

Appendix 4D

Korvest Ltd
ABN 20 007 698 106

Half-Year Financial Report 31 December 2016

Results for announcement to the market:

\$A'000

Revenues	Down	22.1%	to	21,285
Net loss after tax for the period attributable to members	Up	1,074.0%	to	(1,033)
Dividends	Amount per security		Franked amount per security	
Interim dividend (#)				
- current reporting period	10.0¢		10.0¢	
- previous corresponding period	10.0¢		10.0¢	
# Interim dividend proposed in respect of the current reporting period. The financial effect of this dividend will be recognised in the next reporting period.				
Record date for determining entitlements to the dividend	24 February 2017			
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 Directors' report on pages 2 to 4 of this financial report.				

This financial report is all the half-year information provided to the Australian Stock Exchange under listing rule 4.2A. The report also satisfies the half-year reporting requirements of the Corporations Act 2001.

This half-year financial report should be read in conjunction with the 2016 annual financial report.

Korvest Ltd Directors' Report

The Directors present their report together with the financial report of Korvest Ltd ("the Company") and its subsidiaries ("the Group") for the half-year ended 31 December 2016 and the auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Graeme Ambery Billings BCom, FCA, MAICD

Age 60

Chairman – appointed 18 December 2014

Independent Non-Executive Director

Director G.U.D. Holdings Limited

Director Clover Corporation Limited

Chairman Azure Healthcare Ltd

Director Domacom Ltd

A Director since May 2013

Gary Nigel Francis BSc. HON. (Civil), MAICD

Age 61

Independent Non-Executive Director

Chairman of Remuneration Committee

A Director since February 2014

Gerard Patrick Hutchinson MBA, MBL, MSc(IS), BEc, MA (research), FCA, FAICD, FAIM

Age 48

Independent Non-Executive Director – appointed 19 November 2014

Chairman of Audit Committee

Former Managing Director AusGroup Limited

A Director since November 2014

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

Age 62

Independent Non-Executive Director – appointed 1 August 2016

Alexander Henrik Wilhelm Kachellek BSc. CENG, MIET, FAICD

Age 63

Managing Director

A Director since June 2007

Chairman Austmine Ltd

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

Age 45

Finance Director

A Director since January 2009

Company Secretary since April 2008

Peter Brodribb F.I.E (Aust)

Age 72

Non-Independent Non-Executive Director – Retired on 28 July 2016

A Director since 1984

Result

The (loss) / profit for the half-year attributable to the members of the Company was:

	31 Dec 16	31 Dec 15
<i>In thousands of AUD</i>		
(Loss) / Profit after income tax expense	(1,033)	(88)
Net (loss) / profit attributable to members of the Company	(1,033)	(88)

Korvest Ltd Directors' Report

Other Ratios

	31 Dec 16	31 Dec 15
Net tangible asset (NTA) backing		
Net tangible assets per ordinary share	\$2.77	\$3.00
Loss before tax / revenue	(6.8)%	(0.5)%
Loss after tax / equity interests	(3.4)%	(0.3)%

Review of Operations

Revenue from trading operations for the half-year decreased by 22.1% to \$21.3 million. Day-to-day and project work remained subdued during the period however the completion of the major portion of the large LNG project in the second half of FY16 was the dominant factor in the reduced revenue during the first half.

Industrial Products

The EzyStrut business suffered from the lack of major project work during the period. Most geographical regions experienced reduced activity levels compared to the prior comparative period (PCP). The exception to this was the NSW market where revenue improved in line with the increased infrastructure activity in that market.

Domestic markets currently have excess capacity and as a result orders are aggressively targeted by numerous competitors. This has resulted in a decline in margins compared to the PCP.

For the past few years international markets in South East Asia have been pursued to mitigate the impact of declining domestic markets. Late in the period this strategy was reviewed and it was decided to substantially reduce cost associated with this focus. Costs associated with this strategy were approximately \$400k in the first half and these costs will not be repeated in the second half.

The Power Step and Titan Technologies businesses reported their best combined result for a half year under Korvest's ownership. This was principally as a result of a sizeable Power Step order that was supplied in the first quarter.

Production

The Galvanising business continues to suffer from low plant volumes and in overall terms the tonnes processed through the plant deteriorated during the first half to the lowest levels for over a decade. During the first half there was some modest improvement in external tonnes however this was more than offset by a sharp reduction in internal tonnes. Surplus capacity in the SA and Victorian markets has increased competition for the galvanising business and resulted in pricing pressures. In addition margins have come under pressure from the cost of zinc increasing over the period.

Dividends

The Directors announced a fully franked interim dividend of 10.0 cents per share.

The Dividend Reinvestment Plan (DRP) will operate for the interim dividend with the issue price calculated at a 2.5% discount to the volume weighted average market price for the period from 23 February 2017 to 1 March 2017. The dividend will be paid on 10 March 2017 and the record date is 24 February 2017.

Events Subsequent to Reporting Date

Events subsequent to the reporting date are included in Note 14 of the *Condensed Notes to the Interim Financial Report*.

2017 Guidance

There are a number of domestic infrastructure projects expected to commence supply in the second half of FY 2017 which will result in increased activity in markets serviced by Korvest. Korvest is well placed to benefit from the increased activity levels. This improved level of activity coupled with a lower cost base attributed to the international business activity is expected to result in a return to profitability in the second half.

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

The lead auditor’s independence declaration is set out on page 5 and forms part of the Directors’ report for the half-year ended 31 December 2016.

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.

Dated at Kilburn this 25th day of January 2017.

Signed in accordance with a resolution of the Directors:



GA Billings
Director



AHW Kachellek
Director



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

To: the directors of Korvest Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'Scott Fleming'.

Scott Fleming
Partner

Adelaide
25 January 2017

Korvest Ltd
Interim Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income for the Half-Year Ended 31 December 2016

<i>In thousands of AUD</i>	Note	31 Dec 16	31 Dec 15
Revenue	6(a)	21,285	27,330
Other income	6(a)	-	6
Expenses excluding net financing costs	6(b)	(22,775)	(27,483)
Results from operating activities excluding net financing income		(1,490)	(147)
Financial income		33	5
Financial expenses		-	(2)
Net financing income		33	3
Loss before income tax expense		(1,457)	(144)
Income tax benefit		424	56
Net loss for the period		(1,033)	(88)
Attributable to:			
Members of the Company		(1,033)	(88)
Loss for the period		(1,033)	(88)
Total comprehensive income for the period		(1,033)	(88)
Basic earnings per share		(9.4)¢	(0.8)¢
Diluted earnings per share		(9.4)¢	(0.8)¢

The Interim Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.

Korvest Ltd
Interim Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended
31 December 2016

In thousands of AUD

	Share capital	Equity compensation reserve	Asset revaluation reserve	Profits reserve	Retained earnings	Total
Balance at 1 July 2016	13,798	211	3,585	14,935	-	32,529
Total comprehensive income for the year						
Loss for the period	-	-	-	-	(1,033)	(1,033)
Total comprehensive income for the year	-	-	-	-	(1,033)	(1,033)
Transactions with owners of the Company recognised directly in equity						
Performance rights issued under Korvest Performance Rights Plan	-	8	-	-	-	8
Shares issued under the Share Plans	26	-	-	-	-	26
Dividends to members	-	-	-	(1,094)	-	(1,094)
Total contributions by and distributions to owners of the Company	26	8	-	(1,094)	-	(1,060)
Balance at 31 December 2016	13,824	219	3,585	13,841	(1,033)	30,436
Balance at 1 July 2015	12,833	211	3,585	16,313	-	32,942
Total comprehensive income for the year						
Profit for the period	-	-	-	-	(88)	(88)
Total comprehensive income for the year	-	-	-	-	(88)	(88)
Transactions with owners of the Company recognised directly in equity						
Shares issued under the Share Plans	470	-	-	-	-	470
Dividends to members	-	-	-	(1,262)	-	(1,262)
Total contributions by and distributions to owners of the Company	470	-	-	(1,262)	-	(792)
Transfers to profits reserve	-	-	-	(88)	88	-
Balance at 31 December 2015	13,303	211	3,585	14,963	-	32,062

The Interim Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.

Korvest Ltd
Interim Condensed Consolidated Statement of Financial Position as at 31 December 2016

<i>In thousands of AUD</i>	Note	31 Dec 16	30 Jun 16
Current Assets			
Cash and cash equivalents		3,208	5,088
Investments		275	-
Trade and other receivables		7,750	8,238
Inventories		11,567	11,492
Tax receivable		81	971
Total current assets		22,881	25,789
Non-Current Assets			
Property, plant and equipment		14,001	14,631
Intangible assets and goodwill		12	17
Total non-current assets		14,013	14,648
Total assets		36,894	40,437
Current Liabilities			
Trade and other payables		3,550	4,224
Employee benefits		2,032	2,340
Provisions		43	26
Total current liabilities		5,625	6,590
Non-Current Liabilities			
Deferred tax liabilities		63	513
Employee benefits		337	372
Provisions		433	433
Total non-current liabilities		833	1,318
Total liabilities		6,458	7,908
Net assets		30,436	32,529
Equity			
Issued capital	10	13,824	13,798
Retained earnings		(1,033)	-
Reserves		17,645	18,731
Total equity attributable to equity holders of the parent		30,436	32,529
Total equity		30,436	32,529

The Interim Condensed Consolidated Statement of Financial Position is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.

Korvest Ltd
Interim Condensed Consolidated Statement of Cash Flows for the Half-Year Ended
31 December 2016

In thousands of AUD

	Note	31 Dec 16	31 Dec 15
Cash flows from Operating Activities			
Cash receipts from customers		23,886	33,985
Cash payments paid to suppliers and employees		(24,977)	(32,471)
Interest received		33	3
Income taxes received / (paid)		864	(87)
Net cash provided by operating activities		(194)	1,430
Cash flows from Investing Activities			
Proceeds from sale of property, plant and equipment including assets held for sale		4	38
Acquisition of property, plant and equipment		(319)	(360)
Investments and term deposits		(275)	-
Net cash (used in) investing activities		(590)	(322)
Cash flows from Financing Activities			
Dividends paid		(1,096)	(816)
Net cash (used in) financing activities		(1,096)	(816)
Net increase in cash held		(1,880)	292
Cash at the beginning of the period		5,088	(500)
Cash at the end of the period		3,208	(208)

The Interim Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 15.

Korvest Ltd – 31 December 2016 Interim Consolidated Financial Report Condensed Notes to the Interim Financial Report

1. Reporting entity

Korvest Ltd (the Company) is a company domiciled in Australia. The interim condensed consolidated financial statements of the Group as at and for the half year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at 580 Prospect Road Kilburn SA 5084 or at www.korvest.com.au.

2. Statement of compliance

The interim condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2016.

This interim financial report was approved by the Board of Directors on 25 January 2017.

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 have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2016.

4. Judgements and Estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2016.

**Korvest Ltd– 31 December 2016 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2016.

	31 Dec 16	31 Dec 15
6. Revenues and Expenses		
<i>In thousands of AUD</i>		
(a) Revenue		
<i>Sales revenue</i>		
Sales of goods	21,285	27,330
Other income		
Profit on sale of fixed assets	-	6
(b) Expenses		
Costs of goods and services sold	14,364	17,180
Sales, marketing and warehousing expenses	5,501	6,558
Distribution expenses	1,681	1,762
Administration expenses	1,154	1,983
Loss on sale of fixed assets	75	-
	22,775	27,483
(c) Depreciation		
Depreciation of buildings	20	20
Depreciation of plant and equipment	837	798
Total depreciation of property, plant and equipment	857	818

**Korvest Ltd – 31 December 2016 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

7. Segment disclosures

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

- Industrial Products - includes the manufacture of electrical and cable support systems and steel fabrication. It includes the businesses trading under the EzyStrut, Power Step and Titan Technologies names.
- Production – represents the Korvest Galvanising business, which provides hot dip galvanising services.

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

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 earnings before interest and tax (EBIT). Inter-segment transactions are not recorded as revenue. Instead a cost allocation relating to the transactions is made based on negotiated rates.

Information about reportable segments

	Industrial Products		Production		Total	
\$'000s	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
External Revenues	19,262	24,898	2,023	2,432	21,285	27,330
Reportable segment profit before tax	(995)	898	(282)	13	(1,277)	911
Reportable segment assets	20,546	26,158	3,332	3,599	23,878	29,757

Reconciliation of reportable segment profit and assets

In thousands of AUD

	31 Dec 16	31 Dec 15
Profit		
Total profit or loss for reportable segments	(1,277)	911
Unallocated amounts – other corporate expenses	(180)	(1,055)
(Loss) / Profit before income tax	(1,457)	(144)
Assets		
Total assets for reportable segments	23,878	29,757
Land and buildings	7,187	7,226
Other unallocated amounts	5,829	3,074
Total assets	36,894	40,057

Geographical segments

The Group operates predominantly in Australia.

Customers

No single customer represented more than 10% of the Group's total revenues.

**Korvest Ltd – 31 December 2016 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

8. Write-down of obsolete inventory

During the six months ended 31 December 2016 the Company increased its obsolescence provision against inventory by \$125,000 (31 December 2015: nil amendment).

9. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2016, the Company acquired assets with a cost of \$319,000 (six months ended 31 December 2015: \$360,000). No assets were acquired through business combinations. Assets with a net book value of \$79,000 were disposed of during the six months ended 31 December 2016 (six months ended 31 December 2015: \$32,000), resulting in a \$75,000 loss on disposal (six months ended 31 December 2015: \$6,000 profit).

Capital commitments

The Group has no capital commitments at 31 December 2016 (31 December 2015: \$nil).

10. Share Capital

	31 Dec 16	30 June 16
<i>In thousands of AUD</i>		
Issued and paid-up capital		
10,969,557 (30 June 2016: 10,939,765) ordinary shares fully paid	13,824	13,798

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Employee Share Bonus Plan

The Company made one issue of ordinary shares under the Employee Share Bonus Plan during the period. During the comparative period to 31 December 2015 one issue was made under the Employee Share Bonus Plan. All employees meeting the service criteria were eligible to participate in the issue. The shares are issued at market value for no consideration. Details of the issue are as follows:

Date of issue	Total number of shares issued	Market value of shares issued \$	Shares issued per participating employee	Number of participating executive directors
31 December 2016				
30 September 2016	29,792	75,672	145	-
31 December 2015				
2 October 2015	25,872	83,825	154	-

Shares issued to employees under the Employee Share Bonus Plan are recognised in equity at the fair value of the shares issued being \$26,703 (2015: \$31,518). The fair value has been measured consistently with the previous annual report and takes into account that the shares issued are unable to be sold by employees for a period of 7 years after issue.

**Korvest Ltd – 31 December 2016 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

10. Share Capital (continued)

Share-based payment – Executive Share Plan

In August 2011 the Company established the Korvest Performance Rights Plan. The Plan is designed to provide long term incentives to eligible senior employees in the Company and entitles them to acquire shares in the Company, subject to the successful achievement of performance hurdles related to earnings per share (EPS).

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.

A total of 104,500 Performance Rights were issued in November 2016 (2015: 142,400).

The previous share plan, the Korvest Ltd Executive Share Plan is still operational for employees granted options under that plan. The share option plan entitled selected senior managers to acquire shares in the Company subject to successful achievement of performance targets related to improvements in total shareholder returns.

The shares issued pursuant to these options are financed by an interest free loan from the Company repayable within twenty years from the proceeds of dividends declared by the Company. These loans are of a non-recourse nature. For accounting purposes these 20 year loans are treated as part of the options to purchase shares until the loan is extinguished at which point the shares are recognised.

Fair value of Performance Rights granted

For the Performance Rights issued during the period half will be tested against an Earning Per Share (EPS) measure whilst the other half will be tested against a Relative Total Shareholder Return (RTSR) measure.

The fair value at grant date was assessed in accordance with AASB 2 *Share Based Payment*. For the EPS Performance Rights the value was determined using a Black Scholes valuation methodology and the value was \$1.74 per Performance Right. For the RTSR Performance Rights the value was determined using a Monte Carlo simulation and the value was \$0.90 per Performance Right. The inputs to the calculations have been set out below.

- a) Exercise price: \$0.00
- b) Vesting period: 3 years
- c) Grant date (for Accounting Standards): 17 November 2016
- d) Expiry date: 30 June 2019
- e) Share price at grant date: \$2.15
- f) Expected price volatility of the Company's shares: 29.40%
- g) Expected dividend yield: 6.0%
- h) Risk-free interest rate: 1.90%
- i) Cost of borrowing: 8.49%
- j) Restricted period: 2 years (post vesting)

Total expenses arising from share-based transactions recognised during the period as part of employee benefit expense were as follows:

In thousands of AUD

Performance rights issued under Korvest Performance Rights Plan
Shares issued under Employee Share Bonus Plan

	31 Dec 16	31 Dec 15
	8	-
	26	32
	<u>34</u>	<u>32</u>

**Korvest Ltd – 31 December 2016 Interim Consolidated Financial Report
Condensed Notes to the Interim Consolidated Financial Report**

10. Share Capital (continued)

Dividend and Share Investment Plans

The Dividend Reinvestment Plan (DRP) was suspended for the final dividend (2015: a total of 137,224 new shares were issued under the DRP resulting in an increase in share capital of \$438,000).

11. Dividends

Dividends paid or provided for by the Company in the current period and the previous corresponding period are:

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
31 December 2016				
Final – ordinary	10.0	<u>1,094</u>	Franked	9 September 2016
31 December 2015				
Final – ordinary	12.0	<u>1,262</u>	Franked	4 September 2015
Subsequent events				
Since the end of the half-year, the Directors declared the following dividends:				
Interim – ordinary	10.0	<u>1,099</u>	Franked	10 March 2017

The financial effect of these dividends has not been brought to account in this financial report. It will be recognised in the next reporting period.

All dividends paid or declared are fully franked at the tax rate of 30%. The Directors expect that dividends will be fully franked for the foreseeable future.

12. Financial Instruments

Carrying amounts versus fair values

The fair values of all financial assets and liabilities approximate their carrying amounts.

13. Contingent Liabilities and Contingent Assets

There have been no material changes in contingent liabilities or contingent assets since 30 June 2016.

14. Events Subsequent to Reporting Date

No matter or circumstance has occurred subsequent to 31 December 2016 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

15. Related Parties

There have been no material changes to arrangements with related parties since 30 June 2016.

Korvest Ltd
Directors' Declaration

In the opinion of the Directors of Korvest Ltd ("the Company"):

- 1 the condensed consolidated financial statements and notes set out on pages 6 to 15, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2016 and of its performance, for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Kilburn this 25th day of January 2017.

Signed in accordance with a resolution of the Directors:



GA Billings
Director



AHW Kachellek
Director



Independent auditor's review report to the members of Korvest Ltd

We have reviewed the accompanying half-year financial report of Korvest Ltd, which comprises the interim condensed consolidated statement of financial position as at 31 December 2016, interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibility of the Directors for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Korvest Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Korvest Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script, appearing to read 'KPMG'.

KPMG

A handwritten signature in cursive script, appearing to read 'Scott Fleming'.

Scott Fleming
Partner

Adelaide

25 January 2017