K&S CORPORATION LIMITED

ANNUAL REPORT 2015

K&S CORPORATION LIMITED

ABN 67 007 561 837

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FINANCIAL CALENDAR

Final dividend payment (3.5 cents per share)	**2 November 2015**
Annual General Meeting	**24 November 2015**
Half-year results and interim dividend announcement	**24 February 2016**
Interim dividend payment	**4 April 2016**
Full-year result and final dividend announcement	**24 August 2016**
Annual report mailed to Shareholders	**7 October 2016**
Final dividend payment	**2 November 2016**
Annual General Meeting	**22 November 2016**

K&S CORPORATION HIGHLIGHTS

- Revenue increased 19.3% to $699.2 million
- Profit after tax is $13.3 million, an increase of 49.4%
- Operating cash flow is $48.1 million
- Dividend per share increased 16.7% to 7 cents, representing a franked yield of 5.3%
- Synergies from Scott Corp acquisition exceeds expectation
- Completes acquisition of NTFS
- Total workplace safety incidents reduce by 19%

To be the leading provider of transport and logistic solutions within our target markets in Australia and New Zealand.

CHAIRMAN'S OVERVIEW

Tony Johnson
Chairman
K&S Corporation Limited

On behalf of the Board of K&S Corporation, I am pleased to present the Company's Annual Report.

We previously announced a net profit after tax of $13.3 million, up 49.4% on the previous year.

Operating revenue for the year was $699.2 million, an increase of 19.3% on the previous corresponding period.

Earnings per share were 11.4 cents per share.

This result included a number of one off pre tax costs related to re-organisation costs of $1.3 million and fraud related recoveries of $1.7 million.

Underlying profit before tax after allowing for these one off costs was $18.4 million.

Reconciliation of statutory profit before tax to underlying profit before tax:

	$m
Statutory profit before tax	18.8
Add back reorganisation costs	1.3
Less non-recurring fraud related recovery	(1.7)
Underlying profit before tax	18.4

Safety performance continued to improve. Excluding the business of Scott Corporation, our total workplace incidents reduced by 19% in 2014/15. Our combined Group LTIFR was 6.0.

The business of Scott Corporation will be integrated into our Comcare self insurance license for workers' compensation in the 2015/16 financial year, subject to final approval from Comcare.

During the year we continued the integration of the Scott Corporation business and synergies achieved have materially exceeded our integration targets.

The performance of our NZ business was extremely strong. Both revenue and underlying profit materially improved. We expect this business to provide similar ongoing performance.

Organic growth has been strong throughout the year; we achieved annualised revenues in excess of $63 million. These revenues will have a favourable impact in the 2015/16 financial year.

Our Western Australian business was adversely impacted by the continued slowing of the resource sector. With declining commodity prices, the miners have reduced their costs and scaled back projects and this had a significant impact on the profitability of our Regal business unit during the year.

Specific cost reduction strategies to partly offset this decline have been implemented. They include property lease cost reductions, the establishment of a new transport facility at Hazelmere which was fully operational in September 2015, the rationalisation and replacement of specific motorised fleet, employee reductions and the introduction of new IT solutions to support customer service and operational efficiency and cost reduction initiatives.

The structural decline of manufacturing continued during the year with the closure of Alcoa's Port Henry and Yennora operations. The closure of these business units had a negative impact on our operations which was partly offset with the awarding of Alcoa's Portland logistics contract effective from April 2015.

Imports are still impacting the demand for locally manufactured goods, which in turn reduces demand for long haul transport services.

Our capital expenditure programme has been targeted to support new business growth, improve productivity and reduce costs in our existing business.

In March 2015 we acquired the business and assets of Northern Territory Freight Services ("NTFS"). NTFS is one of the largest rail freight forwarders on the Adelaide-Alice Springs-Darwin corridor. This acquisition presented immediate opportunities for K&S to expand our service offerings to Darwin and also in the north west region of Western Australia. The acquisition was funded from our cash balance.

Operating cash flow for the year was $48.1 million.

Our gearing at year end is 25.0%, which is well within our target range. Our net debt is $98.1 million.

Fraudulent Misappropriations

As previously disclosed to the ASX on 25 February 2015, the Company has been the subject of a fraudulent misappropriation spanning the period from 2007 to 2014. Forensic investigation undertaken by McGrathNicol has determined that the total quantum of the fraud is $7.0 million. Approximately $400,000 of the fraudulent misappropriations occurred in the year ended 30 June 2015.

The company has a comprehensive crime insurance policy with available cover of $5.0 million. The underwriters of the comprehensive crime insurance policy have granted indemnity and have paid the sum of $5.0 million to the Company in August 2015.

The Company has commenced steps to recover losses sustained under the fraudulent misappropriations. At this stage, any recoveries to the Company are not expected to be material.

A provision for expenses, claims costs and potential liabilities has been made in the Company's accounts.

Victoria Police have arrested and charged two former employees of the Company for alleged fraudulent misappropriations of approximately $4.8 million.

Dividend

We have declared a fully franked final dividend of 3.5 cents per share (last year 3.0 cents per share). This follows the interim dividend of 3.5 cents per share paid in April 2015, making a total dividend of 7.0 cents per share. The final dividend will be paid on 2 November 2015, with the date for determining entitlements being 19 October 2015.

The dividend reinvestment plan (DRP) will once again apply in respect of the fully franked final dividend of 3.5 cents per share payable on 2 November 2015. The last election date for participation in the DRP is 20 October 2015.

The terms of the DRP will remain unchanged with the issue price under the DRP based on the weighted average trading price for K&S shares in the five business days ending on 19 October 2015 (the record date of the final dividend) less a discount of 2.5%.

Greg Boulton retired from the Board in August after 19 years of service as a Director. I would like to thank Greg who has been one of the longest serving Directors and has served variously in the roles of Deputy Chairman, member of the Audit Committee and a member of the Nomination and Remuneration Committee. We wish him well in his future endeavours. I know that Greg will continue to take a close interest in the affairs of the Company.

On behalf of the Board, I thank our customers, suppliers and employees, who have contributed to the continuing success of the business.

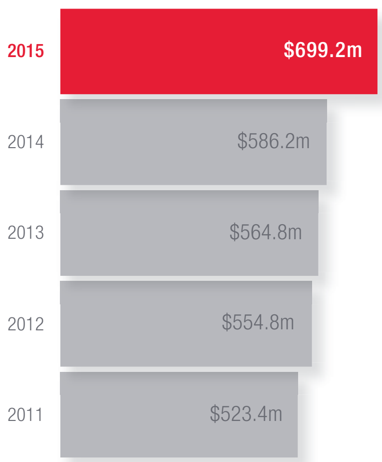
In particular, I thank the senior management team, led by Paul Sarant, for their ongoing commitment and dedication under difficult and challenging circumstances.

Tony Johnson
Chairman

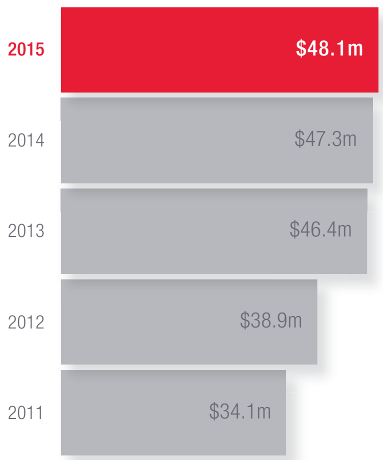
FINANCIAL OVERVIEW

		2015	2014	% change
Revenue	$m	**699.2**	586.2	19.3
Operating profit before interest, tax and depreciation	$m	**62.7**	43.6	43.7
Operating profit before interest and tax	$m	**26.1**	18.7	39.2
Statutory profit before tax	$m	**18.8**	12.4	51.6
Less non-recurring fraud related recovery	$m	**1.7**	-	-
Add back reorganisation costs	$m	**1.3**	2.1	-
Underlying profit before tax	$m	**18.4**	14.5	26.7
Operating profit after tax	$m	**13.3**	8.9	49.4
Total assets	$m	**536.3**	540.6	(0.8)
Net borrowings	$m	**98.1**	96.0	(2.2)
Shareholders' funds	$m	**294.5**	287.2	2.5
Depreciation and amortisation	$m	**36.6**	24.9	(47.1)
Earnings per share	cents	**11.4**	9.0	26.7
Dividends per share	cents	**7.0**	6.0	16.7
Net tangible assets per share	$	**1.73**	1.69	2.4
Operating cash flow	$m	**48.1**	47.3	1.8
Return on Shareholders' funds	%	**4.5**	3.1	45.2
Gearing	%	**25.0**	25.2	0.8
Employee numbers		**2,004**	2,050	(2.2)
Lost time injuries		**0**	25.0	(100.0)
Lost time injuries frequency rate		**6.0**	5.8	(3.4)

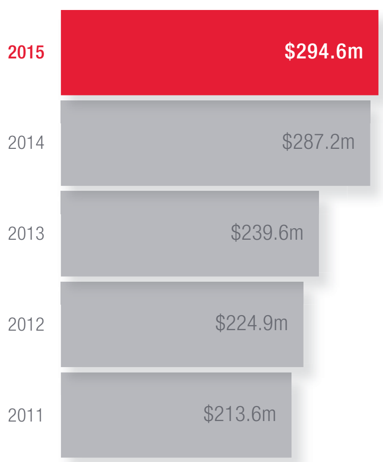
OPERATING REVENUE



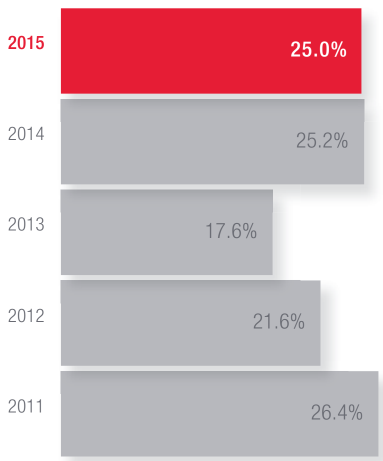
OPERATING CASH FLOW



SHAREHOLDERS' FUNDS



GEARING



MANAGING DIRECTOR'S REPORT

Paul Sarant
Managing Director
K&S Corporation Limited

We have continued during 2014/15 to realise financial benefits derived from reforming and refocussing K&S Corporation.

Significant work has been undertaken to improve internal efficiencies, workplace health and safety, consolidate and rationalise properties and aggressively pursue new work in both traditional and non-traditional areas. The growth in non-traditional areas has been strong, and serves to provide improved market segment balance.

The acquisition and integration of Northern Territory Freight Service ("NTFS") and Scott Corporation have been fundamental to these changes. These acquisitions have further diversified our business and provided customer integration opportunities.

Consequent to the business restructuring, we are now a more financially efficient and organisationally effective company. We are well positioned for continued strong growth, both organically or through acquisition.

Revenue for 2014/15 increased (19.3%) to $699.2 million, market capitalisation exceeded $155.2 million and operating cash flow was $48.1 million. Profit after tax was $13.3 million, compared with $8.9 million for 2013/14.

Total dividends for the year were 7 cents per share, an increase from 6 cents per share in 2013/14. This represents a franked yield of 5.3%.

Safety continues to be a major focus for the Group. While our Lost Time Injury Frequency Rate remained stable, the severity rate of injuries reduced significantly. The Group's LTIFR for this year also incorporated Scott Corporation and NTFS for the first time.

While the Australian domestic economy has continued to soften K&S has successfully reduced costs and actively pursued new work. More than $63 million in new work has been won, offsetting declines in traditional linehaul activity as the traditional manufacturing sector slows. At the same time, more than $130 million in ongoing contracts have been renewed.

Activity in Western Australia slowed dramatically with the downturn in the mining sector. We remain optimistic about improvement in the medium term.

New Zealand has performed above expectations and continues to provide solid growth opportunities.

Business Development

Organic revenue growth was strong throughout the year. We were awarded new annualised revenues in excess of $63 million. These revenues will have a favourable impact in the 2015/16 financial year.

The new contracts, many of them in non-traditional areas, assist to offset revenue reduction incurred consequent to the closure of Alcoa operations that we serviced at Geelong and Yennora in late 2014, and other customer account shrinkage pertaining to their own softer market related trading conditions. The Company is well placed for organic growth when general economic conditions improve.

In New Zealand, a multi-modal facility is being developed in Christchurch to support additional intermodal transport services recently secured on the South Island.

A new warehouse facility was opened in Brisbane at Fisherman's Island to support the growth of warehousing and import/export activities.

Business Development

The purchase of Scott Corporation in 2014 enabled K&S to expand its services offering, which has assisted to secure new contracts. This includes work in the mining, oil and gas sectors.

The purchase of NFTS during the year will generate new opportunities, particularly with the integration of existing K&S customers.

K&S has renewed a major steel finished products linehaul contract with OneSteel for an additional four years.

Solid growth in the petroleum segment has been achieved.

SCOTT

The integration of Scott Corporation has progressed well, and has provided a significant basis of improved earnings performance.

Scott Corporation is heavily involved in the mining sector which has been adversely impacted by the downturn in commodity prices.

There has been an unprecedented number of tenders being offered by both encumbered and non-encumbered customers as they actively seek to reduce their cost base. Throughout this process we have maintained a disciplined approach to commercial sustainability.

Fuel volumes transported in central Queensland were noticeably impacted by the mining downturn in the first half of the year.

The volume of acid transported in north Queensland also declined due to lower production activity by miners in response to weaker commodity prices. Our Perth-based Chemtrans business has incurred a similar softening of the market and, in addition, increased competitive pressure.

Pursuant to higher mass approvals being granted, operational improvements were realised with our specialised A-double tipper fleet deployed for coal haulage in the Illawarra.

The Hyde Park tank wash and repair business in Melbourne realised an improved year with higher year on year volumes.

One major contributor was the return of equipment that had been in use in the mining and manufacturing sectors, to which make-good work was to be completed.

It is planned to incorporate Scott Corporation into the Group self-insurance programme by the end of the 2015 calendar year.

K&S FREIGHTERS

Slow economic conditions continued to impact the traditional freight business, particularly on the east coast.

Interstate transport volumes between Melbourne and Sydney remained subdued, largely due to a shrinking manufacturing sector and changes to ordering patterns. Overseas sourced goods are being increasingly shipped directly into the state of final destination. Previously containerised product was predominantly landed to a single port location, deconsolidated and the goods transported to their final destination by road.

While this change has reduced interstate road transport volumes, it has provided increased wharf cartage and local delivery. We have increased volumes in wharf cartage, storage and distribution of imported goods.

A highlight for the year was the opening of a new 10,000 square metre warehouse facility at Fishermans Island in Brisbane. The facility will be used for warehousing and cross docking of imports and exports for multiple customers. Products being handled typically include paper reels, timber board and aluminium coils.

The closure of the Alcoa plants in Sydney and Geelong adversely impacted on revenues. This was partially offset by securing new Alcoa Portland transport.

Work for long term clients such as Arrium, BlueScope, Orrcon, Perth Waste, CHEP and Fletcher Building Products has either been retained or extended.

The acquisition of NTFS has enabled K&S to provide new services between Darwin and Kununurra in northern Western Australia. NTFS has depots in Adelaide, Darwin and Alice Springs. We now directly provide total Australian coverage.

During the year, K&S replaced approximately 40% of its linehaul fleet with new prime movers, as part of the ongoing fleet replacement programme. The remaining fleet will be replaced over the next two years. The new vehicles are equipped with advanced fatigue management and onboard vehicle safety technology. It is believed K&S is one of the first major transport companies in Australia to introduce this technology as a base standard for all long haul fleet.

New Zealand

Increased steel industry activity underpinned the strong performance of our New Zealand business in 2014/15.

Steel volumes transported exceeded our original expectation, predominantly as a result of the strong domestic and commercial property market in Auckland and surrounding area, and the ongoing redevelopment of Christchurch following the 2011 earthquake.

K&S was also awarded a steel contract in the South Island which has predicated the establishment of a full intermodal facility that will commence operation in October 2015.

Work from the timber sector also increased to meet the growing demands of the domestic and export markets.

Volume in the dairy sector has been firm. Kiwifruit volumes have returned to normal levels after two years where supply was hit by drought and viral infection.

We continued our fleet replacement and upgrade programme. All the new vehicles added to the fleet are able to operate under the applicable new maximum load limits. This has realised a material improvement in utilisation.

The Company was re-accredited to the highest level under the Accident Compensation Commission's Workplace Safety Management Practices, and maintained NZ Transport Authority certificate of fitness as a 5-star carrier.

DTM, as a specialist 3PL captive fleet provider, sustained some revenue shrinkage as several clients' incurred reduced market related activity.

In the latter part of the year several new contracts were won, the full benefits of which will be realised in 2015/16. They include several new long term fuel distribution contracts in regional South Australia and Victoria.

A new purpose built bulk lubricants storage facility was constructed for Caltex at our New South Wales Enfield site. We were also successful in being awarded the associated interstate and local transport services. Western Australian services pertaining to the warehousing and distribution of packaged products, and bulk lubricants were also secured.

DTM also established new materials handling business with keg rental company Kegstar Holdings, to transport and warehouse beer kegs servicing predominantly the growing craft breweries in Australia.

In NSW, DTM continues to review its warehouse capacity to ensure it can support an increase in demand in CHEP pallet storage. A second transportable pallet maintenance facility has been relocated to Truganina in Melbourne. The second plant will incorporate a pallet repair facility, further expanding the value-add services provided to CHEP.

The Air Liquide contract remains steady with volumes largely influenced by activity in the industrial manufacturing sector. A new contract was won for the transport of medical gas bottles for Air Liquide Health on the Eastern Seaboard.

The distribution agreement with Shell in Queensland continues to operate well.

SERVICE ALL THE WAY | REGAL TRANSPORT

Regal Transport experienced a softening year, reflective of the slowdown in the Western Australian economy.

Weakness in both private and public sector spending has resulted in fewer major capital expenditure projects, which has had an impact on both general freight and heavy haulage activities.

This has been particularly noticeable in the resources sector with miners reducing both project and operational expenditure in the face of falling commodity prices.

As a result, the WA transport sector has significant spare capacity, which has placed strong competitive pressure on pricing.

We have continued to proactively reduce our cost base and concentrate on realising improved operational efficiencies and increased customer partnering. Property cost reductions have been realised.

General freight operations were particularly impacted by Mt Gibson Iron placing its Koolan Island pit on care and maintenance following the collapse of a seawall in October 2014. This was further exacerbated by a reduction in building projects in regional centres.

Heavy haulage work was less impacted, largely as a result of strong ongoing relationships with existing partners, including Westrac.

Considerable work is being undertaken to secure new clients in the oil and gas sector and customers who can provide ongoing, constant volume within our strong regional network.

K&S Fuels

K&S completed the development of a new refuelling facility for the Port MacDonnell commercial fishing fleet in the south east of South Australia in June this year. The new facility is part of the expanded Port MacDonnell wharf and boat ramp development and replaces the previous equipment that was located at the end of the nearby jetty.

The relocation was part of a $2.8 million upgrade of the wharf and boat ramp undertaken by the District Council of Grant to minimise environmental risks and improve facilities for both commercial and amateur fishers. Commercial and recreational fishing vessels now have 24/7 access to the new refuelling facility using a swipe card system. As part of the upgrade, K&S has also provided new petrol and diesel fuel facilities for public use.

Diesel fuel sales to farmers and the commercial fishing fleet increased during the year. Retail volumes grew, but margins were subject to strong competitive market pressure.

Work to rationalise and improve the supply of fuel has been completed. Fuel sourcing methods have been simplified in both New Zealand and Australia.

Safety

K&S has maintained its strong commitment to safety with the Lost Time Injury Frequency Rate (LTIFR) remaining stable, despite the integration of Scott Corporation and NTFS into the overall K&S reporting regime.

We are progressing the integration of Scott Corporation's operations to meet Tier 3 status under the Commonwealth Safety, Rehabilitation and Compensation Act. This will enable its incorporation into the K&S self-insurance licence under the Comcare system. It is anticipated this work will be completed by the end of calendar year 2015.

In March 2015, a Company employee survey of our K&S safety programme "Everybody Safe, Everyday" was undertaken. An overview of the results was distributed to all employees.

The results clearly demonstrated that Company-wide there is a very strong commitment to safety, support for training and associated underpinning methods such as functional area toolbox meetings, and a 100% understanding of our safety rules and values.

The survey also showed very high support for workplace drug and alcohol testing. We have continued our random drug and alcohol testing during the year. We apply this to all levels of the business.

K&S held its annual OHS&E conference in October, finalising its 12 month HS&E plan. Continuous improvement of processes and procedures has continued with wide consultation from stakeholders, and input from staff across all levels of the business. In excess of 280 processes have been reviewed as part of this process.

K&S continued and expanded its e-learning training delivery modules during the year, adding a number of significant units to its library of training.

Monthly tool box sessions continued covering workplace topics ranging from falls prevention, safe coupling and uncoupling, hazard identification and near-miss reports, fitness for work, fatigue and manual handling through to contractor management and rehabilitation. Health topics, including diabetes, high blood pressure and cardiac health, sleep problems, sugar and salt, dehydration, sun smart and medication were also included.

K&S has commenced the roll-out of new vehicle in cab infra-red based "seeing-eye" technology throughout its long haul operations to proactively manage fatigue. The operation of this technology is monitored 24/7 and provides real time event management.

In the coming year, K&S will be subject to a number of external audits by Comcare as part of its self-insurance licence renewal process.

Human Resources

The continued integration of Scott Corporation and NTFS post its acquisition, into the K&S business has been a key focus during the year.

The purchase of Scott Corporation was completed in February 2014. The work to integrate the business has now largely been completed. This has resulted in meaningful expanded development and career opportunities for employees.

NTFS was purchased in March 2015, and while work to integrate human resources functions has progressed smoothly, the full benefits will be realised during the 2015/16 financial year. As with Scott Corporation, expanded development and career opportunities for employees have been realised.

K&S continues to place a large focus on employee development and competency training. During the year, a number of new e-learning modules were developed to further enhance this programme. Its ongoing development remains a core focus.

Pursuant to the general economy industrial relations wage pressures has decreased and labour turnover figures reduced.

Environment

Across all facets of our business we have continued to work to minimise our environmental impact, and improve our energy efficiency.

In October 2014 solar panels were installed on the Truganina workshop and corporate administration buildings. The power generation capacity was designed to reduce our net base power demand, as opposed to generating daily export capacity, and as such reduce our carbon footprint.

A total of $30.1m was spent on motorised fleet replacements, generally upgrading Euro 3 or 4 emissions standard vehicles to Euro 5 standard.

During 2013/14, K&S generated a total of 165,000 tonnes of carbon dioxide equivalent. This was above the previous year's total of 119,000, however these figures now include a full years operations of Scott Corporation.

As part of our normal business other environmental initiatives are identified and realised at an operational level. Typically, major areas of focus include increased mass per kilometre travelled reducing total trips, drag reduction testing and vehicle aero dynamic improvements.

Compliance

K&S maintained its ISO 9001 accreditation and continues to be a member of the Australian Trucking Association, including membership of the ATA's Safety and Transport Economics Committees.

Following a series of audits, K&S has maintained and renewed WA Main Roads accreditation, National Heavy Vehicle Accreditation Scheme – Mass, Maintenance

and Basic Fatigue Management, accreditation for Food Safety/HACCP and TruckSafe accreditation.

Post acquisition the NTFS business has also been incorporated into K&S' WA Main Roads and NHVR accreditation for mass, maintenance and basic fatigue management.

Summary

In soft economic conditions the Company has responded well. Strong revenue growth has been achieved through both organic and acquisition streams.

Our safety performance has continued to improve with total workplace safety incidents reducing by 19%. Our Company LTFIR was 6.0.

The integration of Scott Corporation has provided benefits materially above our original expectation of $3m. In a similar method we are now focussing strongly on the integration of the recently acquired NTFS.

Specific cost reduction strategies, some of which we highlighted last year, have been implemented. They include property lease cost reductions, site rationalisation, the rationalisation and replacement of specific motorised fleet, employee reductions and the introduction of new IT systems to support customer service and operational efficiency, and cost reduction initiatives.

We have continued to focus strongly on our cash flow.

Our capital expenditure programme has been targeted to support new business growth, improve productivity and reduce costs in our existing business.

We have maintained a strong balance sheet with low gearing. Potential acquisition opportunities will be pursued within our strategic guidelines.

Having achieved improved year on year performance in the majority of all key business measures, our management focus remains firmly on realising sustainable outcomes in all facets of our business. We will continue to focus on the improvement of our safety performance, revenue growth and reduction of our operating costs.

I would like to take this opportunity to express my sincere thanks to all the employees, and supporters of K&S, who set against tough market conditions have worked exceptionally hard to improve our Company.

Paul Sarant
Managing Director and CEO

BOARD OF DIRECTORS

The Directors of the Company in office at the date of this report, together with particulars of their qualifications, experience and special responsibilities, are set out below.

Tony Johnson *Chairman*

Age 68, Director since 1986

Tony Johnson BA, FAICD, LLB, LLM (Companies & Securities), is a lawyer and an accredited mediator. Mr Johnson is a founder and former Chairman of the national law firm Johnson Winter & Slattery. He has worked extensively in the corporate advisory and commercial disputes area. Mr Johnson is also Chairman of AA Scott Pty Ltd, the largest Shareholder of K&S Corporation Limited and a Director of Adelaide Community Healthcare Alliance.

Member of:
- Environmental Committee (Chairman)
- Nomination and Remuneration Committee
- Audit Committee (appointed 1 September 2015)

Paul Sarant *Managing Director*

Age 46, Director since April 2014

Paul Sarant, Bachelor of Engineering (B.Eng.), has extensive experience in the transport and logistics sector. Mr Sarant occupied the position of Executive General Manager DTM for seven years at K&S Corporation prior to his appointment as Managing Director and Chief Executive Officer. Before that, Mr Sarant occupied a range of senior management roles, including general management and senior logistics roles, in the course of his fifteen years at Amcor Printing Paper Group/PaperlinX and former General Manager Spicer Stationery Group.

Member of:
- Environmental Committee

Greg Boulton AM *Deputy Chairman*

Age 65, *(Resigned 31 August 2015)*

Greg Boulton BA (Accountancy), FCA, FCPA, FAICD is Chairman of private equity fund Paragon Equity Limited, Chairman of Southern Gold Limited, Director of Statewide Superannuation and holds board positions on a number of privately owned companies. He has over 30 years experience in the transport related industry.

Member of:
- Audit Committee
- Nomination and Remuneration Committee (Chairman)

Legh Winser

Age 67, Director since August 2013

Legh Winser is a former Managing Director of the Company, a position which he held for 14 years. He has extensive knowledge of the transport and logistics industry with more than 40 years experience. Mr Winser is also an alternate director of several companies with the Scott Group of Companies.

Member of:
- Environmental Committee
- Nomination and Remuneration Committee

Ray Smith

Age 68, Director since 2008

Ray Smith FCPA, FAICD, Dip Com is a Director of listed entity Transpacific Industries Limited and a former Director of Warrnambool Cheese and Butter Factory Company Holdings Limited and Crowe Horwath Australasia Ltd. Mr Smith is a director of Hy-Line Australia and a trustee of the Melbourne and Olympic Parks Trust. Mr Smith brings a wealth of corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raising.

Member of:
- Audit Committee (Chairman)

Secretary

Chris Bright BEc, LLB, Grad Dip CSPM, FCIS

Age 44, Secretary since 2005

Chris Bright has held the position of General Counsel for 13 years. Mr Bright was admitted as a solicitor in South Australia in 1997. He also has experience working in private practice in Adelaide, principally in commercial dispute resolution.

Tony Johnson
Chairman
Non-Executive Director

Paul Sarant
Managing Director

Legh Winser
Non-Executive Director

Ray Smith
Non-Executive Director

Chris Bright
Secretary and General Counsel

FIVE-YEAR FINANCIAL HISTORY

($A Millions unless otherwise indicated)	**2015**	Variation %	2014	2013	2012	2011
Group Revenue	**699.2**	19.3	586.2	564.6	554.8	523.4
Operating Profit before Individually Significant Items, Interest and Tax	**26.0**	39.8	18.6	27.8	30.5	29.6
Interest Expense	**7.2**	16.1	6.2	5.5	7.1	8.4
Profit Before Tax	**18.8**	51.6	12.4	22.3	23.4	21.2
Income Tax Expense	**5.5**	52.8	3.6	6.4	7.0	6.3
Operating Profit after Tax	**13.3**	49.4	8.9	15.9	16.4	14.8
Earnings per Ordinary Share (cents)	**11.4**	26.7	9.0	17.6	18.7	18.3
Dividends per Share (cents)	**7.0**	16.7	6.0	11.0	11.0	10.0
Return on Shareholders Funds	**4.5%**	45.2	3.1%	6.6%	7.3%	6.9%
Paid Up Capital	**147.7**	1.6	145.4	101.2	97.7	94.3
Shareholders Funds	**294.5**	2.5	287.2	239.6	224.9	213.6
Total Assets	**536.3**	(0.8)	540.6	403.7	401.0	388.0
Net Tangible Assets (book value) per Share	**$1.73**	2.4	$1.69	$1.85	$1.75	$1.65

DIRECTOR'S REPORT

The Directors' present their report, together with the consolidated financial report of K&S Corporation Limited (the "Company") and the consolidated entity, for the year ended 30 June 2015 and the Auditor's Report thereon.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were transport and logistics, contract management, warehousing and distribution, and fuel distribution.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

Operating and Financial Review

The Board presents the 2015 *Operating and Financial Review*, which has been designed to provide Shareholders with a clear and concise overview of the Company's operations, financial position, business strategies and outlook. The review complements the financial report and has been prepared in accordance with the guidelines set out in ASIC RG247.

The consolidated profit for the year attributable to the members of K&S Corporation Limited ("K&S") is shown below, along with comparative results for 2014.

Financial Overview		2015	2014	% Movement
Operating revenue	$m	**699.2**	586.2	19.3
Operating profit after tax	$m	**13.3**	8.9	49.4
Net borrowings	$m	**98.1**	96.0	(2.2)
Shareholders' funds	$m	**294.5**	287.2	2.5
Earnings per share (basic)	cents	**11.4**	9.0	26.7
Dividends per share	cents	**7.0**	6.0	16.7
Net tangible assets per share	$	**1.73**	1.69	2.4
Cash flow per share	$	**0.41**	0.40	2.5
Return on Shareholders' funds	%	**4.5**	3.1	45.2
Gearing	%	**25.0**	25.2	0.8

K&S is a mid-sized logistics company, recognised as a leader in the development and provision of specialist logistics solutions for customers. The Group operates in the Australian and New Zealand markets. It's success is underpinned by a strong focus on safety, service and continuous improvement.

The Directors announce a net profit after tax of $13.3 million, an increase of 49.4% on the previous year. Operating revenue for the year was $699.2 million, an increase of 19.3% on the previous corresponding period.

Earnings per share increased to 11.4 cents per share.

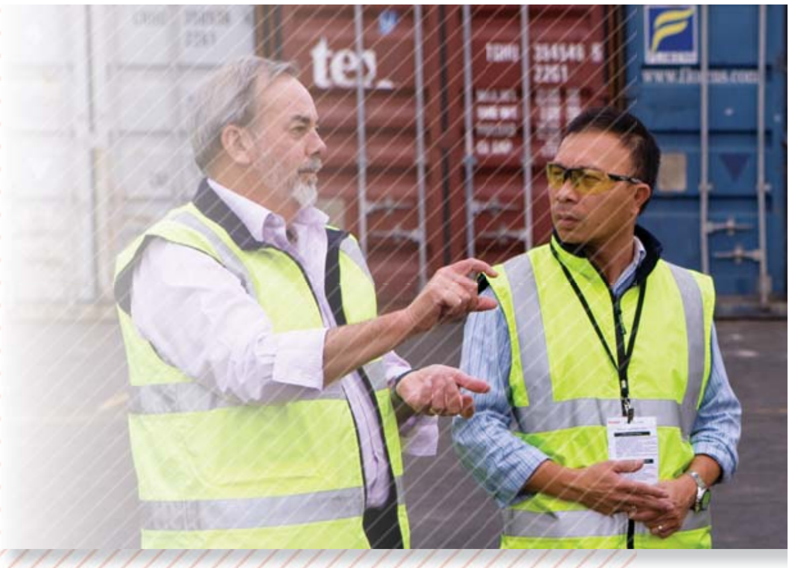
This result included a number of one off items related to re-organisation costs of $1.3 million and fraud related recoveries of $1.7 million.

Underlying profit before tax, after allowing for these one off costs, increased to $18.4 million.[1]

Reconciliation of statutory profit before tax to underlying profit before tax:

	$m
Statutory profit before tax	18.8
Add back reorganisation costs	1.3
Less non-recurring fraud related recovery	(1.7)
Underlying profit before tax	18.4

[1] Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include reorganisation costs and transaction costs associated with the current merger with Scott Corporation Limited. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has been subject to review by the auditor.



Operating and Financial Review

The combined Group LTIFR was 6.0 and our safety performance continued to improve with total workplace incidents reducing 19%.

Scott Corporation will be integrated into our Comcare self insurance licence for workers' compensation in the 2015/16 financial year, subject to final approvals from Comcare.

The performance of our NZ business was extremely strong. Both revenue and underlying profit materially improved. We expect this business to provide similar ongoing performance.

During the year we continued our integration of Scott Corporation. Synergies achieved have materially exceeded our integration targets.

Organic revenue growth has been strong throughout the year, we were awarded annualised revenues in excess of $63 million. These revenues will have a favourable impact in the 2015/16 financial year.

Our Western Australian business was adversely impacted by the continued slowing of the resource sector. With declining commodity prices, the miners have reduced their costs and scaled back projects. This had a significant impact on activity levels and the profitability of our Regal business unit during the year.

Specific cost reduction strategies to partly offset this decline have been implemented. They include property lease cost reductions, the establishment of a new transport operations facility at Hazelmere which was fully operational in September 2015, the rationalisation and replacement of specific motorised fleet, employee reductions and the introduction of new IT solutions to support customer service and operational efficiency and cost reduction initiatives.

The structural decline of manufacturing continued during the year with the closure of Alcoa's Port Henry and Yennora operations. The closure of these business units had a negative impact on our operations which was partly offset with our award of the Portland logistics contract effective from April 2015.

Imports are still impacting the demand for locally manufactured goods, which in turn reduces demand for long haul transport services.

Our capital expenditure programme has been targeted to support new business growth, improve productivity and reduce cost in our existing business.

In March we acquired the business and assets of Northern Territory Freight Services ("NTFS"). NTFS is one of the largest rail freight forwarders on the Adelaide – Alice Springs – Darwin corridor. This acquisition presented immediate opportunities for K&S to expand our service offerings to Darwin and also in the north west region of Western Australia. The acquisition was funded from our cash balance.

Operating cash flow for the year was $48.1 million.

Our gearing at year end is 25.0%, which is well within our target range. Our net debt is $98.1 million.

During the course of the year, we acquired fleet totaling $55.9 million. Funding of this equipment was $39.7 million via hire purchase agreements and the balance of $16.2 million was settled from our cash balance.

Our net asset position increased by 2.5% to $294.5 million. The Foreign Currency Reserve reduced in value by $0.7 million during the year. Profit after tax of $13.3 million for FY15 was offset by dividends paid of $7.6 million (Final FY14 and Interim FY15). As part of the Employee Share Scheme and Dividend Reinvestment Plan $2.2 million of new shares were issued in FY15.

Fraudulent Misappropriations

As previously disclosed to the ASX on 25 February 2015, the Company has been the subject of a fraudulent misappropriation spanning the period from 2007 to 2014. Forensic investigation undertaken by McGrathNicol has determined that the total quantum of the fraud is $7.0 million. Approximately $400,000 of the fraudulent misappropriations occurred in the year ended 30 June 2015.

The Company has a comprehensive crime insurance policy with available cover of $5.0 million. The underwriters of the comprehensive crime insurance policy have granted indemnity and have paid the sum of $5.0 million to the Company in August 2015 under the policy.

The Company has commenced steps to recover losses sustained under the fraudulent misappropriations. At this stage, any recoveries to the Company are not expected to be material.

A provision for expenses, claims costs and potential liabilities has been made in the Company's accounts.

Victoria Police have arrested and charged two former employees of the Company for alleged fraudulent misappropriations of approximately $4.8 million.

Dividend

We have declared a fully franked final dividend of 3.5 cents per share (last year 3.0 cents per share). This follows the interim dividend of 3.5 cents per share paid in April 2015, making a total dividend of 7.0 cents per share.

This represents an annualised yield of 5.3%. The final dividend will be paid on 2 November 2015, with the date for determining entitlements being 19 October 2015.

The dividend reinvestment plan (DRP) will once again apply in respect of the fully franked final dividend of 3.5 cents payable on 2 November 2015. The last election date for participation in the DRP is 20 October 2015.

The terms of the DRP will remain unchanged with the issue price under the DRP based on the volume weighted average price for K&S shares in the five business days ending on 19 October 2015 (the record date of the final dividend) less a discount of 2.5%.

Outlook

Providing earnings guidance going forward remains a difficult task. We are well placed with a strong balance sheet, low gearing and secure customer contracts. Opportunities for potential acquisitions will also be closely evaluated within strategic guidelines.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

On 2 March 2015, K&S Corporation Limited acquired the business and assets of Northern Territory Freight Services ("NTFS"). NTFS is one of the largest rail freight forwarders on the Adelaide – Darwin corridor. The acquisition enables us to provide additional services and diversify our business. At the time of acquisition NTFS generated $50 million in revenues and employed 100 people.

Environmental Regulation and Performance

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to its transport and storage business and its fuel business.

The consolidated entity has a Board Committee which monitors compliance with environmental regulations.

Climate Change

Reporting under the Energy Efficiency Opportunity Program (EEOP) was completed and submitted in December 2014. The Energy Efficiency Opportunity compliance report for June 2014 is available on the K&S website.

Transport and Warehousing

The transport and warehousing business is subject to the Dangerous Goods Acts in Commonwealth and State Legislation. The consolidated entity monitors performance and recorded several incidents during the year, none of which has the potential to result in any material restrictions being placed upon the Company's ability to continue its operations in their current form.

Fuel

The fuel business is subject to the *South Australian Environmental Protection Act 1993* and the *South Australian Dangerous Substances Act 1979*. The consolidated entity monitors performance and recorded a number of minor fuel related incidents during the year. In all cases, corrective actions have been taken.

Dividends

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

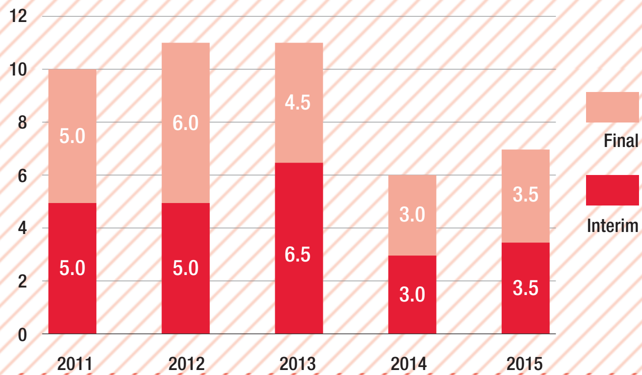
1. A final fully franked ordinary dividend (taxed to 30%) of 3.0 cents per share amounting to $3,482,774 in respect of the year ended 30 June 2014 was declared on 26 August 2014 and paid on 31 October 2014;
2. A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to $4,800 in respect of the year ended 30 June 2014 was declared on 26 August 2014 and paid on 31 October 2014.
3. An interim fully franked ordinary dividend (taxed to 30%) of 3.5 cents per share in respect of the year ended 30 June 2015 was declared on 25 February 2015 and paid on 3 April 2015 amounting to $4,095,511.

The final dividend declared by the Directors of the Company on 21 August 2015 and payable on 2 November 2015 in respect of the year ended 30 June 2015 comprises:

1. A fully franked ordinary dividend (taxed to 30%) of 3.5 cents per share amounting to $4,116,582 (based on the Company's current total issued share capital); and
2. A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to $4,800.

The preference share dividends are included as interest expense in determining Net Profit.

Dividends paid to Shareholders



Events Subsequent to Balance Date

On 21 August 2015, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is $4,116,582 (based on the Company's current total issued share capital) which represents a fully franked dividend of 3.5 cents per share. The dividend is payable on 2 November 2015 and has not been provided for in the 30 June 2015 financial statements.

The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the volume weighted average price of K&S shares in the five business days ending on 19 October 2015 (the record date of the final dividend), less a discount of 2.5%. The last election date for participation in the DRP is 20 October 2015.

Other than the matters above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

It is anticipated that the consolidated entity will continue to expand transport and logistics operations during the next financial year by further extending its services throughout Australia and adopting the latest technology in the industry to contain costs and enhance the services offered to customers.

General Disclosures

K&S Corporation Limited is a company limited by shares that is incorporated and domiciled in Australia.

Directors

The Directors of the Company in office at any time during or since the end of the financial year are:

Tony Johnson Chairman
Paul Sarant Managing Director
Greg Boulton AM Deputy Chairman – resigned 31 August 2015
Legh Winser appointed 23 August 2013
Ray Smith

Secretary – Chris Bright

With the exception of Mr Sarant, all Directors are Non-Executive Directors. Particulars of Directors' qualifications, experience, special responsibilities and other relevant Directorships are on *page 12* of the Annual Report.

Directors' Interests

The beneficial interest of each Director in their own name in the share capital of the Company shown in the Register of Directors' Shareholdings as at the date of this report is:

	Ordinary Shares
Mr L Winser	39,194
Mr P Sarant	50,000

Directors of the Company have relevant interests in additional shares as follows:

	Ordinary Shares
Mr T Johnson	493,178
Mr G Boulton	277,983
Mr L Winser	1,124,870
Mr R Smith	40,154
Mr P Sarant	91,603

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 were:

Indemnification and Insurance of Directors and Officers

Indemnification

The Company indemnifies current and former Directors, Executive Officers and the Secretaries of the Company and its controlled entities against all liabilities, costs and expenses to another person (other than the Company or a related body corporate) to the maximum extent permitted by law that may arise from their position as Directors, Executive Officers and Secretaries of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

Director	Directors' Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Environmental Committee Meetings	
	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held
Mr T Johnson	11	11	-	-	1	1	4	4
Mr G Boulton	11	11	4	4	1	1	-	-
Mr R Smith	11	11	4	4	-	-	-	-
Mr P Sarant	11	11	-	-	-	-	4	4
Mr L Winser	10	11	-	-	1	1	3	4

Indemnification and Insurance of Directors and Officers

Insurance Premiums

Since the end of the previous financial year, the Company has paid insurance premiums of $51,252 in respect of Directors' and Officers' Liability insurance contracts for current and former officers, including Directors, Executive Officers and the Secretaries of the Company and its controlled entities. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in successfully defending proceedings, whether civil or criminal; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or position to gain a personal advantage.

The Officers of the Company covered by the policy include the current Directors: T Johnson, L Winser, R Smith and P Sarant.

Other officers covered by the contract are Executive Officers and the Secretaries of the Company and Directors and the Secretaries of controlled entities (who are not also Directors of the Company), General Managers and other Executive Officers of controlled entities.

Indemnification of Auditors

To the extent permitted by law and excluding in circumstances of negligence, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, K&S Corporation Limited and its domestic based 100% owned subsidiaries formed a tax consolidated group. Members of the Group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of K&S Corporation Limited support the principles of corporate governance. The Company's Corporate Governance Statement commences on *page 32* of the Annual Report.

Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor Independence and Non-Audit Services

The entity's Auditor, Ernst & Young have provided the economic entity with an Auditors' Independence Declaration which is on *page 95* of this report.

Non-Audit Services

The following non-audit services were provided by the entity's Auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Scott Corporation Limited acquisition assistance $59,493.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term executive encompasses the Managing Director, Senior Executives, General Managers and Secretaries of the Parent and the Group. Details of the Key Management Personnel are:

i) Directors

Mr T Johnson	Non-Executive Chairman
Mr G Boulton	Non-Executive Deputy Chairman – Resigned 31 August 2015
Mr R Smith	Non-Executive
Mr L Winser	Non-Executive
Mr P Sarant	Managing Director

ii) Executives

Mr B Walsh	Chief Financial Officer
Mr C Bright	General Counsel & Company Secretary
Mr G Everest	Executive General Manager Regal Transport – Resigned 14 November 2014
Mr S Hine	Executive General Manager Business Development
Mr S Skazlic	General Manager HS&E/Compliance
Ms K Evans	General Manager Human Resources
Mr R King	Executive General Manager Western Australia
Mr D Keane	Executive General Manager Scott Corporation
Mr K Cope	Executive General Manager Commercial – Resigned 6 February 2015
Mr M Kohne	Executive General Manager DTM
Mr G Beurteaux	Executive General Manager K&S Freighters – Appointed 14 July 2014

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives. To this end, the Company adopts the following key principles in its remuneration policy:

- Remuneration is set at levels that will attract and retain good performers and motivate and reward them to continually improve business performance.
- Remuneration is structured to reward employees for increasing Shareholder value.
- Rewards are linked to the achievement of business targets.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for reviewing compensation arrangements for the Directors, the Managing Director and the Senior Management team.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Senior Managers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executives.

While the Nomination and Remuneration Committee reviews the remuneration paid to Non-Executive Directors and the Managing Director, and the aggregate remuneration paid to the Senior Management team, the Board of Directors has ultimate responsibility for determining these amounts.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director, Executive Director and Senior Manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain quality Directors, whilst incurring a cost which is acceptable to Shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of Non-Executive Directors' shall be determined from time to time by a general meeting of Shareholders.

The latest determination was at the Annual General Meeting held on 20 November 2012 when Shareholders approved a maximum aggregate remuneration of $600,000 per year, comprising an increase of $100,000 to the cap on the maximum aggregate remuneration payable to non-Executive Directors.

The amount of aggregate remuneration sought to be approved by Shareholders and the amounts paid to Directors is reviewed annually. The Board considers the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review, as well as periodically taking advice from external recruitment consultants. No advice was taken from external recruitment consultants in relation to the fees paid to Non-Executive Directors in 2014/15. Each Non-Executive Director receives a fee for being a Director of the Company.

The Board deferred any consideration of whether to increase the fees payable to Non-Executive Directors in the 2014/15 financial year until December 2014. Accordingly, the fees payable to Non-Executive Directors in the first half of the 2014/15 financial year remained at the level paid in the 2012/13 financial year, with no increases to the fees payable to Non-Executive Directors occurring in the 2013/14 financial year.

The fees payable to Non-Executive Directors were increased by 3% with effect from 1 January 2015.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the Director on the market). It is considered good corporate governance for Directors to have a stake in the Company whose Board he or she sits on.

The remuneration of Non-Executive Directors for the period ended 30 June 2014 is detailed on *page 28 and 29* of this report.

Executive Director and Senior Manager Remuneration

Objective

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company to:

- reward Executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of Shareholders;
- link reward with performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make up of Executive remuneration, the Nomination and Remuneration Committee seeks external information detailing market levels of comparable executive roles from which the Committee makes its recommendation to the Board.

For the Managing Director and the other Senior Executives, remuneration programs are balanced with a mix of fixed and variable rewards. The makeup and eligibility criteria for short term incentives are approved by the Board prior to the commencement of each financial year.

For the year ended 30 June 2015, the adoption of at risk short term incentives of up to 20% of the base emolument of the Managing Director and Executives was approved by the Board. The payment of such short term incentives was to be 50% in cash and 50% in shares in the Company. The share component of any short term incentives was to comprise new fully paid up ordinary shares issued by the Company.

Payment of the short term incentive in respect of the 2014/15 financial year was conditional upon outperformance by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate) (but including any one-off or non-trading items that have been included in the budget). The short term incentive scheme is self funding (ie, amounts accrued to fund the payment of any short term incentives will be expensed in the Company's normalized net profit after tax) and no incentives were payable unless at least 100.5% of the Company's budgeted net profit after tax on a normalized basis for the 2014/15 financial year was achieved.

The total short term incentives payable to the Managing Director and Executives for the year ended 30 June 2015 if eligibility criteria were met was $73,168, up to a maximum of $731,680 if all out-performance criteria were met.

The short term incentives available to the Managing Director and the Executives as a percentage of their base salary were based on the following scale of outperformance to budgeted profit after tax on a normalized basis:

PERFORMANCE TARGET												
PROFIT AFTER TAX	<Budget	Budget	Budget +0.5% to 1.99%	Budget +2.0% to 3.99%	Budget +4.0% to 5.99%	Budget +6.0% to 7.99%	Budget +8.0% to 9.99%	Budget +10.0% to 11.99%	Budget +12.0% to 13.99%	Budget +14.0% to 15.99%	Budget +16.0% to 17.99%	Budget +18.0%
STI	0%	0%	2%	4%	6%	8%	10%	12%	14%	16%	18%	20%

Executive Director and Senior Manager Remuneration

Structure

The Company's Managing Director, Mr Sarant, did not qualify for the payment of any short term incentive in respect of the 2014/15 financial year. If Mr Sarant had satisfied all of the outperformance criteria for his short term incentive, the maximum amount payable to him would have been $120,000.

The Executive General Managers of the Company did not qualify for the payment of any short term incentive in respect of the 2014/15 financial year. If the Executive General Managers had satisfied all of the outperformance criteria for their short term incentive, the maximum aggregate amount payable to them would have been $611,680.

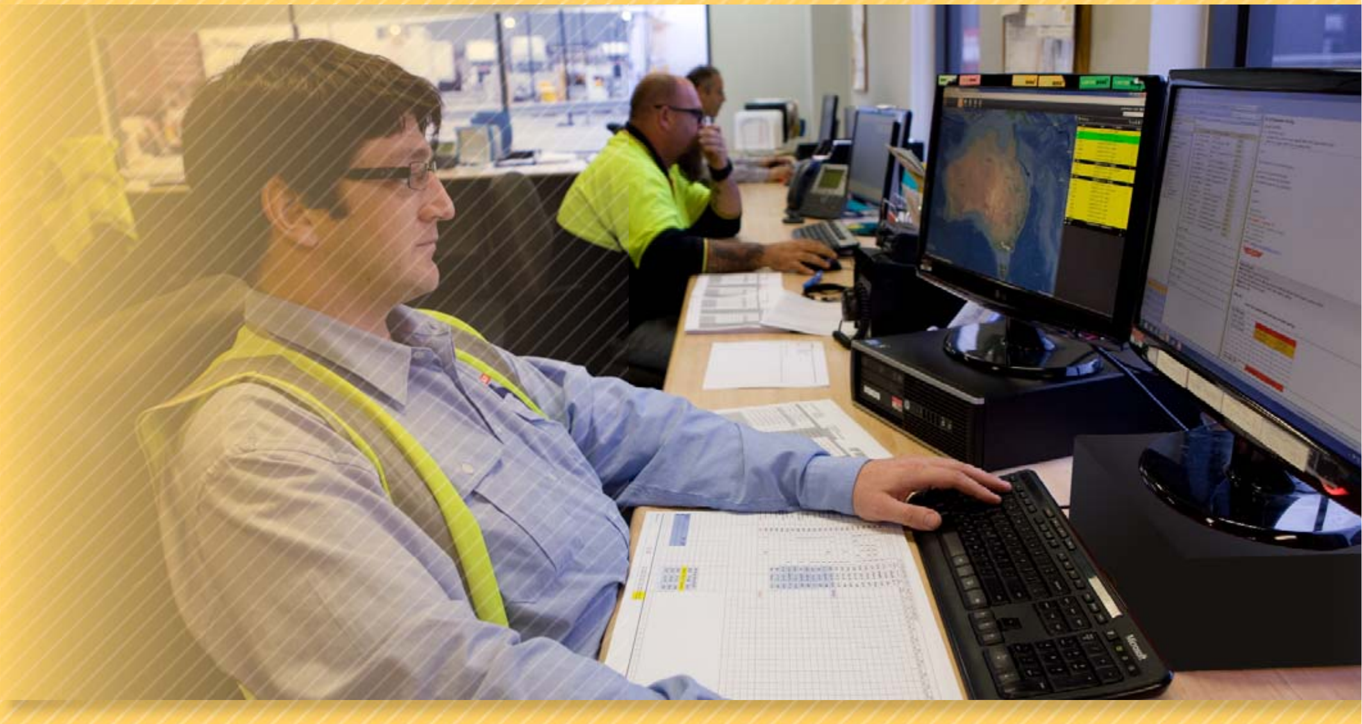
As the Company's annual budget for operating profit after tax is set with a view to increasing the profit generated by the Company, growing earnings per share, and improving the Company's capacity to pay dividends, the Board believes that aligning the payment of short term incentives to the attainment by the Company of budgeted profit after tax on a normalised basis is appropriate and in the interests of Shareholders.

The Board also believes that having all of the Company's Executive Team aligned to the common goal of achieving budgeted operating profit after tax drives positive behaviours amongst the Executive Team in maximizing group wide benefits from operating activities.

For the 2015/16 financial year, the short term incentive scheme will again be based upon outperformance by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate) (but including any one-off or non-trading items that have been included in the budget).

The short term incentive scheme remains self funding (ie, amounts accrued to fund the payment of any short term incentives will be expensed in the Company's normalized net profit after tax) and no incentives will be payable unless at least 100.5% of the Company's budgeted net profit after tax on a normalized basis for the 2015/16 financial year is achieved.

The total short term incentives payable to the Managing Director and Executives for the year ended 30 June 2016 if eligibility criteria are met will be $67,522, up to a maximum of $675,220 if all out-performance criteria are met.



Employment Contracts

It is the Nomination and Remuneration Committee's current policy that fixed term contracts are not entered into with members of the Executive Team.

The Managing Director, Mr Sarant, has a contract of employment, key terms of which for 2014/15 were:

- A total remuneration package of $712,000 per annum (excluding short term incentive (STI) but including long service leave).
- Eligible for an STI of up to $120,000 (20% of base salary) against annual performance criteria set by the Board. For the year ended 30 June 2015, payment of the STI was dependent upon the outperformance by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate) (but including any one-off or non-trading items that were included in the budget), with the amount of the STI determined in accordance with the sliding scale set out in the table on *page 23* of the remuneration report. For the year ended 30 June 2016, payment of an STI is again dependent upon outperformance by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate) (but including any one-off or non-trading items that were included in the budget).
- If the Board introduces a long term incentive scheme (LTI), Mr Sarant will be eligible to participate in the scheme. However, there is not presently any LTI scheme in place.
- In accordance with best practice, the Board may require Mr Sarant to repay all or part of any bonus, STI or LTI paid in circumstances where there has been a material misstatement in relation to the financial statements of the Company in any qualifying period relevant to the payment of that bonus, STI or LTI.
- Either of Mr Sarant and the Company may terminate Mr Sarant's employment on the giving of three months notice or, in the case of the Company, payment in lieu of the three months notice.

Employee Share Plan

At the Company's Annual General meeting on 21 November 2006, Shareholders approved the introduction of an Employee Share Plan ('the Plan"). Employees who have been with the Company for more than one year are entitled to participate in the plan and the purpose of the Plan is to attract, retain and motivate employees by giving them a stake in the future growth of the Company. Non-executive Directors of the Company are not eligible to participate in the plan.

Offers were made to eligible employees on 16 September 2014 under the Plan. Acceptances under the offer were 402,200 shares at $1.46 per share.

The issue price of the shares offered under the Plan was the weighted average price of the Company's shares on the first 5 trading days immediately following the announcement of the Company's full year results for 2013/14 on 26 August 2014.

For the 2014/15 financial year, eligible employees' annual entitlements to participate in the Plan were set by the Company Directors as follows, in line with the entitlements notified to Shareholders at the Company's Annual General meeting on 21 November 2006.

Annual Salary	Number of Shares
Less than $50,000	1,000
$50,000 to $100,000	2,000
$100,001 to $150,000	5,000
$150,001 to $200,000	7,000
Greater than $200,000	10,000

Directors have approved the making of offers by the Company to eligible employees under the Plan in the year ended 30 June 2016.

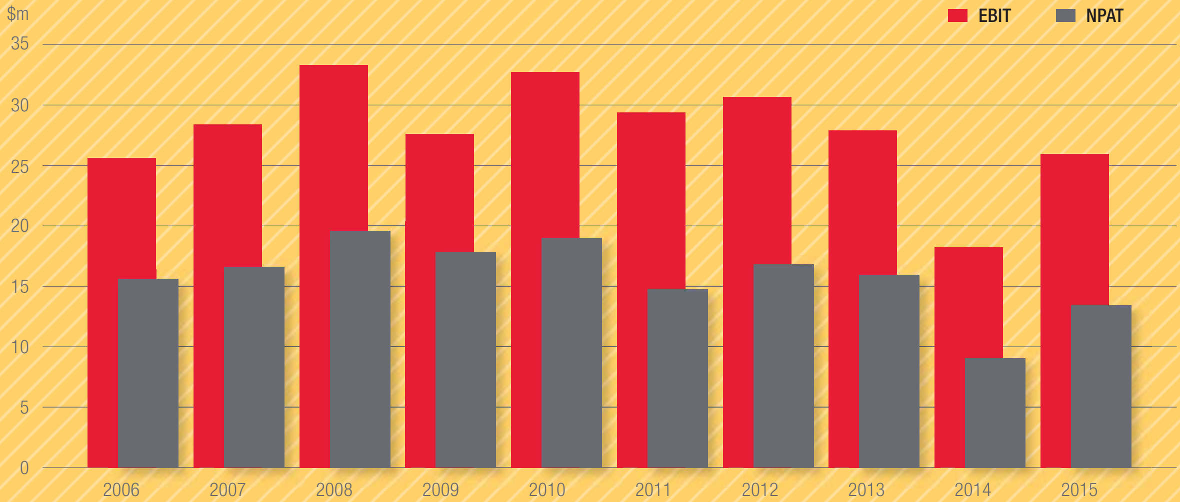
Directors' Retirement Benefits

A change to the Non-Executive Directors' Retirement Benefits calculation was made in July 2004 to freeze accumulation of years of service of Directors as at 30 June 2004. No Non-Executive Director commencing after 1 July 2004 is eligible for any benefits under the retirement scheme. Mr Johnson is the only remaining Non-Executive Director eligible to receive retirement benefits under the scheme.

The expenditure provided (not paid) during the year ended 30 June 2015 is attributable only to the method of calculation which involves the averaging of the fees paid to Directors, as per the benefits scheme in operation up to 30 June 2004.

Company Performance

The graph below shows the performance of the Company, as measured by the Company's operating profit before individually significant items, interest and tax (EBIT), and net operating profit before individually significant after tax (NPAT).



In addition, Dividends paid to Shareholders are disclosed on *page 16* of the Directors' report.

The next graph highlights the performance of the share price of K&S Corporation Limited against the Australian Securities Exchange All Ordinaries Index, the Australian Securities Exchange Industrials Index, Toll Holdings Limited* and McAleese Limited over the past 5 years.

* Toll Holdings Limited securities ceased to be quoted on ASX on 29 May 2015.

Notwithstanding the difficult trading conditions that have persisted since the onset of the global financial crisis in 2008, the Company's financial results and share price performance has not achieved the set targets. In that context, the Board notes that short term incentives have been paid only once to the Executive Team (in respect of the 2009/10 financial year) since advent the global financial crisis. The Board believes that short term incentives should only be paid in circumstances of outperformance by the Executive Team.

Remuneration of Key Management Personnel of the Company and the Group

Table 1: **Remuneration for the year ended 30 June 2015**

	Short-Term				Other Long-Term	Post Employment			
Non-Executive Directors	Salary & Fees $	Incentives $	Non-Cash Benefits $	Termination $	Long Service Benefit $	Retirement Benefits $	Super Contributions $	Total $	Performance Related %
T Johnson	119,770	-	-	-	-	8,000	13,176	140,946	-
G Boulton#	71,050	-	-	-	-	2,500	7,815	81,365	-
R Smith	71,050	-	-	-	-	-	7,815	78,865	-
L Winser	71,050	-	-	-	-	-	7,815	78,865	-
Total Non-Executive Directors	332,920	-	-	-	-	10,500	36,621	380,041	
Executive Director									
P Sarant	645,600	-	31,541	-	10,001	-	30,000	717,142	-
Other Key Management Personnel									
B Walsh	301,285	-	27,417	-	7,437	-	35,000	371,139	-
C Bright	237,405	-	27,553	-	5,900	-	30,000	300,858	-
G Everest##	131,585	-	9,320	-	1,781	-	12,609	155,295	-
R King*	216,000	-	-	-	3,600	-	25,920	245,520	-
K Evans	209,960	-	22,466	-	3,500	-	25,195	261,121	-
S Hine	298,668	-	26,853	-	4,845	-	30,000	360,366	-
S Skazlic	229,000	-	20,556	-	3,817	-	27,480	280,853	-
D Keane	489,396	100,000	22,090	-	7,848	-	21,500	640,834	-
K Cope**	353,709	56,000	9,060	167,500	3,639	-	14,862	604,770	-
M Kohne	208,828	-	27,951	-	3,385	-	28,231	268,395	-
G Beurteaux***	349,764	-	27,071	-	5,627	-	34,511	416,973	-
Total Executive KMP	3,671,200	156,000	251,878	167,500	61,380	-	315,308	4,623,266	
Totals	**4,004,120**	**156,000**	**251,878**	**167,500**	**61,380**	**10,500**	**351,929**	**5,003,307**	

*** Mr Beurteaux was appointed on 14 July 2014.
Mr Everest resigned on 14 November 2014.
** Mr Cope resigned on 6 February 2015.
* Mr King was appointed on 26 March 2015.
# Mr Boulton resigned on 31 August 2015.

The retention payments made to both Mr Keane and Mr Cope were based on contractual agreements with Scott Corporation that were put in place prior to the merger on 24 February 2014 and ratified by K&S.

Termination benefits paid to Mr Cope were based on existing contractual agreements with Scott Corporation that were in place prior to the merger on 24 February 2014.

Table 2: **Remuneration for the year ended 30 June 2014**

	Short-Term				Other Long-Term	Post Employment			
Non-Executive Directors	**Salary & Fees $**	**Incentives $**	**Non-Cash Benefits $**	**Termination $**	**Long Service Benefit $**	**Retirement Benefits $**	**Super Contributions $**	**Total $**	**Performance Related %**
T Johnson	118,000	-	-	-	-	8,000	12,980	138,980	-
G Boulton	70,000	-	-	-	-	2,500	7,700	80,200	-
R Smith	70,000	-	-	-	-	-	7,700	77,700	-
R Nicholson*	5,833	-	-	-	-	-	642	6,475	-
L Winser#	59,695	-	-	-	-	-	6,566	66,261	-
B Grubb§	23,333	-	-	-	-	-	2,567	25,900	-
Total Non-Executive Directors	346,861	-	-	-	-	10,500	38,155	395,516	
Executive Director									
G Stevenson>	426,800	-	25,000	240,000	6,084	-	25,000	722,884	-
P Sarant<	464,804	-	28,327	-	7,226	-	25,000	525,357	-
Other Key Management Personnel									
B Walsh	297,285	-	27,265	-	7,125	-	25,000	356,675	-
C Bright	230,735	-	28,066	-	5,625	-	25,000	289,426	-
G Wooller†	391,591	-	24,509	-	6,112	-	24,526	446,738	-
G Everest	306,128	-	21,794	-	4,745	-	25,000	357,667	-
K Evans	220,695	-	22,447	-	3,334	-	25,000	271,476	-
S Hine	299,006	-	26,951	-	4,745	-	25,000	355,702	-
S Skazlic	221,400	-	20,517	-	3,667	-	25,000	270,584	-
D Keane+	114,864	-	18,726	-	1,979	-	7,614	143,183	-
K Cope^	109,899	-	10,146	-	2,201	-	7,438	129,684	-
M Kohne**	4,687	-	593	-	-	-	634	5,914	-
G Beurteaux***	-	-	-	-	-	-	-	-	-
Total Executive KMP	3,087,894	-	254,341	240,000	52,843	-	240,212	3,875,290	
Totals	**3,434,755**	**-**	**254,341**	**240,000**	**52,843**	**10,500**	**278,367**	**4,270,806**	

* Mr Nicholson retired on 23 July 2013.
\# Mr Winser was appointed Non-Executive Director on 23 August 2013.
§ Mr Grubb retired on 22 October 2013.
+ Mr Keane was appointed on 24 February 2014.
^ Mr Cope was appointed on 24 February 2014.
> Mr Stevenson resigned as Managing Director on 22 April 2014.
< Mr Sarant was appointed on 22 April 2014.
† Mr Wooller resigned on 30 May 2014.
** Mr Kohne was appointed on 23 June 2014.
*** Mr Beurteaux was appointed on 14 July 2014.

Remuneration of Key Management Personnel of the Company and the Group

Table 3: **Loans to Key Management Personnel**

Details of aggregates of loans to Key Management Personnel are as follows:

Total	Balance at Beginning of Period $'000	Write-off $'000	Balance at End of Period $'000	Number in Group
2015	**290**	**-**	**326**	**7**
2014	346	-	290	6

There are no loans to any Key Management Personnel above $100,000 in the reporting period.

Loans to Key Management Personnel are made pursuant to the K&S Corporation Limited Employee Share Plan ("Plan"). As part of the Plan, loans are interest free with K&S Corporation, to fund the purchase of shares in the Company. Loans to Key Management Personnel under the Plan are required to be repaid in full upon the cessation of the employment of the Key Management Personnel with the Company. Shares issued under the Plan are subject to a holding lock until the loan is repaid in full. Non-Executive Directors are not eligible to participate in the Plan. No other loans are made to any Key Management Personnel.

Table 4: **Shareholding of Key Management Personnel at 30 June 2015**

Shares held in K&S Corporation Limited: 30 June 2015	Balance 1 July 2014 Ordinary	Net Change Ordinary	Balance 30 June 2015 Ordinary
Non-Executive Directors			
T Johnson	472,358	20,820	493,178
G Boulton#	266,248	11,735	277,983
R Smith	38,459	1,695	40,154
L Winser	1,164,064	-	1,164,064
Executive Director			
P Sarant<	96,603	45,000	141,603
Other Key Management Personnel			
B Walsh	134,020	13,396	147,416
C Bright	41,000	-	41,000
G Everest##	10,000	(10,000)	-
S Hine	30,000	10,000	40,000
K Evans	22,000	-	22,000
S Skazlic	3,205	-	3,205
D Keane	-	10,000	10,000
K Cope**	-	-	-
M Kohne	-	-	-
G Beurteaux***	-	-	-
R King*	-	7,000	7,000
Total	2,277,957	109,646	2,387,603

*** Mr Beurteaux was appointed on 14 July 2014.
Mr Everest resigned on 14 November 2014.
** Mr Cope resigned on 6 February 2015.
* Mr King was appointed on 26 March 2015.
# Mr Boulton resigned on 31 August 2015.

Table 5: **Shareholding of Key Management Personnel at 30 June 2014**

Shares held in K&S Corporation Limited: 30 June 2014	Balance 1 July 2013 Ordinary	Net Change Ordinary	Balance 30 June 2014 Ordinary
Non-Executive Directors			
T Johnson	300,021	172,337	472,358
G Boulton	254,724	11,524	266,248
R Smith	36,794	1,665	38,459
L Winser#	1,151,199	12,865	1,164,064
R Nicholson*	30,907	-	30,907
B Grubb§	125,205	-	125,205
Executive Director			
G Stevenson>	-	-	-
P Sarant<	96,603	-	96,603
Other Key Management Personnel			
B Walsh	120,687	13,333	134,020
C Bright	41,000	-	41,000
G Wooller†	60,069	(46,408)	13,661
G Everest	10,000	-	10,000
S Hine	20,000	10,000	30,000
K Evans	22,000	-	22,000
S Skazlic	3,205	-	3,205
D Keane+	-	-	-
K Cope^	-	-	-
M Kohne**	-	-	-
G Beurteaux***	-	-	-
Total	2,272,414	175,316	2,447,730

* Mr Nicholson retired on 23 July 2013.
\# Mr Winser was appointed Non-Executive Director on 23 August 2013.
§ Mr Grubb retired on 22 October 2013.
> Mr Stevenson resigned as Managing Director on 22 April 2014.
< Mr Sarant was appointed on 22 April 2014.
† Mr Wooller resigned on 30 May 2014.
* Mr Keane was appointed on 24 February 2014.
^ Mr Cope was appointed on 24 February 2014.
** Mr Kohne was appointed on 23 June 2014.
*** Mr Beurteaux was appointed on 14 July 2014.

Remuneration options: Granted and vested during the year

K&S Corporation Limited does not operate any option based schemes for its executives, employees or Directors.

Signed in accordance with a resolution of the Directors.

T Johnson
Chairman

21 August 2015

Paul Sarant
Managing Director

21 August 2015

CORPORATE GOVERNANCE

The Board of Directors of K&S Corporation Limited is responsible for the governance of the consolidated entity. The Board guides and monitors the business and affairs of K&S Corporation Limited on behalf of the Shareholders by whom they are elected and to whom they are accountable.

In keeping with the Australian Securities Exchange Corporate Governance Council's updated Corporate Governance Principles and Recommendations, this statement outlines the Company's compliance with the ASX principles.

The K&S Corporation Limited Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1
Lay solid foundations for management oversight

Principle 2
Structure the board to add value

Principle 3
Act ethically and responsibly

Principle 4
Safeguard integrity in corporate reporting

Principle 5
Make timely and balanced disclosure

Principle 6
Respect the rights of shareholders

Principle 7
Recognise and manage risk

Principle 8
Remunerate fairly and responsibly

The Roles of the Board and Management

The Board has a Charter which establishes the relationship between the Board and Management and describes their functions and responsibilities in a manner which is consistent with ASX Principle 1.

The role of the Board is to oversee and guide the Management of K&S Corporation Limited and its businesses with the aim of protecting and enhancing the interests of Shareholders while taking into account the interests of employees, customers, suppliers and the community at large.

The Board is responsible for setting and approving the strategic direction of the Company, establishing goals for Management and monitoring the achievement of those goals. The Board is also responsible for appointing, overseeing and evaluating the performance of, and ultimately for the removal of, the Managing Director.

The Managing Director is responsible to the Board for the day to day management of the Company. Matters delegated to the Managing Director by the Board include:

- developing business plans, budgets and strategies for consideration by the Board and (where approved by the Board) the implementation of such business plans, budgets and strategies;
- identifying and managing operational risks that could have a material impact on the Company and its operations and implementing internal controls and procedures to ensure that the Company's business operates within legislative requirements and the risk parameters approved by the Board from time to time; and
- ensuring that transactions, commitments and arrangements that exceed thresholds set by the Board from time to time are approved by the Board.

The Company's Board Charter which sets out the full roles and responsibilities of the Board and Management respectively is available on the Company's website (www.ksgroup.com.au).

Non-Executive Directors have written agreements with the Company setting out the terms of their appointment.

The Company Secretary is accountable directly to the Board, through the Chairman, for the proper administration and functioning of the Board.

All Management, including the Managing Director, have clear statements of roles and responsibilities. The performance of Key Executives is reviewed not less than annually by the Managing Director.

The review involves an open exchange of ideas between the Managing Director and Key Executives. The performance of Key Executives is reviewed against matters including financial targets (eg. budget), HS&E management, and achievement of specific strategic and business objectives.

Structure of the Board

The Board currently comprises of three Non-Executive Directors, including the Chairman, and one Executive Director, namely, the Managing Director.

The qualifications, experience and periods of service of each of the Directors is set out on *page 12* of the Annual Report.

Directors are expected to bring independent views and judgment to the Board's deliberations. Consistent with the ASX Principles, the Board Charter requires the Board include a majority of Non-Executive Directors, a Non-Executive Chairman and to have a different person filling the roles of Chairman and Managing Director.

The Chairman of the Audit Committee cannot be Chairman of the Board.

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered independent judgment. Materiality of business and other relationships held by a Director is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements.

Quantitative factors relate to the financial value of the business or other relationship. Qualitative factors considered include whether a relationship is strategically important, the competitive context of the relationship, the nature of the relationship and the contractual or other arrangements governing it or other factors which point to the actual ability of the Director in question to influence the direction of the Company other than in the best interests of the Company as a whole.

The Board has reviewed the position of each of the Directors in office at the date of this report and considers the following Directors of the Company to be independent:

Name	Position
G Boulton*	Non-Executive Director
R Smith	Non-Executive Director

* Mr Boulton retired as a Director with effect on 31 August 2015. While Mr Boulton has been a Director since 1996, the Board was of the view that Mr Boulton continued to bring to bear an independent mind to Board deliberations and to act in the best interests of the Company and the Company's shareholders as a whole.

The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

Structure of the Board

The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

The Board considers the following Directors as not independent:

P Sarant Managing Director

T Johnson Non-Executive Director (Chairman)

Mr Johnson is a Director of AA Scott Pty Ltd, the largest Shareholder of K&S Corporation Limited.

L Winser Non-Executive Director

Mr Winser was appointed as a Director of the Company on 23 August 2013. Mr Winser formerly occupied the position of Managing Director of the Company until his retirement on 25 May 2012. Mr Winser is also an alternate director of several companies with the Scott Group of Companies.

The date of appointment of each Director of the Company is set out on *page 12* of the Company's 2015 annual report.

The Board structure is consistent with ASX Principle 2, with the exception of:

- **Recommendation 2.4** which requires that the majority of the Board be independent Directors. The Board considers that the mix of skills and experience of and the contributions by the non-independent Non-Executive Director offsets the benefits to the Company of having a majority of independent Non-Executive Directors. However, as part of the review of Board Performance (*refer page 33*), Directors have regard to the balance of independent and non-independent Non-Executive Directors.
- **Recommendation 2.5** which requires that the Chairman of the Board be an independent Director. Mr Johnson is Chairman of the Board and is not considered by Directors to be independent. Mr Johnson however is a non-executive Chairman and does not also share the role of CEO. The Board considers that the skills and experience that Mr Johnson brings as Chairman add value to the deliberations and functioning of the Board.

The Company has a Diversity Policy which is consistent with ASX Principle 1. The objective of the Diversity Policy is to promote a corporate culture within the Company where the diverse experiences, perspectives and backgrounds of people are valued and embraced and which is conducive to the recruitment of well qualified and diverse employees, senior management and Board members.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The Board meets formally eleven times a year and on other occasions as required. During the course of the year, the Board's sub-committees meet on a number of occasions to deal with their specific responsibilities in relation to the Company's business. Senior Management attend and are a vital ingredient to the sub-committees, making presentations, providing information and responding to questions of the Directors. All Directors have unrestricted access to all employees of the Group and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular financial and operational reports from Senior Management to enable it to carry out its duties and responsibilities.

Retirement and re-election of Directors

The Company's Constitution requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been newly appointed by the Board during the year are also required to stand for re-election at the next Annual General Meeting, but are not taken into account in determining the number of Directors retiring at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

The Company will disclose all material information in its possession relevant to the decision of Shareholders whether to re-elect Directors in the explanatory notes to the Company's notice of annual general meeting. In particular, the Company will provide details of Directors' relevant experience and qualifications, tenure, other material directorships, independence, shareholding, and any associations with and/or interests in the Company. The Company will also include a recommendation to Shareholders from the Board (excluding always the relevant Director standing for re-election) on whether to vote in favour of the re-election of Directors.

Review of Board Performance

The Board has implemented a process for the regular review of its overall performance, consistent with ASX Recommendation 1.6. Regular review involves both analysis by the Board of the results of a questionnaire completed by all Directors and discussion between the Chairman and each of the Directors.

The Board's performance review departs from Recommendation 1.6 as the review is conducted by the full Board, and not the Nomination and Remuneration Committee. As the Board is comprised of only four Directors, the Board considers this the most effective way to address its own performance.

Committees of the Board

Three standing Board Committees assist the Board in the discharge of its responsibilities.

These committees are:

- **The Audit Committee**
- **The Nomination and Remuneration Committee**
- **The Environmental Committee**

Audit Committee

The Board has an established Audit Committee, which operates under a Charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguard of assets, the maintenance of proper accounting records, and the reliability of financial information.

The Board has delegated to the Audit Committee the responsibility overseeing the financial reporting process of the consolidated entity and ensuring the competency and independence of the Company's external auditors, consistent with ASX Principle 4.

The Audit Committee provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports.

Among the specific responsibilities set out in the Audit Committee Charter, the Audit Committee reviews all published accounts of the Group, reviews the scope and independence of external audits, reviews any comments and recommendations by the external auditors in relation to the company's systems for internal compliance and control, and risk management, advises on the appointment, performance and remuneration of the external auditors, and reviews the work program for and reports and recommendations of the internal audit function.

The members of the Audit Committee during the year were:

Mr Smith (Chairman)
Mr Boulton*
Mr Johnson*

* Mr Boulton ceased to be a Director on 31 August 2015 and was replaced on the Audit Committee by Mr Johnson.

Mr Smith is Chairman of the Audit Committee. The Board considers Mr Smith to be independent using the ASX Council's definition of independence.

The Board also considered Mr Boulton to be independent using the ASX Council's definition of independence.

The Board does not consider Mr Johnson to be independent.

The ASX Council Recommendation 4.1 recommends that the Audit Committee consist of at least three members who are all Non-Executive and the majority independent. The Board is of the view that the current composition of the Audit Committee is appropriate given the size of the business, the extensive financial skills, and industry knowledge of the current members of the Audit Committee.

The Managing Director, the Chief Financial Officer, the Company Secretary, the Group Accountant, the Chief Internal Auditor, the external Auditors and any other persons considered appropriate attend meetings of the Audit Committee by invitation. The Committee also meets from time to time with the external Auditors and also the Chief Internal Auditor, independent of management.

The Audit Committee met on four occasions during the course of the year. Messrs Smith and Boulton both attended all four meetings.

Committees of the Board

Nomination and Remuneration Committee

Consistent with ASX Principles 2 and 8, the Board has a Nomination and Remuneration Committee with a formal Charter. The role of the Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Senior Executives, Salaried Staff and Directors themselves.

The Nomination and Remuneration Committee does not comply with Recommendations 2.1 and 8.1 as only Mr Boulton was considered by Directors to be independent. However, as the only Director on the Nomination and Remuneration Committee considered to be independent, Mr Boulton was Chairman of that committee.

The Nomination and Remuneration Committee does not make recommendations to the Board as to the nomination and appointment of new Directors. As the Board of K&S Corporation Limited is comprised of only four Directors, Directors are of the view that the nomination and appointment of new Directors is most efficiently discharged by the Board. For this reason, Directors are of the view that the presence of a majority of Directors considered not to be independent did not compromise the effectiveness of the Nomination and Remuneration Committee or the integrity of the decision making process by the Board as a whole on matters relating to nomination and remuneration.

When appointing new Directors, the Board has regard to the spread of skills and qualifications, experience, and independence of both the potential appointee and the existing members of the Board. The Board does not have a formalised skills matrix that it uses when considering Board composition and the appointment of new Directors. However, the Board is of the view that a good depth of transport industry exposure and expertise is an integral element of the skills to be represented on the Board. The Board also views accounting and legal expertise as important elements to allow it to effectively discharge its duties and responsibilities. The Board also has regard to whether a potential director has contacts or networks that may enable the Company to access new markets or industry sectors and/or to generate new business opportunities. The Board recognises that a diversity of backgrounds and experience in its members will contribute to the Board functioning at its optimum.

Where considered appropriate, prior to appointing new Directors, the Board will arrange for appropriate background and reference checks to be undertaken. These checks may include the proposed Director's character (via reference checks), education and qualifications, and any criminal convictions, bankruptcy or insolvency that may preclude the proposed Director from appointment.

The Company currently does not have a formal induction program for new Directors. The most recently appointed Non-Executive Director, Mr Winser, already had a wealth of knowledge about the business and operations of the Company by virtue of his previous role as Managing Director. The Company does however make available to new Directors past board papers and board minutes as well as the Company's constitution and key policies and codes of practice. When new appointments of Non-Executive Directors are contemplated, the Company will review the desirability of a more structured induction program.

In the case of ongoing development, the Company schedules some monthly board meetings at different operational sites to enable Non-Executive Directors to familiarise themselves with the Company's business and activities. The Board also receives regular presentations from members of the Executive Team on the Company's various business units.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives.

The Nomination and Remuneration Committee periodically obtains independent advice on the appropriateness of remuneration packages, as well as benchmarking comparable company remuneration data. No external advice was sought in relation to remuneration in the course of the 2014/15 financial year.

The Nomination and Remuneration Committee also plays a role in evaluation of the performance of the Managing Director and management succession planning. This role includes the responsibility for incentive performance packages, superannuation entitlements, and retirement and termination entitlements.

The members of the Nomination and Remuneration Committee during the year were:

Mr Boulton* (Chairman)
Mr Johnson
Mr Winser

* Mr Boulton ceased to be a Director on 31 August 2015.

The Nomination and Remuneration Committee meets as required. The Committee met formally once in 2014/15, but also informally on several other occasions during the year. Messrs Winser, Boulton and Johnson all attended the formal meeting of the Committee.

The Company's Non-Executive Directors receive only fees and superannuation for their services and the reimbursement of reasonable expenses. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of, those Directors.

The advice of independent remuneration consultants is taken periodically, as well as benchmarking against external remuneration data for comparable companies to establish that the Directors' fees are in line with market standards. Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration.

An increase in the Directors' fee pool limit of $100,000 to a total of $600,000 for Non-Executive Directors was approved by Shareholders at the Annual General Meeting on 20 November 2012. This fee pool is only available to Non-Executive Directors. The Non-Executive Directors received $71,050 each and the Chairman was paid $119,770 in 2014/15. While the fees payable to Non-Executive Directors in the first half of 2014/15 were frozen at 2012/13 levels, a 3% increase to those fees was implemented with effect from 1 January 2015. Committee membership does not entitle a Director to additional fees.

The Board has again decided not to increase the fees payable to Non-Executive Directors from 1 July 2015. The Board has elected to defer any consideration of the level of fees payable to Non-Executive Directors until October 2015.

Details of the employment contract of Mr Sarant can be found on *page 25* of the Remuneration Report.

The Non-Executive Directors' retirement benefits scheme entitlements were frozen in years of service as at 30 June 2004 and will be paid on retirement. Under the terms of the Non-Executive Directors' retirement benefit scheme, participating Directors are entitled to receive up to the total remuneration paid to them in the last three years upon their retirement in accordance with the following formula:

$$RB = TR \times (Y \div 15)$$

where

RB = retirement benefit payable to the Director on retirement
TR = the total remuneration paid to the Director in the last three years
Y = the years of service of the Director prior to 30 June 2004, provided that Y shall not exceed 15

Non-Executive Directors appointed after 30 June 2004 are not eligible to participate in the retirement benefits scheme. Mr Johnson is the only remaining Director eligible to participate in the retirement benefit scheme.

The structure and disclosure of the Company's remuneration of Non-Executive Directors is consistent with ASX Principle 8.

Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report on *pages 21 to 31*.

Diversity

The measurable objectives for achieving gender diversity set by the Board and progress towards achieving those objectives are:

- The Nomination and Remuneration Committee must review participation rates for women across all levels of the workforce not less than annually. That review was undertaken by the Committee in 2014/15. The Company saw participation rates for women remain static at all levels of the organisation.

Committees of the Board

Nomination and Remuneration Committee

Diversity continued

- The Nomination and Remuneration Committee is to review pay parity data for women and men across all levels of the workforce not less than annually to determine whether there is any unconscious bias. To the extent that the review suggests that unconscious bias may exist, Management is to investigate and report to the Committee the causes of that bias, as well as to develop recommendations to address any bias.
- The Committee reviewed pay parity data in 2014/15 and Management has investigated whether unconscious bias exists. As women are over-represented in some areas of the Company's workforce (eg, administration) and under-represented in other areas of the work-force (eg, operational), the data requires careful analysis.
- Management is required to report to the Nomination and Remuneration Committee not less than annually participation rates for women compared to men in externally provided training programs. A particular area of focus is management training programs (eg, Australian Institute of Management and equivalent) as it is through these training programs that the pool of future senior managers will be developed. Management has reported to the Committee on training participation rates in 2014/15. Participation rates in management training do not reveal any bias.
- The Nomination and Remuneration Committee is to review data re tenure and turnover levels for women compared to men across all levels of the Company's workforce not less than annually as part of seeking to understand the reasons for differing participation rates for women and men. Tenure and turnover data was reviewed by the Committee in 2014/15. Turnover rates for men and women were equivalent across different levels of the organisation.

The Company's Workplace Gender Equality Act "Gender Equality Indicators" report can be accessed via the website of the Workplace Gender Equality Agency (*www.wgea.gov.au/public-reports*). A summary of the Company's "Gender Equality Indicators" report is also available on the Company's website (*www.ksgroup.com.au*).

The Company notes that the transport and logistics industry continues to have a stereotyped male dominated environment, with a substantial proportion of the Company's workforce required to perform labour intensive/manual handling tasks as well as significant overtime in the course of their employment duties. While the Company is committed to diversity, the nature of the work undertaken by many employees has made it challenging to attract women to these roles.

The Company will review on an ongoing basis the opportunities to overcome these impediments to higher participation rates by women.

Other diversity initiatives pursued by the Company include:

- The Company is a participant in the indigenous employment program overseen by the Commonwealth Department of Education, Employment and Workplace Relations, as well as a participant in the Australian Employment Covenant which is also designed to secure indigenous employment opportunities. In support of these programs, the Company has an Indigenous Recognition Policy which outlines the Company's commitment to build relationships with local and land-connected indigenous persons to achieve mutually beneficial outcomes.
- A number of strategic and tactical initiatives being implemented under the Company's five year strategic plan aimed at attracting, developing and retaining female employees. As part of that strategy, the Company is reviewing a range of more flexible employment practices.

Environmental Committee

The Board has an Environmental Committee, which operates under a Charter approved by the Board. The role of the Committee is to monitor environmental incidents, exposures and compliance with environmental regulations.

The members of the Environmental Committee during the year were:

Mr Johnson (Chairman)
Mr Winser
Mr Sarant*

* The Board considers it appropriate that the Managing Director be a member of the Environmental Committee.

The Company Secretary acts as Secretary to the Environmental Committee.

The Environmental Committee is responsible for:

- reviewing and recommending, as appropriate, changes to the Company's environmental policies;
- ensuring the adequacy of environmental procedures and controls implemented by Management;
- reporting to the Board on Company compliance with environmental procedures and controls;
- reviewing the adequacy and effectiveness of resources devoted to informing employees of their environmental obligations and to training employees to operate within Company guidelines and legal requirements;

- monitoring conformance by the Company with mandatory environmental reporting and improvement regimes;
- regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis; and
- reviewing any environmental incidents that have occurred and monitoring actions taken or to be taken.

To enable it to meet its responsibilities, the Committee has established a regular internal reporting process.

The Environmental Committee met four times during the year. Messrs Johnson and Sarant attended all four meetings of the Committee. Mr Winser attended three of the meetings of the Environmental Committee.

Financial Reporting

Consistent with the ASX Recommendation 4.2, the Company's financial report preparation and approval process for the financial year ended 30 June 2015, involved both the Managing Director and Chief Financial Officer certifying that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

In accordance with Recommendation 4.2, this sign off also includes assurances as to the Company's risk management processes and internal compliance and control procedures.

Audit Governance and Independence

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company has implemented a review process to monitor the independence and competence of the Company's external Auditor.

The Company's current external Auditors are Ernst & Young. The effectiveness, performance and independence of the external Auditor is reviewed by the Audit Committee at least annually. The format of that review includes discussing the performance of the External Auditors with Management while the Auditors are not present. The Audit Committee also met with senior members of Ernst & Young to review the performance of the lead audit partner.

Ernst & Young has a policy for the rotation of the lead audit partner for their clients. Under that policy, the lead audit partner and the audit review partner for the Company were most recently rotated following completion of the audit for the year ended 30 June 2012.

The Audit Committee's Charter requires the provision of non-audit services to the Company or its business units by the external audit firm to be approved by the Audit Committee.

In accordance with sections 249V and 250T of the *Corporations Act 2001 (Cth)*, the Company's current auditor, Ernst & Young, attends and is available to answer questions at the Company's Annual General Meeting.

Risk Management

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of material risks in the business. Those material risks include a full spectrum of financial, strategic, compliance, and operational risks.

While not wishing to stifle the entrepreneurial endeavours of Senior Executives, the Board takes a relatively conservative approach to risk.

The Board requires that Management have in place a system to identify, monitor, and manage the material business risks faced by the Company. The management systems in place as part of the risk management controls include:

- Capital expenditure commitments above set limits obtain prior Board approval.
- Financial exposures are controlled and the use of derivatives is limited to interest rate swaps.
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations.
- Business transactions are properly authorised and executed.
- A comprehensive annual insurance programme, including external risk management survey and action plans.
- Annual budgeting and monthly reporting systems for all business units, which enable the monitoring of progress against performance targets and the evaluation of trends.
- Appropriate due diligence procedures for acquisitions and divestments, with post-acquisition reviews also provided to the Board.
- Disaster management systems for key IT systems and recovery plans.
- Documentation and regular review of business wide risk identification and mitigation strategies.
- The completion by executive managers and divisional managers of 'representation letters' in connection with the certification by the Managing Director and Chief Financial Officer that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results.
- Review by the Audit Committee in conjunction with Management of all findings and recommendations in the Closing Report provided by the Company's external auditors, Ernst & Young, as part of the full year audit and also half year review of the Company's accounts.

The Company has a risk management policy consistent with ASX Principle 7. The Company also has a number of policies and internal documents that are central to the management of risk. Those documents include:

- The Risk Review Statement that is designed to comprehensively document and rate all material business risks to which the Company is exposed, as well as setting out the actions being undertaken by Management to mitigate those risks.
- The Company's Levels of Authority Statement which sets out the different levels of authority delegated to the Managing Director, General Managers, and Branch Managers in relation to financial and business matters such as capital expenditure, acquisitions, entering into contracts, treasury issues, and employment related issues.
- The Company's Administration Manual which sets out the financial and administrative protocols for all staff.
- The Company's HS&E Manual and supporting documented policies and procedures which are designed to minimise the risk of harm to employees engaged in operational tasks.
- The Company's Quality Management System coupled with its extensive documented operating and compliance focused policies and procedures which are designed to ensure that the Company's operations are conducted using industry best practice and in accordance with the numerous legislative regimes that apply.
- The Company's Disaster Recovery Manual which sets out all of the protocols associated with the Company's externally hosted disaster recovery plan (DRP).

Management is responsible to the Board for the Group's system of internal control and risk management.
The Audit Committee through its Charter assists the Board in monitoring this role.

The Risk Review Statement is designed to be a 'living' document and is regularly updated to address the emergence of new risks and changes to the priority of existing material business risks. The Risk Review Statement is provided to both the Audit Committee and the Board

on a quarterly basis. In addition, a summary of the status of key risk items identified in the Risk Review Statement is provided to the Board at its monthly meetings.

The Managing Director and the Chief Financial Officer also certify on an annual basis that the Company has a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

The Company is of the view that risk management is a key governance function. As the Board is comprised of only four Directors (including the Managing Director), the Board is of the view that the setting of risk parameters and the oversight of risk management is best discharged by the Board as a whole. Consequently, the Company does not have a stand alone risk committee.

In the 2014/15 financial year, the Company created an internal audit role. The Chief Internal Auditor is independent of Management of the Company and reports to both the Managing Director and also the Chairman of the Audit Committee. A copy of the Internal Audit Charter is available on the Company's external website (www.ksgroup.com.au).

A detailed draft internal audit work program was developed by the Chief Internal Auditor in conjunction with the Managing Director, Company Secretary, and Chief Financial Officer. That detailed internal audit work program was then submitted to the Audit Committee for review and approval. The Company adopted a risk based approach in identifying and prioritizing internal audit activities.

In light of the fraud detected in 2014/15, an immediate priority for the internal audit function is to review any potential internal control weaknesses that may have been exploited in that fraud to minimize the possibility of the Company being the victim of another fraud.

The Company operates in a highly competitive industry and has a material exposure to a range of economic factors including competitive forces, the decline of the domestic manufacturing sector, falling commodity prices, and key customer contract exposure. The Company seeks to mitigate these risks by differentiating itself from its competitors, diversifying the nature and scope of its activities across a number of sectors, geographic regions, and customer groups, as well as staggering the expiry dates of key customer contracts.

The Company also faces material exposures around compliance with legislative obligations (including transport laws) and the potential that a serious incident or accident could result in death, serious injury and/or environmental harm, as well as major reputational damage and the loss of key customer contracts. The Company seeks to mitigate this exposure via policies, procedures and training, as well as a crisis response plan.

The Company's comprehensive internal Risk Review Statement catalogues key economic, environmental and social sustainability risks in respect of which the Company has identified a material exposure. The internal Risk Review Statement documents risk mitigation strategies employed by the Company.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange securities market and has adopted a comprehensive policy covering announcements to the Australian Securities Exchange.

The Company Secretary has the responsibility for overseeing and co-ordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with the Managing Director, Chairman and Chief Financial Officer in relation to continuous disclosure matters.

The Board approves all price sensitive releases to the Australian Securities Exchange prior to release.

The Company posts all price sensitive releases to the Australian Securities Exchange and media on the Company's website.

The Company's Continuous Disclosure Policy is consistent with ASX Principle 5.

Conflict of Interest

In accordance with the *Corporations Act 2001 (Cth)* and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and consolidated entity are set out in *Note 26*.

Director Dealing in Company Shares

The Constitution permits Directors and Officers to acquire shares in the Company, subject to very limited exceptions contemplated in the Listing Rules. Company policy prohibits Directors, Associates and Officers from dealing in Company shares or Executive options:

- In the period of 60 days prior to the release of the Company's half year and annual results to the Australian Securities Exchange.
- Whilst in possession of price sensitive information.

In accordance with the provisions of the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange, the Company advises the Exchange of any transactions conducted by Directors in shares in the Company.

Ethical Standards

In accordance with Principle 3, the Board has adopted the Code of Conduct produced by the Australian Institute of Company Directors to guide the Directors and promote high ethical and professional standards.

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance practice and the ethical conduct by all Directors and employees of the Company and has approved the following policies:

Code of Conduct

The Company has a Code of Conduct for its employees to act within the law, avoid conflicts of interest, protect Company property, keep information confidential and act honestly and ethically in all business activities. The Code of Conduct is complemented by a Whistle Blower Policy which provides protection to employees who report instances of malpractice, impropriety, misconduct, or other unethical or illegal conduct involving the Company or its employees.

Trade Practices

The Company has a Trade Practices Policy advising employees on the legislative prohibitions on price fixing and anti-competitive arrangements, as well as other prohibited conduct.

Other Policies

Amongst other policies endorsed by the Board in previous years are the Occupational Health and Safety, Environment Protection, Electronic Communications policies and the Transport Law Compliance Policy.

The Group's ethical standards are consistent with the requirements of ASX Principle 3.

International Quality Standard ISO 9001

The consolidated entity strives to ensure that its services are of the highest standard. Towards this aim, it has achieved ISO 9001 accreditation for its core business segment and is well advanced in the implementation of Occupational Health & Safety systems to meet the AS4801 Standard.

Communication with Shareholders

The Company places considerable importance on communication with Shareholders.

The Company's communication strategy promotes the communication of information to Shareholders through the distribution of the Annual Report, announcements through the Australian Securities Exchange and subsequently the media regarding changes to the business, the Chairman's and Managing Director's addresses at the Annual General Meeting, and actively engaging the investment community.

The Company actively invites, and responds to, questions from Shareholders at the Annual General Meeting. As the Company's Annual General Meetings have a comparatively small number of attendees, Shareholders have a good opportunity to put any questions to Directors. Shareholders also have good access to Directors and the Executive Team following the formal business of the meeting.

Shareholders have the ability to receive communications from the Company (eg, annual reports) and the Company's Share Registry, Computershare, (eg, dividend statements) electronically.

K&S Corporation Limited posts all price sensitive reports, Australian Securities Exchange releases and media releases on the Company's website.

The communication strategy is consistent with ASX Principle 6.

The Company's Communication Policy is available on the Company's website: www.ksgroup.com.au.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

K&S CORPORATION LIMITED

ABN 67 007 561 837

Contents

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 2015 $'000	2014 $'000
Operating revenue	5(a)	**699,213**	586,226
Cost of goods sold		**(56,936)**	(63,545)
Gross profit		**642,277**	522,681
Other income	5(b)	**5,785**	5,103
Contractor expenses		**(187,654)**	(151,184)
Employee expenses	5(e)	**(219,172)**	(185,218)
Fleet expenses		**(145,085)**	(118,008)
Depreciation and amortisation expense	5(d)	**(36,601)**	(24,886)
Finance costs	5 (c)	**(7,261)**	(6,177)
Other expenses		**(33,601)**	(29,867)
Share of profits of associates	13	**110**	103
Profit before income tax		**18,798**	12,547
Income tax (expense)/benefit	6	**(5,490)**	(3,574)
Profit after income tax		**13,308**	8,973
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(681)**	1,315
Income tax effect		**-**	-
		(681)	1,315
Other comprehensive income for the period, net of tax		**(681)**	1,315
Total comprehensive income for the period		**12,627**	10,288
Earnings per share (cents per share)	7		
• basic for profit for the year attributable to ordinary equity holders of the parent		**11.4**	9.0
• diluted for profit for the year attributable to ordinary equity holders of the parent		**11.4**	9.0
Dividends per share (cents per share)	8	**7.0**	6.0

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Consolidated 2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	7,326	23,532
Trade and other receivables	10	86,909	82,263
Inventories	11	3,963	3,730
Prepayments		8,117	8,542
Total current assets		106,315	118,067
Non-current assets			
Other receivables	10	1,422	1,307
Investments in associates	13	413	303
Property, plant & equipment	14	326,842	316,740
Intangibles	15	91,088	93,502
Deferred tax assets	6	10,179	10,680
Total non-current assets		429,944	422,532
TOTAL ASSETS		536,259	540,599
LIABILITIES			
Current liabilities			
Trade and other payables	17	73,476	70,482
Interest bearing loans and borrowings	18	30,345	36,169
Income tax payable	6	1,302	1,677
Provisions	19	19,854	22,704
Total current liabilities		124,977	131,032
Non-current liabilities			
Other payables	17	6,585	8,604
Interest bearing loans and borrowings	18	75,043	83,406
Deferred tax liabilities	6	28,716	27,150
Provisions	19	6,369	3,129
Total non-current liabilities		116,713	122,289
TOTAL LIABILITIES		241,690	253,321
NET ASSETS		294,569	287,278
EQUITY			
Contributed equity	20	147,674	145,415
Reserves		31,877	32,558
Retained earnings		115,018	109,305
TOTAL EQUITY		294,569	287,278

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

	Issued Capital $'000	Retained Earnings $'000	Asset Revaluation Reserves $'000	Forex Translation Reserves $'000	Total Equity $'000
CONSOLIDATED					
At 1 July 2014	**145,415**	**109,305**	**31,948**	**610**	**287,278**
Profit for the year	**-**	**13,308**	**-**	**-**	**13,308**
Other comprehensive income	**-**	**-**	**-**	**(681)**	**(681)**
Total comprehensive income for the year	**-**	**13,308**	**-**	**(681)**	**12,627**
Transactions with owners in their capacity as owners:					
Issue of share capital	**2,259**	**-**	**-**	**-**	**2,259**
Dividends paid	**-**	**(7,595)**	**-**	**-**	**(7,595)**
At 30 June 2015	**147,674**	**115,018**	**31,948**	**(71)**	**294,569**
At 1 July 2013	101,187	107,205	31,948	(705)	239,635
Profit for the year	-	8,973	-	-	8,973
Other comprehensive income	-	-	-	1,315	1,315
Total comprehensive income for the year	-	8,973	-	1,315	10,288
Transactions with owners in their capacity as owners:					
Issue of share capital	44,228	-	-	-	44,228
Dividends paid	-	(6,873)	-	-	(6,873)
At 30 June 2014	145,415	109,305	31,948	610	287,278

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Note	Consolidated 2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**755,691**	653,983
Cash payments to suppliers and employees		**(674,245)**	(580,471)
Interest received		**122**	263
Borrowing costs paid		**(7,261)**	(6,177)
Income taxes paid		**(2,490)**	(2,992)
Net goods and services tax paid		**(23,661)**	(17,295)
Net cash provided by operating activities	9	**48,156**	47,311
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**11,052**	5,477
Payments for property plant & equipment		**(11,329)**	(18,609)
Acquisition of business		**(2,688)**	(4,106)
Net cash used in investing activities		**(2,965)**	(17,238)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**586**	1,177
Proceeds from borrowings		**13,417**	19,625
Repayments of borrowings		**(24,417)**	(13,409)
Repayment of lease and hire purchase liabilities		**(45,009)**	(24,193)
Dividends paid, net of dividend reinvestment plan		**(5,918)**	(5,786)
Net cash used in financing activities		**(61,341)**	(22,586)
Net increase/(decrease) in cash held		**(16,151)**	7,487
Cash at the beginning of the financial year		**23,532**	15,935
Effects of exchange rate variances on cash		**(55)**	110
Cash at the end of the financial year	9	**7,326**	23,532

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of Directors on 21 August 2015.

K&S Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operation and principal activities of the Group are described in *Note 4*.

2 Summary of Significant Accounting Policies

a) Basis of preparation

The financial report is a general purpose financial report for a for-profit entity, which has been prepared in accordance with the requirements of the *Corporation Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for land and buildings which have been measured at fair value. The carrying values of cash flow hedges are also stated at fair value with the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge recognised directly in equity and the ineffective portion recognised in profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c) New Accounting Standards and Interpretations

i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014.

Reference	Title	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities* AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 Jan 2014	Application of the amendments has not had any impact on the Group's financial report.	1 July 2014
Interpretation 21	*Levies* This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 Jan 2014	Application of the amendments has not had any impact on the Group's financial report.	1 July 2014
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 Jan 2014	Application of the amendments has not had any impact on the Group's financial report.	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 Jan 2014	Application of the amendments has not had any impact on the Group's financial report.	1 July 2014
AASB 1031	*Materiality* The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	1 Jan 2014	Application of the amendments has not had any impact on the Group's financial report.	1 July 2014

Reference	Title	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.		Application of the amendments has not had any impact on the Group's financial report.	
AASB 2014-1 Part A - Annual Improvements 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.* Annual Improvements to IFRSs 2010-2012 Cycle addresses the following items: ▸ AASB 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ▸ AASB 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ▸ AASB 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ▸ AASB 116 & AASB 138 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. AASB 124 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	Application of the amendments has not had any impact on the Group's financial report.	1 July 2014
AASB 2014-1 Part A - Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011-2013 Cycle addresses the following items: ▸ AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ▸ AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	Application of the amendments has not had any impact on the Group's financial report.	1 July 2014

2 Summary of Significant Accounting Policies

ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2015, are outlined in the table on the following pages:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 Jan 2018	The amendments are not expected to have any impact on the Group's financial report.	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9 continued	*Financial Instruments*	d Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ▸ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▸ The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.	1 Jan 2018	The amendments are not expected to have any impact on the Group's financial report.	1 July 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: a the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and b the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11	1 Jan 2016	The amendments are not expected to have any impact on the Group's financial report.	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 July 2016	The amendments are not expected to have any impact on the Group's financial report.	1 July 2016

2 Summary of Significant Accounting Policies

ii) Accounting standards and interpretations issued but not yet effective continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 Jan 2016	The amendments are not expected to have any impact on the Group's financial report.	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 *Consolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: a a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and b a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 Jan 2016	The amendments are not expected to have any impact on the Group's financial report.	1 July 2016
AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue–Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: a Step 1: Identify the contract(s) with a customer b Step 2: Identify the performance obligations in the contract c Step 3: Determine the transaction price d Step 4: Allocate the transaction price to the performance obligations in the contract e Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 Jan 2016	The amendments are not expected to have any impact on the Group's financial report.	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure – Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.	1 Jan 2016	The amendments are not expected to have any impact on the Group's financial report.	1 July 2016
		AASB 119 Employee Benefits: • Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: • Disclosure of information 'elsewhere in the interim financial report' – amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.		The amendments are not expected to have any impact on the Group's financial report.	
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 Jan 2016	The amendments are not expected to have any impact on the Group's financial report.	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	The amendments are not expected to have any impact on the Group's financial report.	1 July 2015

2 Summary of Significant Accounting Policies

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of K&S Corporation Limited and its subsidiaries ("the Group") as at 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from inter-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries by K&S Corporation Limited are accounted for at cost in the separate financial statements of the parent less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of comprehensive income of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of the dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exists. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration, (including the fair value of any pre-existing investment in the acquiree), is goodwill or a discount on acquisition. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the Statement of Financial Position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:
- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred to the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

f) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following aspects:
- Nature of the product or services;
- Type or class of customer for the product or services; and
- Methods used to distribute the products or provide services.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of fuel products to entities outside the consolidated entity. Sales revenue is recognised when fuel is provided.

ii) Rendering of services
Service revenue from the distribution of customer goods is recognised when goods are dispatched.

iii) Interest
Revenue is recognised as the interest accrues using the effective interest method. This method calculates the amortised cost of a financial asset and allocates the interest over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

iv) Dividends
Revenue is recognised when the Group's right to receive the payment is established.

h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

i) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

j) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Consumables – purchase cost on a first-in, first-out basis;
Finished goods – weighted average cost.

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

l) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate contracts is determined by reference to market value for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges (interest rate swaps) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to profit or loss in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss.

2 Summary of Significant Accounting Policies

m) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

n) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

o) Foreign currency translation

Both the functional and presentation currency of K&S Corporation Ltd and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries (K&S Freighters Limited and Cochrane's Transport Limited) is New Zealand dollars (NZ$).

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of K&S Corporation Limited at the rate of exchange ruling at the reporting date and the revenue and expenses are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating of that particular foreign operation is recognised in profit or loss.

p) Investment in associates

The Group's investment in its associates is accounted for under the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities in which the Group has significant influence and that are neither a subsidiary nor a joint venture.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment loss is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from the associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

q) Income tax and other taxes

Current tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences is associated with investments in subsidiaries and associates and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

2 Summary of Significant Accounting Policies

q) Income tax and other taxes continued

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis using the following rates:

Land	Not depreciated
Buildings	2.5% p.a.
Motor vehicles	5% – 40% p.a.
Plant and equipment	5% – 27% p.a.

i) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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.

Impairment exists when the carrying values of an asset or cash-generating unit exceeds its estimated recoverable amount. The assets or cash-generating units are written down to their recoverable amount. For plant and equipment, impairment losses are recognised in profit or loss. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

ii) Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss unless it directly offsets a previous revaluation increase for the same asset debited directly to the asset revaluation reserve.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the reporting date.

iii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.

s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair

value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation and convention in the marketplace.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.
For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing methods.

u) Goodwill and intangibles

Goodwill
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

2 Summary of Significant Accounting Policies

t) Goodwill and intangibles continued

Intangibles
Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.
The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Development costs
An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to the use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during the development.

Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The estimated useful life for the current and comparative periods are as follows:
Software and technology — 7 years

v) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amounts (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

w) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

x) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

y) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

z) Employee leave benefits

i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

iii) Defined contribution superannuation funds

The commitment to defined contribution plans is limited to making contributions in accordance with the minimum statutory requirements. The Group does not have any legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to current and past employee services.

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss as incurred.

iv) Directors retirement benefits

Directors commencing after 30 June 2004 are not eligible for any benefit under the Directors Retirement Scheme. However, Non-Executive Directors appointed before that date are eligible to receive retirement benefits on retiring as a Director. In July 2004, the Directors Retirement benefit calculation changed, to freeze the accumulation of years of service for each Director.

aa) Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

bb) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

2 Summary of Significant Accounting Policies

cc) Significant account judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

i) Significant accounting judgments

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgment is required to determine the amount of deferred taxes that can be recognised, based upon the likely timing and the level of future taxable profits.

Taxation
The Group's accounting policy for taxation requires management judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets are recognised only where it is considered more likely than not that they will be recovered, which is dependant on sufficient future profits.

ii) Significant accounting estimates and assumptions

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in *Note 16*.

Make good provisions
Provision is made for anticipated costs of future restoration of leased storage premises. The future cost estimates are discounted to their present value. The related carrying amounts are disclosed in *Note 19*.

Allowance for impairment loss on trade receivables
Where receivables are outstanding beyond normal trading terms, the likelihood of recovery of these receivables is assessed by management. This assessment is based on supportable past collection history and historical write-offs of bad debts. The allowance for impairment loss is outlined in *Note 10*.

Long service leave provision
As discussed in *Note 2 (z)*, the liability for long service is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

3 Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, finance leases and hire purchase contracts and cash deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also entered into derivative transactions, principally interest rate swap contracts. The purpose was to manage the interest rate risk arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in *Note 2* to the financial statements.

Risk exposures and responses

Fair Value
The net values of receivables, bank overdraft, trade creditors, accruals, lease liabilities, hire purchase liabilities, credit facilities and other loans, approximate their book value. The net fair value of unlisted investments where there is no organised financial market has been based on a reasonable estimation of the underlying net assets. This approximates the book value.

For other assets and liabilities the net fair value approximates their book value

No financial assets and liabilities are readily traded on organised markets in standardised form.

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. It is the Group's policy that customers who wish to trade on credit more than $1,000 per week are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

While the consolidated entity also minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various states, the Group is materially exposed to counterparty risk with several of its major customers. However, those major customers are blue chip organisations with sound balance sheets and they are not considered to comprise a significant credit risk. Concentration of credit risk on trade debtors due from customers are: Transport 94% (2014: 94%) and Fuel 6% (2014: 6%).

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Foreign currency risk

The Group's exposure to currency risk is minimal.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The level of debt is disclosed in *Note 18*.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	Consolidated 2015 $'000	Consolidated 2014 $'000
Financial assets		
– Cash and cash equivalents	**7,326**	23,532
Financial liabilities		
– Bank loans	**(13,625)**	(24,625)
Net exposure	**(6,299)**	(1,093)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the Balance Sheet date:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower) 2015 $'000	Post Tax Profit Higher/(Lower) 2014 $'000	Equity Higher/(Lower) 2015 $'000	Equity Higher/(Lower) 2014 $'000
Consolidated				
+ 1% (100 basis points)	**(44)**	(8)	**(44)**	(8)
– 0.5% (50 basis points)	**22**	4	**22**	4

The movements in profit are due to higher/lower interest costs from variable debt and cash balances.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based upon the Group's current credit rating and debt mix in Australia and New Zealand.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed lines of credit. The Group's policy in managing liquidity risk is to ensure the Group always has sufficient liquidity to meet its financial obligations when due, as well as to accommodate unforeseen cash requirements over both the short and long term.

i) Non-derivative financial liabilities

The following liquidity risk disclosure reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and financial guarantees as of 30 June 2015. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

3 Financial Risk Management Objectives and Policies Liquidity risk continued

The following table reflects a balanced view of cash inflows and outflows of non-derivative financial instruments:

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Greater than 5 years $'000	Total $'000
Year ended 30 June 2015					
Liquid financial assets					
Cash and cash equivalents	**7,326**	**-**	**-**	**-**	**7,326**
Trade and other receivables	**87,300**	**391**	**681**	**83**	**88,455**
	94,626	**391**	**681**	**83**	**95,781**
Financial liabilities					
Interest bearing loans and borrowings	**(35,171)**	**(36,356)**	**(43,361)**	**-**	**(114,888)**
Trade and other payables	**(73,476)**	**(6,586)**	**-**	**-**	**(80,062)**
Financial guarantees	**(19,488)**	**-**	**-**	**-**	**(19,488)**
	(128,135)	**(42,942)**	**(43,361)**	**-**	**(214,438)**
Net inflow/(outflow)	**(33,509)**	**(42,551)**	**(42,680)**	**83**	**(118,657)**
Year ended 30 June 2014					
Liquid financial assets					
Cash and cash equivalents	23,532	-	-	-	23,532
Trade and other receivables	82,580	316	632	156	83,684
	106,112	316	632	156	107,216
Financial liabilities					
Interest bearing loans and borrowings	(41,862)	(42,077)	(45,861)	-	(129,800)
Trade and other payables	(70,482)	(8,604)	-	-	(79,086)
Financial guarantees	(19,579)	-	-	-	(19,579)
	(131,923)	(50,681)	(45,861)	-	(228,465)
Net inflow/(outflow)	(25,811)	(50,365)	(45,229)	156	(121,249)

The Group's available credit facilities are outlined in *Note 18*.

ii) Derivative financial liabilities
Due to the unique characteristics and risks inherent to derivative instruments, the Group separately monitors the liquidity risk arising from transacting in derivative instruments.

The Group holds no derivative liabilities at balance date.

4 Operating Segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Management team in assessing performance and in determining the allocation of resources.

The Executive Management determined that the Group has three operating segments.

The Group's internal management reporting systems and business model, which monitors resource allocation and working capital fall under the following three segments:

- Australian Transport – The provision of logistical services to customers within Australia.
- Fuels – The distribution of fuel to fishing, farming and retail customers within the South East of South Australia.
- New Zealand Transport – The provision of logistical services to customers within New Zealand.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments are the same as those contained in *Note 2* to the accounts and in the prior period except as detailed below:

Inter-entity sales
Inter-entity sales are recognised based on an internally set transfer price. The price is set periodically and aims to reflect what the business operations could achieve if they sold their output and services to external parties at arm's length.

Corporate charges
Corporate charges are allocated to each operating segment on a proportionate basis linked to segment revenue so as to determine a segmental result.

Segment loans payable and loans receivable
Segment loans are initially recognised at the consideration received excluding transaction costs. Inter-segment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

The entity has one customer which contributes greater than 10% of total revenue ($78.5m) and falls within the Australian Transport Segment.

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2015 and 30 June 2014.

4 Operating Segments

	Australian Transport $'000	Fuel $'000	New Zealand Transport $'000	Total $'000
Year ended 30 June 2015				
Revenue				
External customers	**604,485**	**61,596**	**33,010**	**699,091**
Finance revenue	**96**	**-**	**26**	**122**
Inter-segment sales	**411**	**44,403**	**-**	**44,814**
Total segment revenue	**604,992**	**105,999**	**33,036**	**744,027**
Results				
Depreciation and amortisation expense	**(33,242)**	**-**	**(3,359)**	**(36,601)**
Finance costs	**(6,266)**	**-**	**(995)**	**(7,261)**
Share of profits of associates	**110**	**-**	**-**	**110**
Segment net operating profit after tax	**10,387**	**1,441**	**1,480**	**13,308**
Operating assets	**483,522**	**23,352**	**36,030**	**542,904**
Operating liabilities	**205,029**	**9,177**	**13,210**	**227,416**
Other disclosures				
Investments in an associate	**413**	**-**	**-**	**413**
Capital expenditure	**(42,516)**	**-**	**(13,459)**	**(55,975)**
Inter-segment revenues of **$44,814,000** are eliminated on consolidation				
Year ended 30 June 2014				
Revenue				
External customers	491,769	68,259	25,935	585,963
Finance revenue	251	-	12	263
Inter-segment sales	661	45,164	-	45,825
Total segment revenue	492,681	113,423	25,947	632,051
Results				
Depreciation and amortisation expense	(22,030)	(153)	(2,703)	(24,886)
Finance costs	(5,585)	-	(592)	(6,177)
Share of profits of associates	103	-	-	103
Segment net operating profit after tax	8,054	642	277	8,973
Operating assets	495,267	19,640	29,160	544,067
Operating liabilities	217,234	6,896	14,632	238,762
Other disclosures				
Investments in an associate	303	-	-	303
Capital expenditure	(40,412)	-	(6,794)	(47,206)
Inter-segment revenues of $45,825,000 are eliminated on consolidation				

4 Operating Segments

	Consolidated 2015 $'000	Consolidated 2014 $'000
i) Segment revenue reconciliation to the Statement of Comprehensive Income		
Total segment revenue	**744,027**	632,051
Inter-segment sales elimination	**(44,814)**	(45,825)
Total revenue	**699,213**	586,226
Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.		
Australia	**666,177**	560,291
New Zealand	**33,036**	25,935
Total revenue	**699,213**	586,226
ii) Segment assets reconciliation to the Statement of Financial Position		
Segment assets are those operating assets of the entity that the Executive Management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory, intangibles and excludes deferred tax assets.		
Reconciliation of segment operating assets to total assets:		
Segment operating assets	**542,904**	544,187
Inter-segment eliminations	**(16,824)**	(14,268)
Deferred tax assets	**10,179**	10,680
Total assets per the Statement of Financial Position	**536,259**	540,599
The analysis of location on non-current assets other than financial instruments and deferred tax assets is as follows:		
Australia	**389,976**	387,223
New Zealand	**29,788**	24,629
Total assets per the Statement of Financial Position	**419,764**	411,852
iii) Segment liabilities reconciliation to the Statement of Financial Position		
Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. The Managing Director, Chief Financial Officer and Directors review the level of debts for each segment in the monthly board meetings.		
Reconciliation of segment operating liabilities to total liabilities.		
Segment operating liabilities	**227,416**	238,762
Inter-segment eliminations	**(16,824)**	(14,268)
Deferred tax liabilities	**28,716**	27,150
Income tax payable	**1,302**	1,677
Total liabilities per the Statement of Financial Position	**240,610**	253,321

	Consolidated 2015 $'000	Consolidated 2014 $'000
5 Revenue and Expenses		
Revenue		
a) **Rendering of services**	**637,495**	517,704
Sale of goods	**61,596**	68,259
Finance revenue	**122**	263
Total revenue	**699,213**	586,226
b) **Other income**		
– Net gains on disposal of property, plant and equipment	**1,961**	2,927
– Other	**3,824**	2,176
Total other income	**5,785**	5,103
c) **Finance costs**		
– Related parties – other	**-**	5
– Other parties	**1,753**	1,991
– Finance charges on hire purchase contracts	**5,508**	4,181
Total finance costs	**7,261**	6,177
d) **Depreciation and amortisation expense**		
Depreciation		
– Buildings	**2,317**	2,064
– Motor vehicles	**29,491**	19,280
– Plant and equipment	**3,934**	2,917
Amortisation		
– Customer contracts	**257**	89
– IT development costs	**602**	536
Total depreciation and amortisation expense	**36,601**	24,886
e) **Employee expense**		
– Wages and salaries	**177,374**	147,254
– Workers' compensation costs	**5,792**	7,337
– Long service leave provision	**1,675**	1,110
– Annual leave provision	**11,414**	10,057
– Payroll tax	**10,098**	8,428
– Defined contribution plan expense	**12,808**	11,021
– Directors retirement scheme expense	**11**	11
Total employee expenses	**219,172**	185,218
f) **Operating lease rental expense**		
– Property	**14,236**	12,592
– Plant and equipment	**3,428**	2,095
Total operating lease rental expense	**17,664**	14,687

	Consolidated 2015 $'000	2014 $'000
6 Income Tax		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
– Current income tax charge	4,416	3,403
– Adjustments in respect of current income tax of previous years	(146)	(214)
Deferred income tax		
– Relating to origination and reversal of income tax expense reported in the Statement of Comprehensive Income temporary differences	1,220	385
Income tax expense reported in the Statement of Comprehensive Income	5,490	3,574
Statement of Changes in Equity		
Deferred income tax related to items charged or credited directly to equity		
– Net gain on revaluation of land and buildings	-	-
Income tax expense reported in equity	-	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	18,798	12,547
At the Group's statutory income tax rate of 30% (2014: 30%)	5,639	3,728
– Expenditure not allowable for income tax purposes	(3)	60
– Adjustments in respect of current income tax of previous years	(146)	(214)
Income tax expense reported in the Statement of Comprehensive Income	5,490	3,574

	Consolidated 2015 $'000 Current Income Tax	2015 $'000 Deferred Income Tax	2014 $'000 Current Income Tax	2014 $'000 Deferred Income Tax
Recognised deferred tax assets and liabilities				
Opening balance	(1,677)	(16,470)	(555)	(13,503)
Charged to income	(4,270)	(1,220)	(3,189)	(385)
Scott Corporation Limited opening balance	-	-	(922)	(1,772)
Eliminations	-	-	-	(726)
Charged to equity	2,145	(880)	-	-
Other payments	2,496	-	2,932	-
Exchange rate	4	33	57	(84)
Closing balance	(1,302)	(18,537)	(1,677)	(16,470)
Tax expense in Statement of Comprehensive Income		5,490		3,574
Amounts recognised in the Statement of Financial Position:				
Deferred tax asset		10,179		10,680
Deferred tax liability		(28,716)		(27,150)
		(18,537)		(16,470)

6 Income Tax

	Statement of Financial Position	
	2015	2014
	$'000	$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Consolidated		
Deferred tax liabilities		
– Accelerated depreciation for tax purposes	**(10,818)**	(9,499)
– Revaluation of land and buildings to fair value	**(14,193)**	(14,193)
– Trade and other receivables not derived for tax purposes	**(2,771)**	(2,450)
– Intangibles (Brands and Customer Contracts)	**(934)**	(1,008)
	(28,716)	(27,150)
Deferred tax assets		
– Equity raising costs	**-**	34
– Accelerated depreciation for accounting purposes	**637**	840
– Trade and other payables not currently deductible	**1,602**	1,965
– Trade and other receivables not derived for tax purposes	**177**	217
– Employee entitlements not currently deductible	**7,763**	7,624
	10,179	10,680

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, K&S Corporation Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. K&S Corporation Limited is the head entity of the tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

K&S Corporation Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime when lodging its 30 June 2003 consolidated tax return.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement requires members of the tax consolidated group to make contributions to the head company for tax liabilities and deferred tax balances arising from transactions occurring after the implementation of tax consolidation. Contributions are payable following the payment of the liabilities by K&S Corporation Limited. The assets and liabilities arising under the tax funding agreement are recognised as inter-company assets and liabilities with a consequential adjustment to income tax expense or benefit.

In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or upon leaving the Group.

A Deferred tax Asset / Liability is recognised when there is a deductible/taxable temporary difference between the tax base of an asset or liability and its carrying amount in the statement of financial position.

In preparing the accounts for K&S Corporation Ltd for the current year, the following amounts have been recognised as tax consolidation adjustments:

	Parent	
	2015	2014
	$'000	$'000
Total increase/(reduction) to tax expense of K&S Corporation Ltd	**(2,867)**	(1,853)
Total increase/(reduction) to inter-company assets of K&S Corporation Ltd	**2,867**	1,853

	Consolidated 2015 $'000	2014 $'000

7 Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015 $'000	2014 $'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**13,308**	8,973
Net profit attributable to ordinary equity holders of the parent	**13,308**	8,973

	2015 Thousands	2014 Thousands
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	**116,842**	98,275
Effect of dilution		
– Ordinary Shares	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**116,842**	98,275

	Consolidated 2015 $'000	2014 $'000

8 Dividends Paid and Proposed

	2015 $'000	2014 $'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final franked dividend for 2014: 3.0 cents (2013: 4.5 cents)	**3,499**	4,112
Interim franked dividend for 2015: 3.5 cents (2014: 3.0 cents)	**4,096**	2,761
	7,595	6,873
Proposed (not recognised as a liability as at 30 June):		
Dividends on ordinary shares		
Final franked dividend for 2015: 3.5 cents (2014: 3.0 cents)	**4,117**	3,483
Franking credit balance		
The amount of franking credits available for the subsequent year are:		
• franking account balance as at the end of the financial year at 30% (2014: 30%)	**48,368**	49,170
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	**544**	844
The amount of franking credits available for future reporting periods:		
• impact on franking account of dividends proposed but not recognised as a distribution to equity holders during the period	**(1,764)**	(1,493)
	47,148	48,521

Tax rates

The tax rate at which dividends have been franked is 30% (2014: 30%).
Dividends proposed will be franked at the rate of 30% (2014: 30%).

	Consolidated 2015 $'000	2014 $'000
9 Cash and Cash Equivalents		
Cash	**52**	53
Cash deposits with banks	**7,274**	23,479
	7,326	23,532

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation of net profit after income tax to net cash flows from operations

	2015	2014
Net profit after income tax	**13,308**	8,973
Add/(less) items classified as investing/financing activities:		
– (Profit)/loss on sale of non-current assets	**(934)**	(2,972)
Add/(less) non-cash items:		
– Amortisation	**252**	625
– Amounts set aside to provisions	**(3,890)**	366
– Depreciation	**36,601**	24,261
– Share of associates' net profit	**(110)**	(103)
– Dividends received from associates	**-**	-
Net cash provided by operating activities before changes in assets and liabilities	**45,227**	31,150
CHANGE IN ASSETS AND LIABILITIES		
(Increase)/decrease in inventories	**(233)**	42
(Increase)/decrease in income tax benefit	**494**	(393)
(Increase)/decrease in prepayments	**414**	119
(Increase)/decrease in receivables	**(4,830)**	8,754
(Decrease)/increase in trade creditors	**4,627**	6,678
(Decrease)/increase in income taxes payable	**(394)**	1,266
(Decrease)/increase in deferred taxes payable	**2,879**	(288)
Exchange rate changes on opening cash balances	**(28)**	(17)
Net cash provided by/(used in) operating activities	**48,156**	47,311

Disclosure of financing facilities
Refer to Note 18.

Disclosure of non-cash financing and investing activities
Refer to Note 18.

	Consolidated 2015 $'000	2014 $'000
10 Trade and Other Receivables		
Current		
Trade debtors	**78,232**	77,379
Allowance for impairment loss (a)	**(588)**	(660)
	77,644	76,719
Sundry debtors	**9,265**	5,544
	86,909	82,263
Non-current		
Related party receivables		
– Employee share plan loans	**1,422**	1,307
	1,422	1,307

a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received for the relevant debtors.

Movements in the provision for impairment loss were as follows:

	2015 $'000	2014 $'000
At 1 July	**660**	355
Charge for the year	**319**	533
Amounts written off	**(391)**	(228)
At 30 June	**588**	660

At 30 June, the aging analysis of trade receivables is as follows:

Consolidated	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI**	+91 days PDNI*	+91 days CI**
2015	**78,232**	**56,599**	**16,538**	**2,922**	**-**	**1,585**	**588**
2014	77,379	53,141	18,284	3,894	-	1,400	660

* Past due not impaired ('PDNI')

** Considered impaired ('CI')

Receivables past due but not impaired payment terms have not been re-negotiated. Each operating unit has been in direct contact with]the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

	Consolidated 2015 $'000	Consolidated 2014 $'000
11 Inventories		
Consumable stores – at cost	**1,314**	1,071
Finished goods – fuel at cost	**2,649**	2,659
Total inventories at the lower of cost and net realisable value	**3,963**	3,730

a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2015 totalled $56,936,000 (2014: $63,545,000) for the Group. This expense has been included in the cost of goods sold line item as a cost of fuel sold.

	Parent 2015 $'000	Parent 2014 $'000
12 Other Financial Assets		
Investments controlled entities		
– Shares – unlisted at cost	**78,552**	78,552
	78,552	78,552

	Interest Owned 2015 %	Interest Owned 2014 %	Investment Carrying Amount Consolidated 2015 $'000	Investment Carrying Amount Consolidated 2014 $'000
13 Investment in Associate				
a) Investment details				
Smart Logistics Pty Ltd	**50**	50	**413**	303
Investment in associate			**413**	303

Smart Logistics Pty Ltd is a provider of distribution services and consultant in transport and distribution. Smart Logistics Pty Ltd was incorporated in Australia.

b) Movements in the carrying amount of the Group's investment in associate

	Consolidated 2015 $'000	Consolidated 2014 $'000
Smart Logistics Pty Ltd		
At 1 July	**303**	200
Share of profit/(loss) after income tax	**110**	103
Dividend payment	**-**	-
At 30 June	**413**	303

13 Investment in Associate

	Consolidated 2015 $'000	2014 $'000
c) Summarised financial information		
The following table illustrates summarised financial information relating to the Group's associates:		
Extract from the associates' Statement of Financial Position:		
Current assets	**5,931**	6,429
Non-current assets	**44**	54
	5,975	6,483
Current liabilities	**(5,150)**	(5,868)
Non-current liabilities	**-**	(9)
	(5,150)	(5,877)
Net assets/(liabilities)	**825**	606
Proportion of Group's ownership	***50.0%***	***50.0%***
Share of associates net assets/(liabilities)	**413**	303
Carry amount of the Investment	**413**	303
Extract from the associates' Statement of Comprehensive Income:		
Revenue	**69,563**	75,279
Net profit	**232**	201

14 Property, Plant and Equipment

a) Reconciliation of carrying amounts at the beginning and end of the period:

	Consolidated Freehold Land and Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Total $'000
Year ended 30 June 2015				
As at 1 July 2014 net of accumulated depreciation and impairment	**118,039**	**185,837**	**12,864**	**316,740**
Additions	**428**	**48,886**	**6,661**	**55,975**
Disposals	**-**	**(9,316)**	**(90)**	**(9,406)**
Depreciation charge for the year	**(2,317)**	**(29,491)**	**(3,934)**	**(35,742)**
Exchange adjustment	**-**	**(715)**	**(10)**	**(725)**
At 30 June 2015 net of accumulated depreciation and impairment	**116,150**	**195,201**	**15,491**	**326,842**
At 30 June 2015				
Cost or fair value	**125,209**	**403,624**	**59,516**	**588,349**
Accumulated depreciation and impairment	**(9,059)**	**(208,423)**	**(44,025)**	**(261,507)**
Net carrying amount	**116,150**	**195,201**	**15,491**	**326,842**

14 Property, Plant and Equipment

	Consolidated Freehold Land and Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Total $'000
a) Reconciliation of carrying amounts at the beginning and end of the period: continued				
Year ended 30 June 2014				
As at 1 July 2013 net of accumulated depreciation and impairment	104,390	119,595	10,765	234,750
Additions	13,448	32,579	1,179	47,206
Additions – Scott Corporation Limited	2,265	55,209	3,834	61,308
Disposals	-	(3,440)	(7)	(3,447)
Depreciation charge for the year	(2,064)	(19,400)	(2,917)	(24,381)
Exchange adjustment	-	1,294	10	1,304
At 30 June 2014 net of accumulated depreciation and impairment	118,039	185,837	12,864	316,740
At 30 June 2014				
Cost or fair value	124,781	384,207	54,742	563,730
Accumulated depreciation and impairment	(6,742)	(198,370)	(41,878)	(246,990)
Net carrying amount	118,039	185,837	12,864	316,740

b) Capitalised borrowing costs

The Group has received planning approval for the construction of a transport terminal from the City of Swan in Western Australia in relation to property purchased at Bullsbrook in August 2013. The carrying amount of the property at 30 June 2015 was $14.2 million (2014: $13.3 million). The borrowing costs capitalised during the year ended 30 June 2015 was $229,000 (2014: $409,000). The capitalisation of interest ceased on 31 December 2014. The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.40%, which is the effective interest rate of the specific borrowing.

c) Revaluation of freehold land and buildings

The freehold land and buildings are included in the financial statements at fair value, except for capital expenditure subsequent to the valuation which is recorded at cost. The fair value of land and buildings in 2015 was determined based on an independent valuation undertaken in March 2013 by Jones Lang LaSalle on the basis of open market values of properties for the highest and best use. Directors have adopted this independent valuation as fair value.

The valuation technique used on valuing the freehold land and buildings consists of direct Comparison Approach and Capitalisation of Net Income Approach. The adjustments to the methodology used will be based on location of each premises and age of buildings. As the freehold land and buildings measured at fair value above are categorised as level 3, the valuation contains unobservable level 3 price inputs. The most significant unobservable input is dollar per square metre. The quantitative range, subject to location for the calculation is based on a dollar per metre between $90 and $350.

Significant increases (decreases) in any of the significant unobservable valuation inputs under both the Direct Comparison Approach and the Capitalisation of Net Income Approach in isolation would result in a significantly lower (higher) fair value measurement. There has been no material change in fair value of land and buildings since the last independent valuation.

The Group's Valuation Committee determines the process for periodical fair value measurement. The Valuation Committee comprises the Chief Financial Officer and National Equipment Manager along with relevant General Managers. External valuers are utlised where required to assist the Valuation Committee. At each reporting date the Valuation Committee will review the values of Fixed Assets to ensure values are in line with group accounting policies and external standards.

	Consolidated 2015 Freehold Land and Buildings $'000	Consolidated 2014 Freehold Land and Buildings $'000
d) Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment		
If land and buildings were measured using the cost model the carrying amounts would be as follows:		
Cost	**87,397**	86,969
Accumulated depreciation and impairment	**(13,007)**	(11,656)
Net carrying amount	**74,390**	75,313

e) Property, plant and equipment pledged as security for liabilities

The carrying value of motor vehicles held under hire purchase contracts at 30 June 2015 is $124,207,076 (2014: $120,074,111).

Hire purchase liabilities are secured by the relevant asset.

Included in the balances of freehold land and buildings are assets on which mortgages have been granted as security over bank loans. The terms of the mortgages preclude the assets being sold or used as security for further mortgages without the permission of the mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

15 Intangible Assets and Goodwill

Consolidated	IT Development Costs $'000	Goodwill $'000	Brands $'000	Customer Contracts $'000	Total $'000
Year ended 30 June 2015					
At 1 July 2014 net of accumulated amortisation and impairment	1,974	82,990	6,209	2,329	93,502
Adjustments	-	(1,265)	-	-	(1,265)
Amortisation	(602)	-	-	(257)	(859)
Exchange adjustment	-	(290)	-	-	(290)
At 30 June 2015 net of accumulated amortisation and impairment	1,372	81,435	6,209	2,072	91,088
At 30 June 2015					
Cost (gross carrying amount)	4,190	81,435	6,209	2,418	94,252
Accumulated amortisation and impairment	(2,818)	-	-	(346)	(3,164)
Net carrying amount	1,372	81,435	6,209	2,072	91,088

15 Intangible Assets and Goodwill

	Consolidated				
	IT Development Costs $'000	Goodwill $'000	Brands $'000	Customer Contracts $'000	Total $'000
Year ended 30 June 2014					
At 1 July 2013 net of accumulated amortisation and impairment	2,510	68,666	-	-	71,176
Additions	-	13,659	6,209	2,418	22,286
Amortisation	(536)	-	-	(89)	(625)
Exchange adjustment	-	665	-	-	665
At 30 June 2014 net of accumulated amortisation and impairment	1,974	82,990	6,209	2,329	93,502
At 30 June 2014					
Cost (gross carrying amount)	4,190	82,990	6,209	2,418	95,807
Accumulated amortisation and impairment	(2,216)	-	-	(89)	(2,305)
Net carrying amount	1,974	82,990	6,209	2,329	93,502

IT development costs have been capitalised at cost and relate to the development of the Group's new core freight system (Panorama).

Goodwill is subject to annual impairment testing (see *Note 16*) no impairment loss was recognised for continuing operations in the 2015 financial year.

16 Impairment Testing of Goodwill

Cash generating units

For the purpose of undertaking impairment testing, the Group identify cash generating units (CGU's) according to the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from the other assets or groups of assets.

Goodwill acquired through business combinations have been allocated across three individual cash generating units as follows:

	Goodwill	
	2015 $'000	2014 $'000
Australian Transport	**75,413**	76,677
Fuel	**165**	165
New Zealand Transport	**5,857**	6,148
	81,435	82,990

Impairment testing

The Group's impairment testing compares the carrying value of each CGU with its recoverable amount as determined using a value in use calculation.

The assumptions for determining the recoverable amount of each CGU are based on past experience and Senior Management's expectations for the future. The cash flow projections are based on financial budgets approved by Senior Management covering a five-year period.

16 Impairment Testing of Goodwill

The Group has used the following key assumptions in determining the recoverable amount of each CGU to which goodwill has been allocated:

	Discount Rate		Terminal Value Growth Rate	
	2015 %	2014 %	2015 %	2014 %
Australian Transport	**14.14**	13.71	**3.0**	3.0
Fuel	**13.71**	13.71	**3.0**	3.0
New Zealand Transport	**13.38**	13.38	**2.5**	2.5

Discount rate

The discount rate represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Terminal growth rate

The terminal growth rate represents the growth rate applied to the extrapolated cash flows beyond the five year forecast period. This is based on Senior Management expectations of the cash generating units' long term performance in their respective markets.

i) Sensitivity to changes in assumptions

The recoverable amount of the Australian Transport CGU currently exceeds its carrying value by $32.6m. This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

- Discount rate – an increase in the discount rate of over 1.0% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal growth rate – a decrease in the growth rate of over 0.85% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal cash flow – a decrease in terminal cash flow of over 11.9% would result in a reduction of the recoverable amount to below the carrying value.

The recoverable amount of the New Zealand Transport CGU currently exceeds its carrying value by $18.2m. This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

- Discount rate – an increase in the discount rate of over 5.65% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal growth rate – a decrease in the growth rate of over 6.0% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal cash flow – a decrease in terminal cash flow of over 45.8% would result in a reduction of the recoverable amount to below the carrying value.

17 Payables

	Consolidated	
	2015 $'000	2014 $'000
Current		
Trade creditors and payables	**70,365**	66,881
Self insured workers' compensation liability	**3,111**	3,601
	73,476	70,482
Non-current		
Self insured workers' compensation liability	**6,585**	8,604
	6,585	8,604

i) Trade payables are non-interest bearing and are normally settled on 30 day terms

	Consolidated 2015 $'000	2014 $'000
18 Interest Bearing Loans and Borrowings		
Current		
Hire purchase liabilities – secured	**30,345**	36,169
	30,345	36,169
Non-current		
Non redeemable preference shares	**60**	60
Hire purchase liabilities – secured	**61,358**	58,721
Bank loans – secured	**13,625**	24,625
	75,043	83,406
Commitments in respect of hire purchase agreements are payable as follows:		
Not later than one year	**34,737**	40,976
Later than one year but not later than five years	**66,138**	63,315
	100,875	104,291
Deduct: future finance charges	**(9,172)**	(9,393)
Total hire purchase liability	**91,703**	94,898
Current	**30,345**	36,177
Non-current	**61,358**	58,721
	91,703	94,898

Fair value disclosures

The carrying amount of the Group's current and non-current borrowings, approximate their fair value.

Details of the fair value of the Group's interest bearing liabilities are set out in *Note 3*.

Hire purchase contracts

The consolidated entity leases plant and equipment under hire purchase agreements for periods of one to five years. At the end of the term, the consolidated entity has the option to purchase the equipment at the agreed residual value.

Hire purchase liabilities are secured by the relevant asset.

The written down value of assets secured by hire purchase agreements is $124,207,076 (2014: $120,074,111). The weighted average cost of these facilities was 5.49% (2014: 5.84%).

Bank loans

All bank loans are denominated in Australian dollars. Bank loans are secured by fixed and floating charges over the assets of the consolidated entity. Bank loans are also secured by registered mortgages over a number of properties of the consolidated entity to the extent of $106,467,000 (2014: $108,932,000). The non-current bank loans are subject to annual review.

The Group has bank loan facilities available for a period beyond June 2015. Maturity dates for the Group's facilities are:

Facility amount ($'000)	Expiry
25,000	4 January 2017
33,000	26 November 2017
40,000	26 November 2016

The facilities bear interest at 3.40% (2014: 3.60%).

18 Interest Bearing Loans and Borrowings

	Consolidated 2015 $'000	Consolidated 2014 $'000
Financing facilities available		
Total facilities available:		
Bank overdrafts	**7,000**	4,000
Bank loans	**84,000**	80,421
Standby letters of credit	**19,488**	19,579
	110,488	104,000

Standby letters of credit

The Group has the following guarantees at 30 June 2015:

- Bank guarantee of $16,877,000 has been provided by the Westpac Banking Corporation to Comcare for the due discharge of liabilities to pay compensation and other amounts under the *Safety Rehabilitation and Compensation Act 1988*;
- Other bank guarantees of $1,338,250 have been provided by the Westpac Banking Corporation Limited to suppliers.
- Other bank guarantees of $385,000 have been provided by the Commonwealth Bank of Australia to suppliers.
- Other bank guarantees of $887,884 have been provided by Bank SA to suppliers.

	Consolidated 2015 $'000	Consolidated 2014 $'000
Facilities utilised at balance date:		
Bank overdrafts	**-**	-
Bank loans	**13,625**	24,625
Standby letters of credit	**19,488**	19,579
	33,113	44,204
Facilities not utilised at balance date:		
Bank overdrafts	**7,000**	4,000
Bank loans	**70,375**	55,796
Standby letters of credit	**-**	-
	77,375	59,796
Total facilities	**110,488**	104,000
Facilities used at balance date	**33,113**	44,204
Facilities unused at balance date	**77,375**	59,796

Bank overdrafts

The bank overdrafts within the consolidated entity are secured by a guarantee from the Company. The bank overdraft is secured by fixed and floating charges over the assets of the consolidated entity. The facilities are subject to annual review by the banks concerned and have been extended to 30 June 2016.

Assets pledged as security

Included in the balances of freehold land and buildings are assets on which mortgages have been granted as security over bank loans. The terms of the mortgages preclude the assets being sold or used as security for further mortgages without the permission of the mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

18 Interest Bearing Loans and Borrowings

	Consolidated 2015 $'000	2014 $'000
The carrying amount of assets pledged as security for current and non-current interest bearing liabilities are:		
Non-current		
First mortgage		
– Freehold land and buildings	**105,723**	107,943
– Plant and equipment	**744**	989
Total non-current assets pledged as security	**106,467**	108,932

Non-cash financing and investment activities

During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of $39,772,000 (2014: $29,300,000) and disposed of property, plant and equipment with an aggregate fair value of $nil (2014: $nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the Statement of Cash Flows.

19 Provisions

	2015 $'000	2014 $'000
Current		
Employee benefits	**19,854**	22,704
	19,854	22,704
Non-current		
Employee benefits	**5,564**	2,261
Make good provision	**346**	419
Directors' retirement allowance	**459**	449
	6,369	3,129

No dividends have been provided for the year ended 30 June 2015. The extent to which dividends were franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in *Note 8*.

19 Provisions

	Make Good Provision $'000	Directors' Retirement Allowance $'000	Total $'000
a) Movements in provisions			
Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:			
CONSOLIDATED			
At 1 July 2014	419	449	868
Arising during the year	-	10	10
Utilised	73	-	73
At 30 June 2015	**346**	**459**	**805**
Current 2015	**-**	**-**	**-**
Non-Current 2015	**346**	**459**	**805**
	346	**459**	**805**
Current 2014	-	-	-
Non-Current 2014	419	449	868
	419	449	868

b) Nature and timing of provisions

i) Make good provision

In accordance with various lease agreements, the Group must restore leased premises in Western Australia, South Australia, Victoria and New South Wales to their original condition at the end of the leases.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provisions is the costs that will ultimately be incurred.

ii) Long service leave

Refer to *Note 2(z)* and *Note 2(cc)* for the relevant accounting policy and a discussion of the significant estimates and assumptions applied in the measurement of this provision.

iii) Directors retirement allowance

Refer to *Note 2(z)* for the relevant accounting policy and a discussion of the significant estimates and assumptions applied in the measurement of this provision.

	Consolidated 2015 $'000	Consolidated 2014 $'000
20 Contributed Equity and Reserves		
a) Ordinary shares		
Contributed equity		
117,616,625 (2014: 116,092,472) ordinary shares fully paid	**147,674**	145,415
	147,674	145,415

20 Contributed Equity and Reserves

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company and carry the right to receive dividends as declared.

	Thousands	$'000
Movements in ordinary shares on issue		
At 1 July 2013	91,180	101,187
Issued through Employee Share Plan – 201,000 ordinary shares at $1.77	201	356
Issued through Dividend Re-investment Plan – 665,300 ordinary shares at $1.6384	665	1,090
Issued through Scott Corporation Limited Purchase – 23,573,818 ordinary shares at $1.78	23,574	41,961
Issued through Dividend Re-investment Plan – 433,984 ordinary shares at $1.7345	434	753
Issued through Scott Corporation Limited Purchase – 38,505 ordinary shares at $1.78	39	68
At 30 June 2014	116,093	145,415
Issued through Employee Share Plan – 402,000 ordinary shares at $1.46	**402**	**587**
Issued through Dividend Re-investment Plan – 519,914 ordinary shares at $1.4941	**520**	**777**
Issued through Dividend Re-investment Plan – 602,039 ordinary shares at $1.4878	**602**	**895**
At 30 June 2015	**117,617**	**147,674**

b) Capital management

When managing capital, the Group's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to Shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Group is not subject to any externally imposed capital requirements.

During 2015, the Group paid dividends of $7,595,000 (2014: $6,873,000).

Management monitor capital through the gearing ratio (net debt/net debt + Shareholders funds). The gearing ratios based on continuing operations at 30 June were as follows:

	Consolidated	
	2015 $'000	2014 $'000
Total interest bearing loans and borrowings	**105,388**	119,583
Less cash and cash equivalents	**(7,326)**	(23,532)
Net debt	**98,062**	96,051
Net debt + Shareholders funds	**392,631**	383,201
Gearing ratio	**25.0%**	25.2%

Nature and purpose of reserves

Asset revaluation reserve
The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

21 Derivative Financial Instruments

a) Hedging activities

The Group has no interest rate swap agreements in place at 30 June 2015.

b) Interest rate risk

Information regarding interest rate risk exposure is set out in *Note 3*.

	Consolidated	
	2015 $'000	2014 $'000
22 Commitments		
The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2015 are:		
Capital expenditure commitments		
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	**35,246**	16,206
Lease rental commitments		
Operating lease and hire commitments:		
– Not later than one year	**15,333**	16,812
– Later than one year but not later than five years	**30,344**	30,668
– Later than five years	**10,102**	12,478
	55,779	59,958

The consolidated entity leases property under non-cancellable operating leases expiring from one to fifteen years. Leases generally provide the consolidated entity with a right of renewal, at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Finance lease commitments are disclosed in *Note 18*.

23 Contingent Liabilities

Guarantees

The Company and all its subsidiaries have interlocking guarantees in support of the Company's banking facilities with Westpac Banking Corporation ("WBC") and Commonwealth Bank of Australia ("CBA"). Details are:

- Interlocking guarantee and indemnity between WBC and the Company and its wholly-owned subsidiaries dated 23 September 2002, pursuant to which the Company and its wholly-owned subsidiaries jointly and severally guarantee to WBC the performance by the Company and its wholly-owned subsidiaries of their respective obligations under the WBC multi-currency multiple option facility agreement.
- Guarantee and indemnity between CBA and the Company and its wholly-owned subsidiaries dated 15 June 2007, pursuant to which the Company and its wholly-owned subsidiaries jointly and severally guarantee to CBA the performance by the Company and its wholly-owned subsidiaries of their respective obligations under the CBA multiple option facility agreement.

Cross guarantees given by the Company and its wholly-owned controlled entities are described in *Note 24*.

Legal claim

DTM Pty Ltd ("DTM"), a subsidiary of the Company, was served with legal proceedings out of the Supreme Court of Victoria in December 2013. DTM is one of five named defendants to those proceedings. DTM has also applied to join a further five parties as defendants to those proceedings. The claims relate to property damage sustained in a fire at a DTM warehouse in 2007. The quantum of the claims the subject of those proceedings is $8.65 million. Liability has not been admitted and the claims against DTM will be defended.

There are a number of minor legal actions pending against companies within the consolidated entity. Liability has not been admitted and claims will be defended. The Directors do not believe these actions will result in any significant cost to the consolidated entity.

24 Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports. It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

Reid Bros Pty Ltd
Kain & Shelton Pty Ltd
K&S Freighters Pty Ltd
K&S Group Administrative Services Pty Ltd
Kain & Shelton (Agencies) Pty Ltd
K&S Transport Management Pty Ltd
Blakistons-Gibb Pty Ltd
K&S Logistics Pty Ltd
K&S Project Services Pty Ltd
K&S Integrated Distribution Pty Ltd
Scott Corporation Pty Ltd
Bulktrans Pty Ltd
Chemtrans Pty Ltd
K&S Group Pty Ltd
DTM Holdings (No. 2) Pty Ltd
Alento Pty Ltd
DTM Holdings Pty Ltd
DTM Pty Ltd
Regal Transport Group Pty Ltd
Strategic Transport Pty Ltd
Vortex Nominees Pty Ltd
K&S Freighters Limited *
Cochrane's Transport Limited *
Hyde Park Tank Depot Pty Ltd
Energytrans Pty Ltd

* Both K&S Freighters Limited and Cochrane's Transport Limited are New Zealand entities.

A consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2015 is set out below:

	Closed Group 2015 $'000	Closed Group 2014 $'000
Statement of Comprehensive Income		
Profit before income tax	**18,798**	12,547
Income tax expense	**(5,490)**	(3,574)
Profit after income tax	**13,308**	8,973
Retained profits at the beginning of the year	**109,305**	107,205
Transfer asset revaluation reserve	**-**	-
Dividends provided or paid	**(7,595)**	(6,873)
Retained earnings at the end of the year	**115,018**	109,305

24 Deed of Cross Guarantee

	Closed Group 2015 $'000	Closed Group 2014 $'000
Statement of Financial Position		
Cash	**7,326**	23,532
Trade and other receivables	**86,909**	82,263
Inventories	**3,963**	3,730
Prepayments	**8,117**	8,542
Total current assets	**106,315**	118,067
Other receivables	**1,422**	1,307
Investment in associates	**413**	303
Property, plant and equipment	**326,842**	316,740
Intangibles	**91,088**	93,502
Deferred tax assets	**10,179**	10,680
Total non-current assets	**429,944**	422,532
Total assets	**536,259**	540,599
Trade and other payables	**73,476**	70,482
Interest bearing loans and borrowings	**30,345**	36,169
Current tax liabilities	**1,302**	1,677
Provisions	**19,854**	22,704
Total current liabilities	**124,977**	131,032
Other payables	**6,585**	8,604
Interest bearing loans and borrowings	**75,043**	83,406
Deferred tax liabilities	**28,716**	27,150
Provisions	**6,369**	3,129
Total non-current liabilities	**116,713**	122,289
Total liabilities	**241,690**	253,321
Net assets	**294,569**	287,278
Contributed equity	**147,674**	145,415
Reserves	**31,877**	32,558
Retained earnings	**115,018**	109,305
Total equity	**294,569**	287,278

25 Controlled Entities

Particulars in relation to controlled entities

Name	Class of Share	Country of Incorporation	% Equity Interest 2015	% Equity Interest 2014
K&S Corporation Limited				
Controlled Entities				
Reid Bros Pty Ltd	Ord	Australia	**100**	100
Kain & Shelton Pty Ltd	Ord	Australia	**100**	100
K&S Freighters Pty Ltd	Ord	Australia	**100**	100
K&S Group Administrative Services Pty Ltd	Ord	Australia	**100**	100
Kain & Shelton (Agencies) Pty Ltd	Ord	Australia	**100**	100
K&S Transport Management Pty Ltd	Ord	Australia	**100**	100
Blakistons-Gibb Pty Ltd	Ord	Australia	**100**	100
K&S Logistics Pty Ltd	Ord	Australia	**100**	100
K&S Integrated Distribution Pty Ltd	Ord	Australia	**100**	100
K&S Group Pty Ltd	Ord	Australia	**100**	100
DTM Holdings (No. 2) Pty Ltd	Ord	Australia	**100**	100
Alento Pty Ltd	Ord	Australia	**100**	100
DTM Holdings Pty Ltd	Ord	Australia	**100**	100
DTM Pty Ltd	Ord	Australia	**100**	100
K&S Project Services Pty Ltd	Ord	Australia	**100**	100
Regal Transport Group Pty Ltd	Ord	Australia	**100**	100
Strategic Transport Services Pty Ltd	Ord	Australia	**100**	100
Vortex Nominees Pty Ltd	Ord	Australia	**100**	100
K&S Freighters Limited	Ord	New Zealand	**100**	100
Cochrane's Transport Limited	Ord	New Zealand	**100**	100
Scott Corporation Pty Ltd	Ord	Australia	**100**	100
Bulktrans Pty Ltd	Ord	Australia	**100**	100
Chemtrans Pty Ltd	Ord	Australia	**100**	100
Hyde Park Tank Depot Pty Ltd	Ord	Australia	**100**	100
Energytrans Pty Ltd	Ord	Australia	**100**	100

26 Related Party Disclosures

DIRECTORS

The names of each person holding the position of Director of K&S Corporation Limited during the financial year and up to the date of signing the financial report are Messrs. T Johnson, L Winser, G Boulton, R Smith and P Sarant.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Other transactions with the Company or its Controlled Entities

Zenaray Pty Ltd, the major shareholder of the following entities which provide goods and services to the economic entity are:

AA Scott Pty Ltd
Ascot Haulage (NT) Pty Ltd
The Border Watch Pty Ltd
Scott Corporation Limited – prior to 24 February 2014
Northern Territory Freight Services Pty Ltd
Scott's Agencies Pty Ltd
Scott's Management Pty Ltd
Scott's Transport Industries Pty Ltd
128 Bedford Street Pty Ltd

Mr Winser has an interest as an alternate Director of several companies within the Scott Group.

128 Bedford Street Pty Ltd has an interest in a transport facility in Adelaide which the Company rents on a commercial basis. Rent in 2015 was $415,538 (2014: First Radio Pty Ltd $402,000).

Mr Johnson has an interest as a Director of AA Scott Pty Ltd.

26 Related Party Disclosures

	Purchases 2015 $	Purchases 2014 $	Sales 2015 $	Sales 2014 $
The aggregate amount of dealings with these companies during 2015 were as follows:				
Ascot Haulage (NT) Pty Ltd	**2,776,928**	3,368,267	**-**	-
Northern Territory Freight Services Pty Ltd	**1,920**	188,338	**-**	-
Scott's Transport Industries Pty Ltd	**129,903**	108,327	**1,102,753**	713,598
Scott's Agencies Pty Ltd	**68**	480,559	**-**	-
The Border Watch Pty Ltd	**15,763**	17,462	**-**	-

K&S Corporations Limited acquired the business and assets of Northern Territory Freight Services on 2 March 2015 for $2,688,000. Further details pertaining to the transaction are disclosed in *Note 29*.

Mr Johnson was founder and former partner in Johnson, Winter & Slattery, a firm of solicitors. This firm renders legal advice to the economic entity. The aggregate amount of dealings with this firm during 2015 was $112,545 (2014: $76,812) in professional service fees.

Mr R Smith has an interest as Director of Transpacific Industries Limited. Transactions with this company during 2015 were sales of $2,930 (2014: $72,788) and purchases of $126,998 (2014: $40,252).

	Consolidated 2015 $'000	Consolidated 2014 $'000
Amounts payable to and receivable from Directors and their Director-related entities at balance date arising from these transactions were as follows:		
Current receivables (included within trade debtors)		
Scott's Transport Industries Pty Ltd	**90**	34
Transpacific Industries Limited	**-**	-
No provision for doubtful debts has been recognised in respect of these balances as they are considered recoverable.		
Current payables (included within trade payables)		
Ascot Haulage (NT) Pty Ltd	**-**	157
Scott's Transport Industries Pty Ltd	**194**	-
Transpacific Industries Limited	**4**	3

Wholly-owned Group
Details of interests in wholly-owned controlled entities are set out at *Note 25*.

	Parent 2015 $'000	Parent 2014 $'000
Details of dealings with these entities are set out below:		
Balances with entities within the wholly-owned group		
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance date:		
Receivables		
– Current	**78,286**	88,643
– Non-current	**17,961**	17,961
	96,247	106,604

26 Related Party Disclosures

Terms and conditions of transactions within the wholly-owned group

Sales to and purchases from within the wholly-owned group are made at arm's length. Terms and conditions of the tax funding agreement are set out in *Note 6*. Outstanding balances at year-end are unsecured and interest free.

	Consolidated 2015	2014
DIRECTORS' SHARE TRANSACTIONS		
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
– Ordinary shares	**1,975,379**	1,941,129
– Preference shares	**-**	-
All share transactions were with the parent Company, K&S Corporation Limited.		
	2015 $'000	2014 $'000
Dividends		
Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:		
– Ordinary shares	**135**	82
– Preference shares	**-**	-

Directors' transactions in shares and share options
Purchases of shares by Directors and Director-related entities are set out in the Directors' Report.

Ultimate parent entity
The immediate parent entity and ultimate controlling entity of K&S Corporation Ltd is AA Scott Pty Ltd, a company incorporated in South Australia.

27 Key Management Personnel

a) Details of Key Management Personnel

i) Directors

Mr T Johnson	Non-Executive Chairman
Mr G Boulton	Non-Executive Deputy Chairman (Resigned 31 August 2015)
Mr R Smith	Non-Executive
Mr L Winser	Non-Executive
Mr P Sarant	Managing Director

ii) Executives

Mr B Walsh	Chief Financial Officer
Mr C Bright	General Counsel & Company Secretary
Mr G Everest	Executive General Manager Regal Transport (Resigned 14 November 2014)
Mr R King	Executive General Manager Western Australia
Mr S Hine	Executive General Manager Business Development
Mr S Skazlic	General Manager HS&E / Compliance
Ms K Evans	General Manager Human Resources
Mr D Keane	Executive General Manager Scott Corporation
Mr K Cope	Executive General Manager Commercial (Resigned 6 February 2015)
Mr M Kohne	Executive General Manager DTM
Mr G Beurteaux	Executive General Manager K&S Freighters (Appointed 14 July 2014)

	Consolidated	
	2015 $	2014 $
b) Compensation for Key Management Personnel		
Short-term	**4,423,498**	3,929,096
Retention payments	**156,000**	-
Long-term	**61,380**	52,843
Post employment	**362,429**	288,867
	5,003,307	4,270,806

28 Events Subsequent to Balance Date

On 21 August 2015, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is $4,116,582, which represents a fully franked dividend of 3.5 cents per share. The dividend is payable on 2 November 2015 and has not been provided for in the 30 June 2015 financial statements. The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 19 October 2015 (the record date of the final dividend), less a discount of 2.5%. The last election date for participation in the DRP is 20 October 2015.

Other than the matters above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

29 Business Combinations

Acquisitions in 2015

Acquisition of NTFS

On 2 March 2015, K&S Corporation Limited (K&S) acquired the business and assets of Northern Territory Freight Services ("NTFS"). NTFS is one of the largest rail freight forwarders on the Adelaide-Alice Springs-Darwin corridor, while also providing road linehaul services between Adelaide and Darwin.

No goodwill has been recorded.

The acquisition of NTFS presents immediate opportunities for K&S Corporation to expand its current service offering in the Adelaide-Darwin corridor, while also allowing additional services to be provided to the north west regions of Western Australia in conjunction with the Regal business.

The provisional fair values of identifiable assets and liabilities is as follows:

	Fair Value at Acquisition Date $'000	Carrying Value $'000
Property, plant & equipment	6,294	6,294
Prepayments	142	142
Deferred tax assets	87	87
	6,523	6,523
Provision for employee entitlements	(646)	(646)
Interest Bearing Loans and Borrowings	(2,950)	(2,950)
Deferred tax liability	(239)	(239)
	(3,835)	(3,835)
Provisional fair value of identifiable net assets	2,688	
Cash payment	2,688	
Direct costs relating to the acquisition	-	
Total outflow on acquisition	2,688	

Transaction costs of nil have been expensed and included in other expenses. From the date of acquisition, NTFS has contributed $15,330,159 of revenue and $333,840 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $48,118,230 and the loss before tax from continuing operations before rationalisation benefits for the Group would have been $24,504.

Acquisitions in 2014

Acquisition of Scott Corporation Limited

On 24 February 2014, K&S Corporation Limited (K&S) obtained control of Scott Corporation Limited via an off-market takeover bid. Scott Corporation Limited is a national carrier with expertise in the transport of bulk solids, liquids and explosives by road, rail and sea via four operating divisions catering to a diverse range of transport and logistic needs. Scott Corporation Limited has a blue chip contracted customer base.

The consideration transferred was a combination of scrip at 0.345 K&S Shares or $0.59 per Scott Corporation Limited share.

Scott Corporation Limited operates in different functional and geographic markets to K&S and expands the scope, scale and diversity of our business. With its exposure to the resources sector, the Scott Corporation Limited business is highly complementary to K&S.

29 Business Combinations

Acquisition of Scott Corporation Limited continued

	Fair Value at Acquisition Date $'000	Carrying Value $'000
The fair values of identifiable assets and liabilities is as follows:		
Cash	3,719	3,719
Debtors	26,802	26,802
Inventories	732	732
Prepayments	3,374	3,374
Plant & equipment	61,936	64,831
Deferred tax assets	2,446	2,446
	99,009	101,904
Trade creditors	(16,972)	(16,972)
Hire purchase – current	(16,762)	(16,762)
Provision for dividend	(3,772)	(3,772)
Provision for employee entitlements	(6,247)	(6,247)
Provision for Income tax payable	(588)	(588)
Hire purchase – non current	(25,738)	(25,738)
Deferred tax liability	(5,081)	(5,081)
	(75,160)	(75,160)
Fair value of identifiable net assets	23,849	
Goodwill arising on acquisition	13,659	
Brands	6,209	
Customer contracts	2,418	
Purchase consideration transferred	46,135	
Acquisition-date fair-value of consideration transferred		
Shares issued at fair value	42,029	
Cash paid	4,106	
Consideration transferred	46,135	
Analysis of cash flows on acquisition		
Direct costs relating to the acquisition	(804)	
Net cash acquired with the purchase	3,719	
Cash paid	(4,106)	
Cash outflow on acquisition	(1,191)	

The initial accounting for the business combination requires the identification of fair values to be assigned to Scott Corporation Limited's identifiable assets, liabilities and contingent liabilities. Due to the acquisition occurring in the second half of the year, the fair values assigned to Scott Corporation Limited's assets were provisional. In accordance with Australian Accounting Standards, K&S has recognised an adjustment to the provisional values as a result of completing the initial accounting within 12 months of the acquisition date.

The fair value of the trade receivables amounts to $26,802,000. The gross amount of trade receivables is $26,875,000. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of $13,659,000 (total excludes brands and contracts) comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Australian Transport segment.

Transaction costs of $804,000 have been expensed and are included in other expenses.

From the date of acquisition, Scott Corporation has contributed $66,894,000 of revenue and $3,066,000 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $199,357,000 and the profit before tax from continuing operations for the Group would have been $5,292,000.

	Consolidated 2015 $'000	Consolidated 2014 $'000
30 Auditor's Remuneration		
The auditor of K&S Corporation Limited is Ernst & Young.		
Audit services:		
Audit and review of the statutory financial reports	**174,500**	160,000
	174,500	160,000
Other services:		
Other services – Ernst & Young:		
– Scott Corporation Limited acquisition assistance	**59,493**	137,355
	59,493	137,355

	Parent 2015 $'000	Parent 2014 $'000
31 Parent Entity Information		
Current assets	**79,350**	88,643
Total assets	**177,423**	186,669
Current liabilities	**(1,210)**	(142)
Total liabilities	**(8,798)**	(12,719)
Issued capital	**147,674**	145,415
Asset revaluation reserve	**161**	161
Retained earnings	**20,790**	28,374
Total Shareholders' equity	**168,625**	173,950
Profit after tax of the parent entity	**5,434**	10,422
Total comprehensive income of the parent entity	**5,434**	10,422

Guarantees

Cross guarantees given by the Company and its wholly-owned controlled entities are described in *Note 24*.

Contingent liabilities

Contingent liabilities of the Company and its wholly-owned controlled entities are outlined in *Note 23*.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of K&S Corporation Limited, we state that:

In the opinion of the Directors:

a) the financial report of the Company and of the consolidated entity is 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 2015 and of its performance for the year ended on that date; and

ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in *Note 2 (b)*.

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.

d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2015.

e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in *Note 24* will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

Dated at Adelaide this 21st day of August 2015.

On behalf of the Board:

Tony Johnson
Chairman

Paul Sarant
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF K&S CORPORATION LIMITED

In relation to our audit of the financial report of K&S Corporation Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mark Phelps
Partner

Adelaide
21 August 2015

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF
K&S CORPORATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of K&S Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In *Note 2*, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a the financial report of K&S Corporation Limited is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position at 30 June 2015 and of its performance for the year ended on that date; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b the financial report also complies with *International Financial Reporting Standards* as disclosed in *Note 2*.

Report on the Remuneration Report

We have audited the Remuneration Report included in *pages 21 to 31* of the directors' report for the year ended 30 June 2015. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of K&S Corporation Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Mark Phelps
Partner

Adelaide
21 August 2015

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INFORMATION ON SHAREHOLDINGS

INFORMATION RELATING TO SECURITY HOLDERS AS AT 21 SEPTEMBER 2015

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares	Number of Shareholders
1-1,000 Shares	500
1,001 - 5,000 Shares	1,017
5,001 - 10,000 Shares	449
10,001 - 100,000 Shares	570
100,001 and more Shares	57
	2,593

165 shareholders hold less than a marketable parcel (358 shares).

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Ordinary Shares Held	%
1	AA Scott Pty Ltd	65,673,057	55.84
2	Citicorp Nominees Pty Limited	5,673,267	4.82
3	Bell Potter Nominees Ltd	2,726,732	2.32
4	Ascot Media Investments Pty Ltd	2,297,175	1.95
5	JP Morgan Nominees Australia Limited	2,172,012	1.85
6	Zena Winser Pty Ltd <The Zena A/C>	1,656,523	1.41
7	P Whitehead Nominees Pty Ltd <Peter Whitehead Fam S/F A/C>	1,210,513	1.03
8	Oakcroft Nominees Pty Ltd <Oakcroft Super Fund A/C>	1,026,133	0.87
9	HSBC Custody Nominees (Australia) Limited GSCO ECA	809,116	0.69
10	Tribridge Holdings Pty Ltd	750,000	0.64
11	National Nominees Limited	748,742	0.64
12	Mr Eric Joseph Roughana	700,000	0.60
13	Winscott Investments Pty Ltd	621,438	0.53
14	Mr Barry William Page & Mrs Janice Mary Page <Ardmore Super Fund A/C>	620,750	0.53
15	Tirroki Pty Ltd <AF Johnson Super Fund A/C>	493,178	0.42
16	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	459,358	0.39
17	Mr William Clifton Anderson	405,216	0.34
18	Mr John Irving Stepnell & Mrs Valerie Iris Stepnell <Stepnell Super Fund A/C>	401,500	0.34
19	HSBC Custody Nominees Australia	376,147	0.32
20	Kailva Pty Ltd <Superannuation A/C>	375,000	0.32
		89,195,857	75.85

AA Scott Pty Limited is the registered holder of all the 6% Non Redeemable Cumulative Preference Shares, participating to 8%.

The 20 largest Shareholders hold 75.85% of the ordinary shares of the Company, and 100% of the preference shares.

The following is an extract from the Company's Register of Substantial Shareholders as at 21 September 2015

	Number	% of Class
AA Scott Pty Ltd & Associated Companies	72,115,391	61.31

VOTING RIGHTS

The voting rights are as follows:

Preference Shares:	Nil
Ordinary Shares:	1 vote per share

CORPORATE DIRECTORY

HEAD OFFICE

591 Boundary Road
Truganina Victoria 3029
Phone: (03) 8744 3500
Facsimile: (03) 8744 3599

REGISTERED OFFICE

141-147 Jubilee Highway West
Mount Gambier
South Australia 5290
Phone: (08) 8721 1700
Facsimile: (08) 8721 1799

STOCK EXCHANGE

The Company is on the official list of the Australian Stock Exchange Limited. The Company's Home Exchange is Australian Stock Exchange (Adelaide) Limited.

SHARE REGISTRY

c/o Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
Phone: (08) 8236 2300
Facsimile: (08) 9473 2102

GPO Box 1903
Adelaide SA 5001

Enquiries within Australia:
1300 556 161

Enquiries outside Australia:
61 3 9415 5000

Email:
web.queries@computershare.com.au

Website: www.computershare.com

WEBSITE

www.ksgroup.com.au

OPERATIONS

ROAD, RAIL AND SEA

K&S Freighters

Melbourne
591 Boundary Road
Truganina VIC 3029
Phone: (03) 8744 3700
Facsimile: (03) 8744 3799

Portland
53 Fitzgerald Street
Portland VIC 3305
Phone: (03) 5523 4144
Facsimile: (03) 5523 5647

Geelong
325 Thompson Road
North Geelong VIC 3215
Phone: (03) 5278 5777
Facsimile: (03) 5278 5230

Ballarat
c/o Laminex Industries
16 Trewin Street
Wendouree VIC 3355
Phone: (03) 5338 1710
Facsimile: (03) 5338 1136

Sydney
1 Hope Street, Enfield NSW 2136
Phone: (02) 9735 2400
Facsimile: (02) 9735 2499

Brisbane
34 Postle Street
Coopers Plains QLD 4108
Phone: (07) 3137 4400
Facsimile: (07) 3137 4441

Bundaberg
Old Quanaba Mill, Grange Road
Bundaberg QLD 4670
Phone: (07) 4159 2150
Facsimile: (07) 4159 1825

Perth
Lot 1 Kewdale Freight Precinct
Off Fenton Street
Kewdale WA 6105
Phone: (08) 6466 6600
Facsimile: (08) 6466 6699

Bunbury
91 Moore Road
Dardanup WA 6236
Phone: (08) 9725 4400
Facsimile: (08) 9725 4949

Adelaide
30-32 Francis Street
Port Adelaide SA 5015
Phone:(08) 7224 5400
Facsimile:(08) 7224 5497

Mount Gambier
141-147 Jubilee Highway West
Mount Gambier SA 5290
Phone: (08) 8721 1700
Facsimile: (08) 8721 1799

New Zealand

Cambridge
3847 Te Awamutu Road
Cambridge NZ
Phone: (07) 827 6002
Facsimile: (07) 827 5606

Mount Maunganui
35 Portside Drive
Mount Maunganui NZ
Phone: (07) 575 8265
Facsimile: (07) 575 8480

Auckland
4 Tinley Street, Auckland NZ
Phone: (09) 307 0061
Facsimile: (09) 307 0027

Christchurch
40 Braeburn Drive,
Christchurch NZ
Phone: (03) 344 0171

DTM

Sydney
2 Hope Street, Enfield
NSW 2136
Phone: (02) 9735 2300
Facsimile: (02) 9735 2399

Melbourne
591 Boundary Road
Truganina VIC 3029
Phone: (03) 8744 3763
Facsimile: (03) 8744 3799

Adelaide
30-32 Francis Street
Port Adelaide SA 5015
Phone: (08) 7224 5480
Facsimile: (08) 7224 5496

Brisbane
34 Postle Street,
Coopers Plains QLD 4108
Phone: (07) 3137 4400
Facsimile: (07) 3137 4441

Perth
Lot 1 Kewdale Freight Precinct
Off Fenton Street
Kewdale WA 6105
Phone: (08) 6466 6646
Facsimile: (08) 6466 6697

Regal Transport

Perth
160 Lakes Road
Hazelmere WA 6055
Phone: (08) 9376 9600
Facsimile: (08) 9376 9666

Broome
18 McDaniel Road
Broome WA 6725
Phone: (08) 9192 6599
Facsimile: (08) 9192 6588

Derby
23 Rodgers Street
Derby WA 6728
Phone: (08) 9193 1771
Facsimile: (08) 9191 2880

Karratha
Lot 1102 Mooligunn Road
Karratha WA 6725
Phone: (08) 9144 1151
Facsimile: (08) 9144 1122

Newman
Lot 1583 Woodstock Street
Newman WA 6753
Phone: (08) 9175 2300
Facsimile: (08) 9175 2878

Port Hedland
Lot 2521 Miller Street
Port Hedland WA 6721
Phone: (08) 9140 2778
Facsimile: (08) 9140 2740

Onslow
558 Beadon Creek Road
Onslow, WA 6710
Phone: (08) 9144 1151

Kununurra
33 Poinciana Street
Kununurra WA 6743
Phone: (08) 9169 3333

Scott Corporation

Altona
25-26 Salta Drive
Altona North VIC 3025
Phone: (03) 9282 2800
Facsimile: (03) 9282 2810

Appin
West Cliff Colliery Weighbridge
Wedderburn Road
Wedderburn NSW 2560
Phone: (02) 4640 4109
Facsimile: (02) 4640 4197

Brisbane
34 Postle Street,
Coopers Plains QLD 4108
Phone: (07) 3718 4200
Facsimile: (07) 3272 6760

Darwin
c/o NTFS
8 College Road, Berrimah NT 0828
Phone: (08) 8995 8100
Facsimile: (08) 8984 3873

Lithgow
Cnr Wolgan Road & Duncan Street
Lidsdale NSW 2790
Phone: (02) 6355 1202
Facsimile: (02) 6355 1658

Padstow
55 Davies Road Padstow
NSW 2211
Phone: (02) 9792 9400
Facsimile: (02) 9792 9410

Port Kembla
Cnr King & Wattle Streets
Port Kembla NSW 2505
Phone: (02) 4267 9200
Facsimile: (02) 4267 9280

Newcastle
45 Greenleaf Road
Kooragang Island NSW 2304
Phone: (02) 4033 7000
Facsimile: (02) 4928 4368

Townsville
13 Pilkington Street
Garbutt QLD 4814
Phone: (07) 4431 2000
Facsimile: (07) 7425 1203

Gladstone
Lot 152 Red Rover Road
Gladstone QLD 4680
Phone: (07) 4973 1700
Facsimile: (07) 4972 6227

Perth
3 Central Avenue, Hazelmere
WA 6055
Phone: (08) 6274 9600
Facsimile: (08) 6274 9611

NTFS

Adelaide
30-32 Francis Street
Port Adelaide SA 5015
Phone: (08) 8240 1400
Facsimile: (08) 8240 1438

Alice Springs
196 North Stuart Highway
Alice Springs NT 0870
Phone: (08) 8952 6422
Facsimile: (08) 8953 0048

Darwin
8 College Road, Darwin NT 0828
Phone: (08) 8984 4922
Facsimile: (08) 8984 3732

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