depreciation right-of-use asset	1,160	846
Interest on lease liabilities	445	137
Expenses relating to short-term leases	-	69

iv. Amounts recognised in statement of cash flows

Cash flows used in operating activities	445	206
Cash flows used in financing activities	1,052	805
Total cash outflow for leases	1,497	1,011

Leases as a lessor

During the year the Company entered into leases for two adjoining buildings in New South Wales to accommodate the Sydney EzyStrut branch. One of the buildings has been sublet with the arrangement allowing Korvest to control a common hardstand area between the two buildings. For the building occupied by Korvest, the accounting treatment is the same as set out above. For the subleased building where Korvest is both lessor and lessee, the AASB16 Leases accounting treatment is as follows:-

- Lessee - the right of use asset is derecognised.
- Lessor – a lease receivable is recognised at an amount equal to the net investment in the lease.
- The difference between these two amounts is recognised in profit or loss at the commencement date of the sublease.
- The lease liability (as lessee) remains in the statement of financial position representing the lease payments owed to the head lessor.
- During the term of the sublease, Korvest recognises both finance income on the sublease and interest expense on the head lease.

Notes to the financial statements

For the year ended 30 June 2024

During 2024, the Company recognised a gain of \$319,000 (2023: nil) on derecognition of the right-of-use asset pertaining to the NSW building and presented as a gain on inception of sublease.

During 2024, the Company recognised interest income on lease receivables of \$88,000 (2023: nil).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2024 \$'000	2023 \$'000
Less than one year	301	-
One to two years	311	-
Two to three years	320	-
Three to four years	330	-
Four to five years	340	-
More than five years	467	-
Total undiscounted lease receivable	2,069	-
Unearned finance income	459	-
Net investment in the lease	1,610	-

Capital Structure

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

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

14. Cash and cash equivalents

Accounting policies

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

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

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

	2024 \$'000	2023 \$'000
Cash and cash equivalents in the statement of cash flows	6,789	8,940
Term deposits	275	275

Notes to the financial statements

For the year ended 30 June 2024

Reconciliation of cash flows from operating activities

	2024 \$'000	2023 \$'000
Cash flows from operating activities		
Profit for the year	11,044	11,176
<i>Adjustment for:</i>		
Depreciation and amortisation	1,792	1,459
Depreciation right-of-use asset	1,160	846
Impairment of trade receivables (net of reimbursements)	3	71
(Reversal of) Impairment of inventories	53	180
(Decrease) in provision for site rectification	-	(560)
(Profit) on termination of lease	(4)	-
(Profit on derecognition of Right-of-use asset	(319)	-
Loss / (Profit) on disposal of property, plant and equipment	(35)	44
Equity-settled share-based payment expense	372	412
	14,066	13,628
Changes in:		
Trade and other receivables	(3,694)	(2,061)
Lease receivable	84	-
Prepayments	(48)	(229)
Inventories	(247)	3,486
Trade and other payables	(378)	440
Deferred tax	(381)	372
Income taxes payable	625	(916)
Provisions and employee benefits	323	224
Net cash from operating activities	10,350	14,944

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Notes to the financial statements

For the year ended 30 June 2024

15. Financial instruments

Accounting policies

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

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

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

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

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

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

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

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

Financial assets and liabilities

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

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

Notes to the financial statements

For the year ended 30 June 2024

15. Financial instruments (continued)

Financial risk management

Overview

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

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

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

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

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

Credit risk

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

Exposure to credit risk

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

	2024	2023
	\$'000	\$'000
Cash, cash equivalents and Investments	7,064	9,215
Trade and other receivables	22,556	18,864

Cash and cash equivalents

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

Notes to the financial statements

For the year ended 30 June 2024

15. Financial instruments (continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

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

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

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

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

	2024 \$'000	2023 \$'000
Carrying values		
Australia	22,554	18,799
New Zealand	2	65
	22,556	18,864

At 30 June 2024, the Company's most significant customer, located in Australia, accounted for \$5,742,297 of the trade and other receivables carrying amount (2023: \$3,989,194).

Impairment losses

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

	2024 \$'000	2023 \$'000
Gross		
Not past due nor impaired	15,232	11,834
Past due 0-30 days	6,342	6,682
Past due 31-90 days	1,042	440
More than 91 days	17	2
Loss allowance	(77)	(94)
	22,556	18,864

Notes to the financial statements

For the year ended 30 June 2024

15. Financial instruments (continued)

Liquidity risk

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

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

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

	2024					Carrying amount \$'000	2023			
	Contractual cash flows				Total		Contractual cash flows			
	Total	Less than 1 year	1-5 years	More than 5 years			Less than 1 year	1-5 years	More than 5 years	
Carrying amount \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Non-derivative financial liabilities										
Trade and other payables	9,294	(9,294)	(9,294)	-	-	9,671	(9,671)	(9,671)	-	-
Lease liabilities*	9,483	(11,288)	(1,627)	(6,371)	(3,290)	5,194	(5,867)	(923)	(2,535)	(2,409)
	18,776	(20,581)	(10,920)	(6,371)	(3,290)	14,865	(15,538)	(10,594)	(2,535)	(2,409)

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

Market risk

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

Currency risk

The Company is exposed to currency risk on 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), Thai Baht (THB) and Euros (EUR).

Exposure to currency risk

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

Interest rate risk

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

Exposure to interest rate risk

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

Notes to the financial statements

For the year ended 30 June 2024

15. Financial instruments (continued)

Other market price risk

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

Capital management

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

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

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

Accounting classifications and fair values

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

16. Capital and reserves

Accounting policies

Ordinary shares

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

Asset revaluation reserve

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

Profits reserve

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

Equity compensation reserve

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

Share capital

Ordinary shares

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

2024 Shares '000	2023 Shares '000
11,576	11,466
18	18
85	92
11,679	11,576

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.

Notes to the financial statements

For the year ended 30 June 2024

17. 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
2024					
Interim 2024 ordinary	25.0	2,918	100%	30%	5 March 2024
Final 2023 ordinary	35.0	4,081	100%	30%	6 September 2023
Total amount		<u>6,999</u>			
2023					
Interim 2023 ordinary	25.0	2,892	100%	30%	3 March 2023
Final 2022 ordinary	35.0	4,045	100%	30%	2 September 2022
Total amount		<u>6,937</u>			

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 to be paid
2024					
Final 2024 ordinary	40.0	4,671	100%	30%	6 September 2024

The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2024 and will be recognised in subsequent financial reports.

Dividend franking account

	2024 \$'000	2023 \$'000
Franking credits available to shareholders of Korvest Ltd for subsequent financial years	<u>16,250</u>	<u>14,020</u>

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

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables at the year-end; and
- 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 \$2,002,000 (2023: reduce by \$1,736,000).

Notes to the financial statements

For the year ended 30 June 2024

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.

18. Current and deferred taxes

Accounting policies

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

Current tax

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

Deferred tax

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

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2024

18. Current and deferred taxes (continued)

Income tax recognised in the income statement

	2024 \$'000	2023 \$'000
Current tax expense		
Current year	5,229	4,614
Prior year	-	(87)
	5,229	4,527
Deferred tax expense		
Origination and reversal of temporary differences		
- relating to current year	(381)	302
- relating to prior year	-	70
	(381)	372
Total income tax expense in Statement of profit or loss and comprehensive income	4,848	4,899

Numerical reconciliation between tax expense and pre-tax net profit

	2024 \$'000	2023 \$'000
Profit before tax	15,892	16,075
Income tax using the domestic corporation tax rate of 30% (2023:30%)	4,768	4,823
Non-deductible expenses	80	92
Prior year over provision	-	(16)
Income tax expense on pre-tax net profit	4,848	4,899

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Property, plant and equipment	-	-	(3,577)	(3,800)	(3,577)	(3,800)
Leases	2,845	1,558	(2,311)	(1,469)	534	89
Lease receivable	-	-	(483)	-	(483)	-
Inventories	235	220	(632)	(717)	(397)	(497)
Provisions / accruals	1,258	1,149	-	-	1,258	1,149
Provision for doubtful debts	23	28	-	-	23	28
Other	11	19	-	-	11	19
Tax loss carried forward	552	552	-	-	552	552
Tax (assets) / liabilities	4,924	3,526	(7,003)	(5,986)	(2,079)	(2,460)
Set off of tax	(4,924)	(3,526)	4,924	3,526	-	-
Net tax liabilities	-	-	(2,079)	(2,460)	(2,079)	(2,460)

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18. Current and deferred taxes (continued)

Movement in deferred tax balances during the year

	Balance 30 June 23	Recognised in profit	Recognised in other comprehensive income	Over provision prior year	Balance 30 June 24
	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	(3,799)	222	-	-	(3,577)
Leases	89	445	-	-	534
Lease receivable		(483)			(483)
Inventories	(497)	100	-	-	(397)
Provisions / accruals	1,149	109	-	-	1,258
Provision for doubtful debts	28	(5)	-	-	23
Other	18	(7)	-	-	11
Tax loss carried forward	552	-	-	-	552
	(2,460)	381	-	-	(2,079)

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

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Notes to the financial statements

For the year ended 30 June 2024

Other Notes

19. Key management personnel

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

Non-executive Directors

- Andrew Stobart (Chairman)
- Gary Francis
- Gerard Hutchinson (retired 31 October 2023)
- Warrick Ranson (appointed 1 November 2023)
- Therese Ryan

Executive Directors

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

Executives

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

Key management personnel compensation policy

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

Key management personnel compensation

The key management personnel compensation comprised:

	2024	2023
	\$	\$
Short-term employee benefits	2,089,519	1,947,490
Post-employment benefits	154,399	149,845
Long term benefits	66,207	46,212
Share based payments	276,811	331,865
	2,586,936	2,475,412

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.

20. Commitments

At 30 June 2024, the Company had contractual commitments for the acquisition of property, plant and equipment of \$947,000 (2023: \$1,847,000).

21. Guarantees entered into by the Company

Bank guarantees given by the Company in favour of customers and landlords amounted to \$2,222,465 (2023: \$1,489,407).

Notes to the financial statements

For the year ended 30 June 2024

22. Subsequent events

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

23. Contingencies

A customer-specific product supplied by Korvest has not met its performance requirement as a result of a design fault. Korvest is working with the customer to rectify the issue however the cost of rectification is not currently able to be estimated. The product design was done in conjunction with an external engineer who certified that the design met the required performance standard. Accordingly, costs related to the remedy of the issue are expected to be recoverable.

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Directors' declaration

For the year ended 30 June 2024

1. In the opinion of the Directors of Korvest Ltd (the Company):
 - (a) the financial statements and notes that are set out on pages 27 to 61 and the Remuneration report in the Directors' report, set out on pages 13 to 23, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2024 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) the Consolidated entity disclosure statement as at 30 June 2024 set out on page 31 is true and correct; and
 - (c) 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 2024.
3. The Directors draw attention to the Basis of preparation note on page 32, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Adelaide this 26th July 2024

Signed in accordance with resolution of directors:



Andrew Stobart
Director

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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 gives a true and fair view, including of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2024
- Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024
- Notes, including material accounting policies
- Directors' Declaration.

Basis for opinion

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

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

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

Key Audit Matters

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

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



Valuation of finished goods inventory (\$13.474 million)

Refer to Note 8 to the Financial Report.

The key audit matter

Valuation of finished goods inventory is a key audit matter due to the judgement involved by the Company in determining finished goods inventory net realisable value, particularly in relation to slow moving and obsolete inventory. Such judgments may have a significant impact on the Company's provision and therefore the overall carrying value of finished goods inventory, necessitating additional audit effort by us to assess these judgements.

The areas of judgement we focused on was assessing the Company's:

- Expected future demand based on recent usage.
- Estimated selling price of finished goods.
- Provision percentages by aging category.

We involved our senior audit team members in assessing this key audit matter who understand the Company's business, industry and the economic environment in which it operates.

How the matter was addressed in our audit

Our procedures included:

- Assessing the Company's policies for the valuation of finished goods inventory against the requirements of the accounting standards and our understanding of the business.
- Attending stocktakes in a sample of locations, observing the Company's processes, which included identifying slow moving and potentially obsolete finished goods inventory, performing sample counts ourselves and comparing count results to the Company's count results.
- Developing our own independent expectation of the Company's inventory provision based on the Company's underlying inventory and sales records, further subject to our procedures, and our understanding of the Company's business, industry and the economic environment. We compared this independent expectation to the Company's provision and associated judgements, including the Company's judgements of expected future demand.
- Comparing the carrying value of finished goods on hand from the Company's impairment assessment to the average sales price for the year of these products, as a proxy for estimated selling price of finished goods.
- Challenging the Company's provision percentages by aging category, using our understanding of the Company's business and our knowledge of the market.

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Other Information

Other Information is financial and non-financial information in Korvest Ltd's annual report 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 in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and that is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Korvest Ltd for the year ended 30 June 2024, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 14 to 24 of the Directors' report for the year ended 30 June 2024.

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



KPMG



Darren Ball
Partner

Adelaide

26 July 2024

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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 2024 there have been:

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



KPMG



Darren Ball
Partner

Adelaide

26 July 2024

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 2024)

Substantial shareholders

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

Shareholder		Number
Phoenix Portfolios Pty Ltd	6.3%	732,151
Donald Cant Pty Ltd	5.3%	621,759

Voting rights

Ordinary shares

Refer to note 16 in the financial statements.

Options

Refer to note 10 in the financial statements.

Distribution of equity security holders

Category	NUMBER OF EQUITY SECURITY HOLDERS		
	Total Holders	Units	% Issued Capital
1 - 1,000	1,373	496,056	4.25
1,001 - 5,000	865	2,200,747	18.84
5,001 - 10,000	184	1,401,693	12.00
10,001 - 100,000	154	3,359,429	28.77
100,001 and over	14	4,220,627	36.14
	2,590	11,678,552	100

The number of shareholders holding less than a marketable parcel of ordinary shares is 80.

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.

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ASX Additional information**For the year ended 30 June 2024****Twenty largest shareholders**

Name	Number of ordinary Shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	797,990	6.83
Donald Cant Pty Ltd	621,759	5.32
Anacacia Pty Ltd <Wattle Fund A/C>	512,246	4.39
J P Morgan Nominees Australia Pty Limited	420,995	3.60
Citicorp Nominees Pty Limited	373,291	3.20
Creative Living (Qld) Pty Ltd	320,000	2.74
Rathvale Pty Limited	212,958	1.82
Allegro Two Super Fund Pty Ltd <Allegro Super Fund No 2 A/C>	190,780	1.63
Brazil Farming Pty Ltd	166,416	1.42
Mr William Francis Cannon	139,189	1.19
Brazil Farming Pty Ltd	124,554	1.07
Mr Steven McGregor	120,730	1.03
Gotterdamerung Pty Limited <Gotterdamerung Family A/C>	113,289	0.97
Gotterdamerung Pty Limited <Gotterdamerung S/F A/C>	106,430	0.91
Robert Nairn Pty Ltd	100,000	0.86
Mrs Helen Elizabeth Rollinson	72,343	0.62
Mr Gavin Leith Christie	71,132	0.61
Mr Chris Hartwig	67,187	0.58
Mr Christian Andrew Hartwig <Hartwig Exe Share Pl Fam A/C>	64,008	0.55
KBM Engineering Co Pty Ltd	62,000	0.53
	4,657,297	39.87

Offices and officers**Company Secretary**

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

Principal Registered Office

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

Locations of Share Registry

Adelaide

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

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