



K&S CORPORATION LIMITED

*annual
report
2017*

Financial Calendar

Annual General Meeting	28 November 2017
Half-year Result and Interim Dividend Announcement	20 February 2018
Full-year Result and Final Dividend Announcement	20 August 2018
Annual Report to Shareholders	10 October 2018
Annual General Meeting	27 November 2018

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K&S CORPORATION LIMITED

ABN 67 007 561 837

**TO BE THE LEADING PROVIDER
OF TRANSPORT AND LOGISTIC
SOLUTIONS WITHIN OUR TARGET
MARKETS IN AUSTRALIA AND
NEW ZEALAND**

highlights 2017

- **Generates revenue of \$755.2 million**
- **Completes merger of Scott's Transport Industries**
- **Improved profitability**
- **Safety focus continues to deliver positive outcomes**
- **Operating cash flow exceeds \$49.0 million**

K&S FREIGHTERS

Chairman's OVERVIEW

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

The year has been a challenging but also successful year with our financial performance improving.

Operating revenues increased by 9.6% to \$755.2 million.

We achieved an underlying profit before tax of \$10.9 million, an increase on the previous corresponding period of 100.6%.

Our underlying profit after tax was \$8.0 million, an increase on the previous corresponding period of 106.5%.

In May 2017, we settled a legal matter that related to a DTM warehouse fire that occurred in January 2007 for \$1.5 million.

This legal settlement reduced our statutory profit before tax to \$9.4 million.

Operating cashflow for the year was \$49.4 million which was a 20.2% increase on the prior year.

A pleasing aspect of the year was the improved performance of many business units. Our intermodal, contract logistics and New Zealand businesses benefited from higher volumes.

Our K&S Energy business achieved significant growth with the awarding of major new contracts in Western Australia and South Australia.

Our Western Australian resource business is still impacted by the reduced infrastructure activity levels in the mining industry. We do expect to see activity levels improve in this new financial year based on mine depletion and higher commodity prices.

Scott's Transport Industries (STI) Merger

In late January 2017, we merged with Scott's Transport Industries via the transfer of certain assets of STI to K&S Freighters Pty Ltd. The integration process is advanced and is progressing extremely well.

STI was established by the late Allan Scott AO more than 60 years ago and was one of Australia's largest privately-owned transport companies. STI operates a general freight business and fuel cartage operation and has several blue-chip customers.

Arrium Update

It was pleasing to hear the news that the GFG Alliance has entered into a contract to purchase Arrium. This sale process was completed on 31 August 2017. We have been advised by the Administrators that subject to the sale process being completed, a return to creditors will be paid to Arrium creditors in September 2017. The size of the return to creditors is not known at this time.



Dividends

We have declared a fully franked final dividend of 2.0 cents per share (last year no final dividend was declared). This follows the interim dividend of 1.5 cents per share paid in April 2017, making a total dividend of 3.5 cents per share. The final dividend will be paid on 2 November 2017, with the date for determining entitlements being 19 October 2017.

The dividend reinvestment plan (DRP) will once again apply in respect of the fully franked final dividend of 2.0 cents per share payable on 2 November 2017. The last election date for participation in the DRP is 20 October 2017.

The terms of the DRP will remain unchanged with the issue price under the DRP being the volume weighted average price for K&S shares in the five business days ending on 19 October 2017 (the record date of the final dividend) less a discount of 2.5%.

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

In particular, I thank the senior management team, led by Paul Sarant, for their ongoing commitment and dedication in these challenging times.

Tony Johnson
Chairman

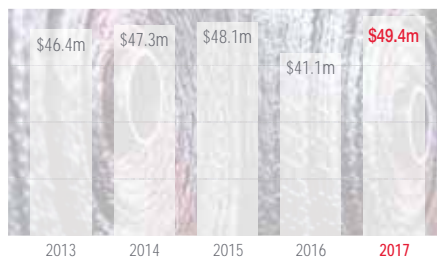
financial OVERVIEW

		2017	2016	% change
Revenue	\$m	755.2	688.8	9.6
Operating profit before interest, tax and depreciation	\$m	55.3	(63.9)	186.5
Operating profit before interest and tax	\$m	16.2	(102.8)	115.7
Statutory profit before tax	\$m	9.4	(109.9)	108.5
Less non-recurring legal settlement	\$m	1.5	0.0	-
Less impairments	\$m	0.0	115.3	-
Statutory profit after tax	\$m	6.5	(104.2)	106.2
Underlying profit before tax	\$m	10.9	5.4	101.9
Underlying profit before interest and tax	\$m	17.7	12.5	40.8
Underlying profit before interest, tax and depreciation	\$m	56.8	51.3	10.6
Normalised operating profit after tax	\$m	8.0	3.9	105.1
Total assets	\$m	489.0	445.0	9.9
Net borrowings	\$m	109.2	106.9	2.1
Shareholders' funds	\$m	205.4	199.4	3.0
Depreciation and amortisation	\$m	39.1	38.9	(0.7)
Normalised earnings per shares	cents	6.6	3.2	106.3
Dividends per share	cents	3.5	1.5	133.3
Net tangible assets per share	\$	1.63	1.59	2.5
Operating cash flow	\$m	49.4	41.1	20.2
Gearing	%	34.7	34.9	0.6
Employee numbers		2,345	2,034	15.3
Lost time injuries		32.0	33.0	(3.0)
Lost time injuries frequency rate		8.0	7.0	14.3

OPERATING REVENUE



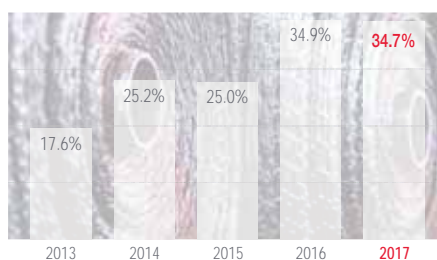
OPERATING CASH FLOW



SHAREHOLDERS' FUNDS



GEARING



REPORT

managing director's

Whilst this year has been challenging, our results have shown significant improvement on the prior year.

Operating revenues increased by 9.6% to \$755.2 million. This was achieved through both organic growth and acquisition.

We achieved an underlying profit before tax of \$10.9 million, an increase on the previous corresponding period of 101.9%.

Our underlying profit after tax was \$8.0 million, an increase on the previous corresponding period of 105.1%.

The strength of the eastern seaboard construction industry during the year had a positive impact on our performance. Whilst Arrium has been in Administration throughout the majority of this period, we have realised increased steel volumes through a number of our major customers, servicing infrastructure and commercial construction projects.



The growth of our K&S Energy business, servicing the major petroleum providers, has continued throughout the year. Chemical volumes also firmed in the latter half of the year.

Our Western Australian resource business is still impacted by the reduced infrastructure activity levels in the mining industry. We have experienced a recent increase in mining sector related activity and northwest general freight volumes. Heavy haulage activity has also increased.

The Port Kembla South32 coal volumes were materially lower than expected predominantly consequent to mining related issues that occurred during the year. These issues will continue into the first quarter of FY18.

The New Zealand business once again recorded strong growth in revenues and increased profitability.

Our Lost Time Injury Frequency Rate (LTIFR) is eight (8). Our existing Comcare self insurance licence was extended to June 2024.

Scott's Transport Industries (STI) Merger

The merger of the Scott's Transport Industries business with K&S Corporation on 30 January 2017 has progressed smoothly.

STI was one of Australia's largest privately owned transport companies and had a national footprint. It operated a general freight division and fuel cartage division, and had a number of blue chip customers in the manufacturing, Fast Moving Consumer Goods (FMCG) and fuel sectors.

The merger has enabled K&S to expand both its fuel cartage operations and provide additional volume to its existing intermodal and contract logistics divisions.

Business Development

A record number of new customer contracts were signed by K&S during the year.

These contracts, which are now in the process of being implemented and operationally bedded down, were across all market channels. They are highlighted by the new east to west transport arrangements with Kimberly-Clark, a renewal of the Laminex business and significant successes in the energy and chemical transport areas.

The integration of the former Scott's Transport Industries business has also provided new opportunities, particularly in the FMCG sector.

Energy and Chemicals

The Energy and Chemicals division of K&S was formed recently when the Energytrans and Chemtrans businesses of Scott Corporation were integrated with the existing K&S Energy business.

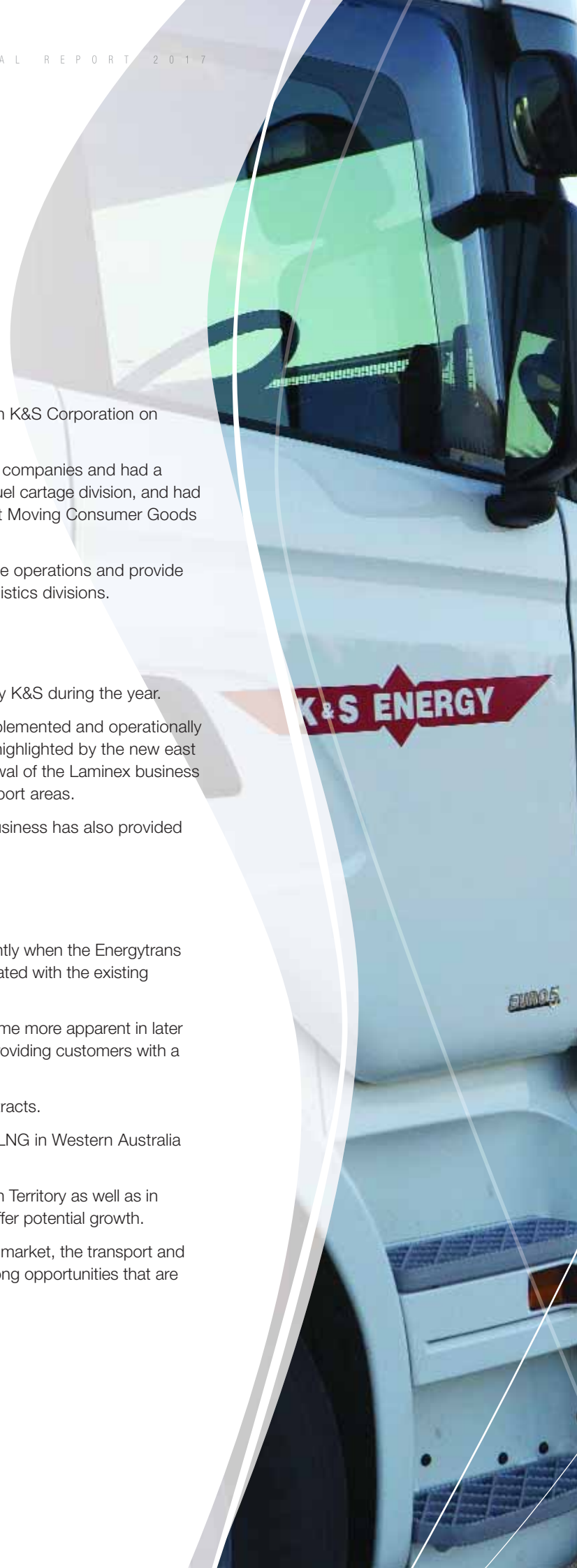
While the benefits of this consolidation are expected to become more apparent in later years, the change has already realised potential growth by providing customers with a broader service offering.

During the year, K&S Energy secured several new major contracts.

New services have been established to transport LPG and LNG in Western Australia and transport fuel in Western Australia and South Australia.

Further energy opportunities are being sought in the Northern Territory as well as in Queensland where coal developments in the Bowen Basin offer potential growth.

While the bulk transport of chemicals in Australia is a mature market, the transport and warehousing of packaged products continues to provide strong opportunities that are currently being pursued.





K&S FREIGHTERS

K&S Freighters realised stronger revenues, with increased intermodal volumes.

The integration of the STI general freight business into K&S Freighters in January this year is now largely completed.

Importantly, this has provided new opportunities in the FMCG sector where STI had a number of contracts with major customers.

SERVICE ALL THE WAY



Western Australia remains a difficult market, with the first half being especially challenging.

However, positive signs emerged late in the year with increased general freight and heavy haulage activity.

The general freight business continues to be very competitive, but a continued focus on service has enabled us to increase our market share.

Several new contracts were won within the Pilbara and Kimberley region.

The logging and woodchip haulage business in the south west of the state remains soft.

REPORT *managing director's*



New Zealand

K&S was a major driver of the rapid escalation of intermodal services to the South Island following the 2016 Kaikoura earthquake.

The major earthquake struck the northern end of the South Island in November 2016, severing all rail services between Picton and Christchurch, and making the State Highway impassable for an extended period.

Coastal shipping remains the only practical way to move goods from the North Island to the South Island while repairs to rail and road infrastructure continue.

We are continuing to provide resources to further develop K&S' intermodal services in NZ.

Steel and timber volumes across New Zealand remained robust as the development of new tourism infrastructure across NZ expands and the ongoing redevelopment of Christchurch continues. K&S has also expanded warehousing capabilities for key clients.

During the year K&S was successful in expanding its steel cartage contract and has extended existing contracts in the wood and dairy sectors.

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.

A new Information Technology platform incorporating track and trace capabilities has now been fully integrated and is delivering strong benefits to K&S and customers.



DTM recorded a solid performance during the financial year, gaining a number of new contracts while maintaining existing agreements.

These new contracts were headed by Textor Technologies which involves the transport of raw materials from wharf to Textor's facility at Tullamarine for processing, and the subsequent transport of goods to K&S at Truganina for warehousing, container packing and export.

DTM was successful in consolidating and renewing its lubricants transport contracts with Viva Energy Australia, and Caltex in Victoria and Western Australia. The contracts are additional to work already undertaken for Viva and Caltex in Queensland, New South Wales and South Australia, effectively giving us national coverage in this area.





CHEP storage volumes increased, especially in Victoria and New South Wales throughout the year. CHEP transport volumes servicing regional Victoria and southern New South Wales also increased.

The renewed transport contract with Air Liquide won last year has been fully embedded.

The merger with STI resulted in DTM acquiring contracts with Coca Cola in South Australia and Big W in New South Wales.

DTM continues to seek diversification in its customer base and is actively exploring alternative industries to those currently serviced.

K&S Fuels

The merger of STI into the business also significantly increased diesel sales through K&S Fuels.

Diesel supply to the Limestone Coast fishing fleet remained strong, while retail volumes in the South East of South Australia were steady.



Aero Refuellers was purchased by K&S in late 2015. It provides aviation refuelling services and aviation fuel supply across regional New South Wales and Victoria with customers including regional airports, bulk purchasers such as aerial agriculture operators and flying schools, as well as the New South Wales, Victorian and South Australian Governments for fire season aviation refuelling services.

Revenues this year were affected by a mild summer which resulted in lower than normal demand for fire aviation refuelling services and aggressive market tactics by competitors that reduced margins for jet fuel sales.

However, this was in part offset by stronger than normal aerial agricultural demand.

An upgrade of bowsers and facilities generally at our regional airports has largely been completed, providing greater efficiencies for airport users.

Safety

Despite the challenges of integrating the operations of STI into K&S, the LTIFR for the Group increased only slightly from the previous year.

Workplace drug and alcohol testing was further expanded.

While K&S Corporation's self-insurance licence under the Australian Government's Safety Rehabilitation and Compensation Commission (Comcare) was extended by eight years last year, significant changes to the regulatory model applying to self-insured licensees were introduced on 1 July 2016.

These changes focus on licensee performance against set standards and measures in the areas of Claims Management, Rehabilitation and Work Health and Safety.

New Licensee Key Performance Indicators were designed in part to better benchmark against more relevant industry comparatives.

These changes mean K&S is now better able to compare its safety standards performance against others in the Australian Road Freight sector.

K&S and self-insured licensees are currently in transition, moving into the new model, refining the methodology, seeking improvements and consulting with key stakeholders.

An audit of the safety, rehabilitation and claims management systems using the national self-insurer audit tools was successfully completed.

Environment

Further fleet upgrades have enabled K&S to continue its emission improvements.

During the year vehicle emissions reduction reached 67% of 2003 levels for NoX (up from 65% last year) and 85% for particulate matter (up from 84% last year).

Despite an increased fleet, K&S was able to maintain its total carbon dioxide generation at 162,000 tonnes, the same total as the previous year.

Compliance

K&S is working towards achieving ISO 9001:2015 accreditation, with new standards expected to be in place by the second half of calendar year 2017.

The new ISO 9001 standards were introduced in 2015, providing organisations a three-year transition period.

It comprises ten (10) sections compared with the previous version of eight (8), with additional focus in the areas of leadership and risk-based thinking.

All other relevant accreditations were maintained, including WA Main Roads accreditation, National Heavy Vehicle Accreditation Scheme (NHVAS), Mass, Maintenance and Basic Fatigue Management, accreditation for Food Safety/HACCP and TruckSafe accreditation.





In May this year, the Australian Logistics Council and the Australian Trucking Association submitted joint notices of intention to the National Heavy Vehicle Regulator to develop an industry-wide Master Code for heavy vehicle safety.

The Master Code will be developed by industry and designed to promote higher standards for heavy vehicle safety for all road users.

K&S will be monitoring development in this area to ensure its systems are consistent with any new Master Code.

Human Resources

The integration of STI staff into K&S has been a significant focus during the year. The integration process has taken place smoothly with former STI transferees performing roles within the K&S Group.

We have continued to focus on skills development and competency training, particularly in the areas of safety and compliance.

This has been assisted by the development of a reward and recognition program for safety, innovation and customer service achievements and innovations, which has boosted employee engagement, aligned to our core values.

Other Items

The planned exit of a third party lease at Altona for Chemtrans will occur in September 2017 with completion of further development to accommodate the Victorian Chemtrans operation at the Truganina site to be completed in the first half of FY18. Further Sydney property rationalisation will be completed in early 2018.

In May 2017, K&S reached a settlement over claims arising from a fire that destroyed a warehouse operated by DTM at Dandenong in Victoria in January 2007.

The full terms of the agreement are confidential; K&S contributed \$1.5 million towards the settlement. Under the terms of the agreement DTM makes no admission of liability.

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 continue the improvement of our Company.

Paul Sarant
Managing Director and CEO

directors BOARD OF

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 70, 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

Paul Sarant *Managing Director*

Age 49, Director since 2014

Paul Sarant, *Bachelor of Engineering (B.Eng.)*, has extensive experience in the transport and logistics sector. Mr Sarant held the position of Executive General Manager DTM for seven years at K&S Corporation prior to his appointment as Managing Director.

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 at Spicer Stationery Group.

Member of:

- Environmental Committee

Chemtrans
safety • performance • peace of mind





Legh Winser

Age 69, Director since 2013

Legh Winser is a former Managing Director of the Company, a position which he held for 15 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 70, Director since 2008

Ray Smith *F CPA, FAICD, Dip Com*, is a Director of listed entity Cleanaway Waste Management Ltd. He is also 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 Pty Ltd.

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)
- Nomination and Remuneration Committee (Chairman)



Secretary

Chris Bright

BEC, LLB, Grad Dip CSPM, FCIS

Age 46, Secretary since 2005

Chris Bright has held the position of General Counsel for 15 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.

five-year financial

(\$A Millions unless otherwise indicated)	2017	Variation %	2016	2015	2014	2013
Group Revenue	755.2	9.6	688.8	699.2	586.2	564.6
Operating Profit before Individually Significant Items, Interest and Tax	17.7	41.6	12.5	26.1	18.6	27.8
Underlying Profit Before Tax	10.9	101.9	5.4	-	-	-
Underlying Profit After Tax	8.0	105.1	3.9	-	-	-
Individually Significant Items	1.5	(98.7)	115.3	-	-	-
Statutory Operating Profit Before Interest and Income Tax	16.2	115.7	(102.8)	26.1	18.6	27.8
Interest Expense	6.8	(4.2)	7.1	7.2	6.2	5.5
Statutory Profit Before Tax	9.4	108.5	(109.9)	18.8	12.4	22.3
Income Tax Expense	2.9	150.0	(5.7)	5.5	3.6	6.4
Statutory Operating Profit after Tax	6.5	106.2	(104.2)	13.3	8.9	15.9
Dividends per Share (cents)	3.5	133.3	1.5	7.0	6.0	11.0
Paid Up Capital	154.0	0.9	152.5	147.7	145.4	101.2
Shareholders Funds	205.4	3.0	199.4	294.6	287.3	239.6
Total Assets	488.7	9.8	445.0	536.3	540.6	403.7
Net Tangible Assets (book value) per Share	\$1.63	2.5	\$1.59	\$1.73	\$1.69	\$1.85

REPORT

directors'

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 2017 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 2017 *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 2016.

Financial Overview		2017	2016	% Movement
Operating revenue	\$m	755.2	688.8	9.6
Operating (loss)/profit after tax	\$m	6.5	(104.2)	106.2
Underlying profit before tax, excluding significant items ¹	\$m	10.9	5.4	101.9
Underlying profit after tax, excluding significant items	\$m	8.0	3.9	105.1
Net borrowings	\$m	109.2	106.9	2.2
Shareholders' funds	\$m	205.4	199.4	3.0
Earnings per share (basic)	cents	5.4	(87.0)	106.2
Earnings per share based on underlying profit after tax	cents	6.6	3.2	106.3
Dividends per share	cents	3.5	1.5	133.3
Net tangible assets per share	\$	1.63	1.59	2.5
Cash flow per share	\$	0.40	0.34	17.6
Return on Shareholders' funds	%	4.6	(52.0)	108.8
Gearing	%	34.7	34.9	(0.6)

Operating revenue for the year was \$755.2 million, an increase of 9.6% on the previous corresponding period.

¹ Underlying profits and earnings per share based on underlying profits 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 legal settlement of the long standing DTM Warehouse Fire claim. 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 not been subject to review by the auditor.

Operating and Financial Review

Reconciliation of statutory profit before tax to underlying profit before tax for the year ended 30 June 2017:

	\$m
Statutory profit before tax	9.4
Legal Settlement	1.5
Underlying profit before tax	10.9

Reconciliation of statutory loss before tax to underlying profit before tax, for the year ended 30 June 2016:

	\$m
Statutory loss before tax	(109.9)
Impairment of intangibles	86.6
Impairment of physical assets	16.9
Impairment of receivables (Arrium)	11.8
Underlying profit before tax	5.4

Our underlying profit after tax was \$8.0 million, 105.1% higher than the corresponding period.

We have recorded a statutory after tax profit of \$6.5 million for the year ended 30 June 2017. The statutory profit before tax was \$9.4 million.

We achieved an underlying profit before tax of \$10.9 million, an increase on the previous corresponding period of 101.9%.

Operating cashflow for the year was \$49.4 million.

Our Lost Time Injury Frequency Rate is 8. Our existing Comcare self insurance licence extends to June 2024.

K&S is 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. Its success is underpinned by a strong focus on safety, service and continuous improvement.

This year has been a challenging one but also a successful year with our financial performance improving.

A pleasing aspect of the year has been the improved performance of many business units; our intermodal, contract logistics and New Zealand businesses benefited from higher volumes.

Our K&S Energy business achieved significant growth, through awarding of major new contracts in Western Australia and South Australia.



Our Western Australian resource business continues to be impacted by the reduced infrastructure activity levels in the mining industry. We anticipate improved activity levels in the new financial year due to mine depletion and increased commodity prices.

In late January, we merged with Scott's Transport Industries via the transfer of certain assets of STI into K&S Freighters. The integration process is advanced and is progressing well.

In May 2017, we settled a legal matter relating to a DTM warehouse fire which occurred in January 2007. The settlement value was \$1.5 million.

Also pleasing is the recent announcement that London-based GFG Alliance has agreed to purchase the Arrium group of companies, with Administrators advising that a dividend will be paid to Creditors in September 2017 subject to the sale process being completed on 31 August 2017. The size of the dividend is unknown at this time.

Cost reduction strategies have continued to be implemented across the business. These include property lease cost reductions, the rationalisation and replacement of specified fleet, employee reductions, and IT solutions being developed and introduced to support customer service, operational efficiencies and cost reduction initiatives.

Imports are still impacting the demand for locally manufactured goods, which consequently decreases demand for long haul transport services. Our capital expenditure program has been targeted to support new business growth, improve productivity and reduce cost in our existing business.

During the course of the year, we acquired fleet totaling \$59.0 million. Funding of this equipment was \$47.0 million via hire purchase agreements and the balance of \$12.0 million was settled from our cash balance.

Our net asset position increased by 3.0% to \$205.4 million. The Foreign Currency Reserve decreased in value by \$0.03 million during the year. The profit after tax of \$6.5 million for FY17 was offset by dividends paid of \$1.8 million (Final FY17 and Interim FY17). Under the Dividend Reinvestment Plan \$1.4 million of new shares were issued in FY17.

Dividend

The Directors have declared a final dividend of 2.0 cents per share (last year no final dividend was declared). This follows the interim dividend of 1.5 cents per share paid in April 2017, making a total dividend of 3.5 cents per share for FY17. This represents an annualised yield of 3.5%.

Outlook

Providing earnings guidance going forward remains a difficult task.

We are well placed with a sound balance sheet 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 30 January 2017, K&S Corporation Limited merged with the business of Scott's Transport Industries Pty Ltd (STI) via the transfer of certain assets into K&S Corporation's subsidiary K&S Freighters Pty Ltd. STI operates a general freight and fuel cartage division, having several blue chip customers within the manufacturing, Fast Moving Consumer Goods and fuel sectors. K&S Corporation views this as an excellent opportunity to further expand its K&S Energy division through increased fuel cartage operations and provide additional volume and competitiveness in its existing intermodal and contract logistics divisions.

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 National Greenhouse Energy Reporting regime (NGER) was completed and submitted in 2016/17.

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:

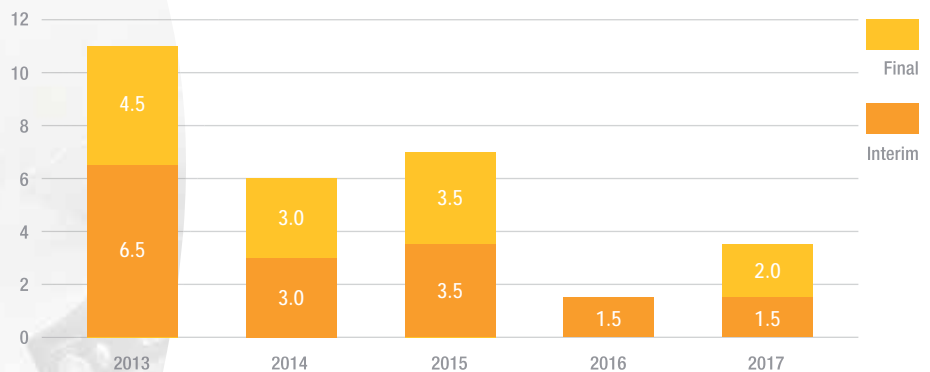
- 1 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to \$4,800 in respect of the year ended 30 June 2016 was declared on 23 August 2016 and paid on 2 November 2016;
- 2 An interim fully franked ordinary dividend (taxed to 30%) of 1.5 cents per share in respect of the year ended 30 June 2017 was declared on 21 February 2017 and paid on 4 April 2017 amounting to \$1,818,020.

The final dividend declared by the Directors of the Company on 21 August 2017 and payable on 2 November 2017 in respect of the year ended 30 June 2017 comprises:

- 1 A fully franked ordinary dividend (taxed to 30%) of 2.0 cents per share amounting to \$2,424,027 (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

In the interval between the end of the financial year and the date of this report no items, transactions or events of a material and unusual nature are 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.

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.

directors' REPORT

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 the date of this report are:

Tony Johnson Chairman
Paul Sarant Managing Director
Legh Winser
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 *pages 12-13* 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 at the date of this report is:

Ordinary Shares

Mr L Winser	41,006
Mr P Sarant	60,000

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

Ordinary Shares

Mr T Johnson	515,984
Mr L Winser	1,176,887
Mr R Smith	42,011
Mr P Sarant	126,603

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:

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	4	4	1	1	4	4
Mr R Smith	11	11	4	4	1	1	-	-
Mr P Sarant	11	11	-	-	-	-	4	4
Mr L Winser	11	11	-	-	1	1	4	4

In addition to the 11 regular meetings there were a further three Directors' meetings held outside the normal monthly board meeting cycle. These were attended by all members of the Board.



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.

Insurance Premiums

Since the end of the previous financial year, the Company has paid insurance premiums of \$117,539 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 33* of the Annual Report.

Rounding Off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that legislative instrument, 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 Auditor's Independence Declaration which is on *page 97* 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:

Taxation software implementation \$14,911

remuneration

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 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 S Hine	Executive General Manager Business Development

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**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 2016/17. Each Non-Executive Director receives a fee for being a Director of the Company.

The fees payable to Non-Executive Directors in the 2016/17 financial year were not increased and remained at the level paid in the second half of the 2015/16 financial year.

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 2017 is detailed on *page 30* 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 2017, 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 2016/17 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 normalised 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 normalised basis for the 2016/17 financial year was achieved.

The total short term incentives payable to the Managing Director and Executives for the year ended 30 June 2017 if eligibility criteria were met was \$67,522, up to a maximum of \$675,220 if all outperformance 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 normalised 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%

remuneration REPORT

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 2016/17 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 2016/17 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 \$555,220.

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 behaviors amongst the Executive Team in maximizing group wide benefits from operating activities.

For the 2017/18 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 normalised net profit after tax) and no incentives will be payable unless at least 100.4% of the Company's budgeted net profit after tax on a normalized basis for the 2017/18 financial year is achieved. The total short term incentives payable to the Managing Director and Executives for the year ended 30 June 2018 if eligibility criteria are met will be \$67,522, up to a maximum of \$675,220 if all outperformance 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 2016/17 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 2017, 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 25*. For the year ended 30 June 2018, 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 subscribe for shares with the benefit of an interest free full recourse loan from the Company. 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.

Eligible employees' annual entitlements to participate in the Plan have remained 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

No offer was made to eligible employees under the Plan in the year ended 30 June 2017. Directors are considering the merits of making offers by the Company to eligible employees under the Plan in the year ended 30 June 2018.

remuneration REPORT



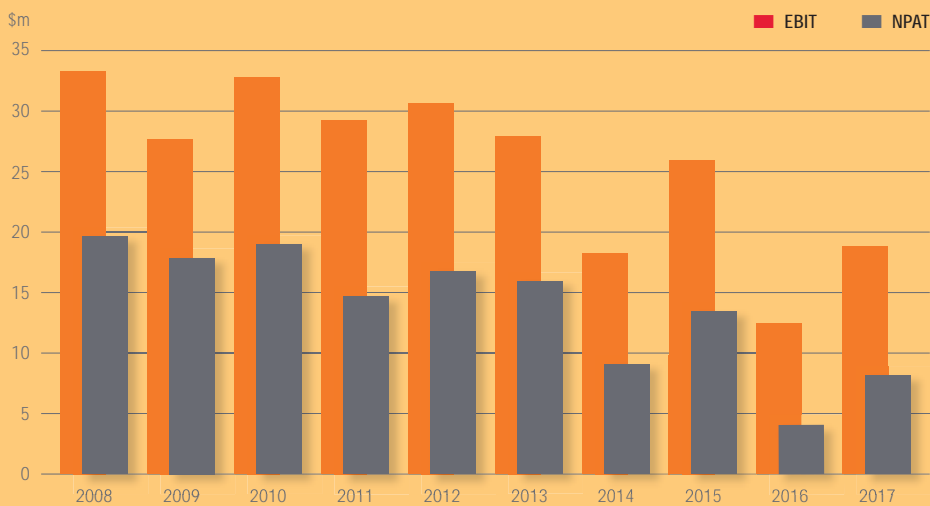
Directors' Retirement Benefits

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 2017 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 items after tax (NPAT).



In addition, Dividends paid to Shareholders are disclosed on page 19 of the Directors' report.

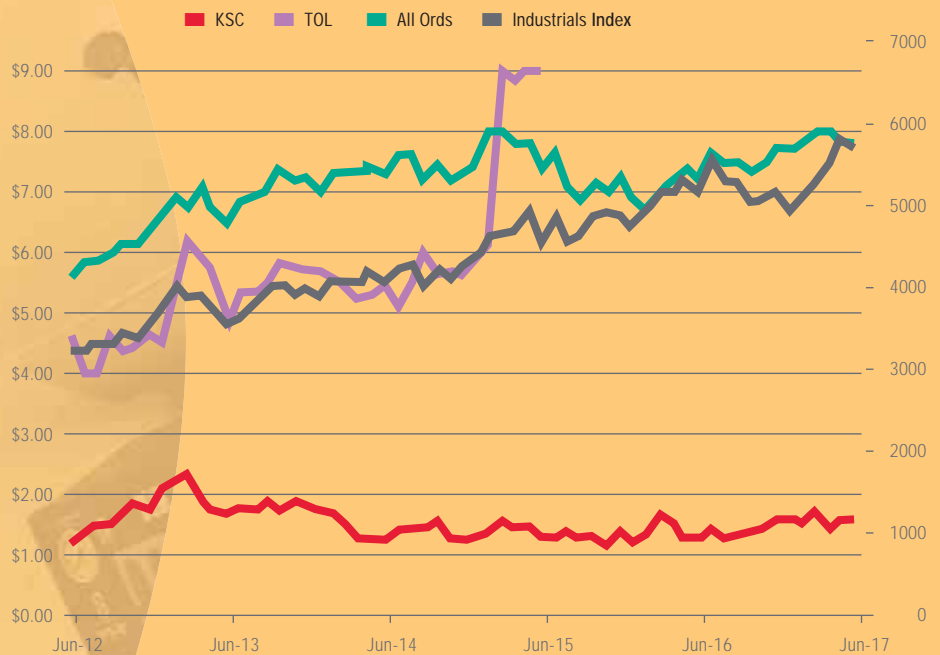




The next graph highlights the performance of the share price of K&S Corporation Limited against the Australian Securities Exchange All Ordinaries Index, the Australian Securities Exchange Industrials Index and Toll Holdings Limited* over the past 5 years.

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

K&S Corporation Share Price 2012-2017



Short term incentives have been paid only once to the Executive Team (in respect of the 2009/10 financial year) since the global financial crisis in 2008 as the Company's financial results have not achieved the targets set by the Board. The Board believes that short term incentives should only be paid in circumstances of outperformance by the Executive Team.

remuneration
REPORT

Remuneration of Key Management Personnel of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2017

Non-Executive Directors	Short-Term			Termination \$	Other Long-Term Long Service Benefit \$	Post Employment		Total \$	Performance Related %
	Salary & Fees \$	Incentives \$	Non-Cash Benefit \$			Retirement Benefit \$	Super Contribution \$		
T Johnson	121,540	-	-	-	-	3,540	13,369	138,449	-
R Smith	72,100	-	-	-	-	-	7,931	80,031	-
L Winsler	72,100	-	-	-	-	-	7,931	80,031	-
Total Non-Executive Directors	265,740	-	-	-	-	3,540	29,231	298,511	
Executive Director									
P Sarant	643,416	-	18,858	-	10,001	-	30,000	702,275	-
Other Key Management Personnel									
B Walsh	315,285	-	27,203	-	7,750	-	35,000	385,238	-
C Bright	249,725	-	27,692	-	6,175	-	30,000	313,592	-
S Hine	305,388	-	26,731	-	4,945	-	30,000	367,064	-
Total Executive KMP	1,513,814	-	100,484	-	28,871	-	125,000	1,768,169	
Totals	1,779,554	-	100,484	-	28,871	3,540	154,231	2,066,680	

Table 2: Remuneration for the year ended 30 June 2016

Non-Executive Directors	Short-Term			Termination \$	Other Long-Term Long Service Benefit \$	Post Employment		Total \$	Performance Related %
	Salary & Fees \$	Incentives \$	Non-Cash Benefit \$			Retirement Benefit \$	Super Contribution \$		
T Johnson	121,540	-	-	-	-	5,310	13,369	140,219	-
G Boulton*	12,017	-	-	-	-	-	1,322	13,339	-
R Smith	72,100	-	-	-	-	-	7,931	80,031	-
L Winsler	72,100	-	-	-	-	-	7,931	80,031	-
Total Non-Executive Directors	277,757	-	-	-	-	5,310	30,553	313,620	
Executive Director									
P Sarant	645,600	-	31,575	-	10,001	-	30,000	717,176	-
Other Key Management Personnel									
B Walsh	315,285	-	26,872	-	7,750	-	35,000	384,907	-
C Bright	249,725	-	27,289	-	6,175	-	30,000	313,189	-
S Hine	305,388	-	26,603	-	4,945	-	30,000	366,936	-
Total Executive KMP	1,515,998	-	112,339	-	28,871	-	125,000	1,782,208	
Totals	1,793,755	-	112,339	-	28,871	5,310	155,553	2,095,828	

* Mr Boulton resigned on 31 August 2015.



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
2017	317	-	306	4
2016	286	-	317	7

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 2017

Shares held in K&S Corporation Limited: 30 June 2017	Balance 1 July 2016 Ordinary	Net Change Ordinary	Balance 30 June 2017 Ordinary
Non-Executive Directors			
T Johnson	511,336	4,648	515,984
R Smith	41,633	378	42,011
L Winsler	1,206,922	10,971	1,217,893
Executive Director			
P Sarant	186,603	-	186,603
Other Key Management Personnel			
B Walsh	160,445	822	161,267
C Bright	51,000	-	51,000
S Hine	50,000	-	50,000
Totals	2,207,939	16,819	2,224,758

remuneration
REPORT

Remuneration of Key Management Personnel of the Company and the Group

Table 4: Shareholding of Key Management Personnel at 30 June 2016

Shares held in K&S Corporation Limited: 30 June 2016	Balance 1 July 2015 Ordinary	Net Change Ordinary	Balance 30 June 2016 Ordinary
Non-Executive Directors			
T Johnson	493,178	18,158	511,336
G Boulton*	277,983	(277,983)	-
R Smith	40,154	1,479	41,633
L Winsler	1,164,064	42,858	1,206,922
Executive Director			
P Sarant	141,603	45,000	186,603
Other Key Management Personnel			
B Walsh	147,416	13,029	160,445
C Bright	41,000	10,000	51,000
S Hine	40,000	10,000	50,000
Totals	2,345,398	(137,459)	2,207,939

* Mr Boulton resigned on 31 August 2015.

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 2017



Paul Sarant
Managing Director

21 August 2017

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 Roles of the Board and Management

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 and 13* 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 to 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
R Smith	<i>Non-Executive Director</i>

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 Winsler *Non-Executive Director*

Mr Winsler was appointed as a Director of the Company on 23 August 2013.

Mr Winsler formerly occupied the position of Managing Director of the Company until his retirement on 25 May 2012. Mr Winsler 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 and 13* of the Company's 2017 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, 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.

Structure of the Board

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 for 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. All members of the Audit Committee are Non-Executive Directors.

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 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 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 Internal Audit Manager, the external Auditors and any other persons considered appropriate attend meetings of the Audit Committee by invitation.

Audit Committee

The Committee also meets from time to time with the external Auditors independent of Management.

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

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 Smith was considered by Directors to be independent. However, as the only Director on the Nomination and Remuneration Committee considered to be independent, Mr Smith 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 Winsler, 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 2016/17 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 Smith (Chairman)

Mr Johnson

Mr Winser

The Nomination and Remuneration Committee meets as required. The Committee met formally once in 2016/17, but also informally on several other occasions during the year. Messrs Winser, Smith 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 by \$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 \$72,100 each and the Chairman was paid \$121,540 in 2016/17. There was no increase in fees payable to Non-Executive Directors in 2016/17. 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 2017.

Details of the employment contract of Mr Sarant can be found in the Remuneration Report on *page 26*.

Nomination and Remuneration Committee

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 23 to 32*.

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 2016/17. The Company saw participation rates for women remain static at all levels of the organisation.
- 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 2016/17 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 workforce (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 2016/17. 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 2016/17. 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 and remote work 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 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 Winsor

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, Winsor and Sarant attended all four meetings of the 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 2017, 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 current year ended 30 June 2017.

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

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.

The Company has an internal audit function. The Internal Audit Manager 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 Internal Audit Manager 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 has adopted a risk based approach in identifying and prioritising internal audit activities.

Risk Management

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



ABN 67 007 561 837

financial REPORT

FOR THE YEAR ENDED 2017

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comprehensive income OF STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
Operating revenue	5(a)	755,232	688,763
Cost of goods sold		(77,094)	(67,184)
Gross profit		678,138	621,579
Other income	5(b)	5,007	5,149
Contractor expenses		(193,131)	(183,103)
Employee expenses	5(e)	(249,766)	(225,679)
Fleet expenses		(149,159)	(129,697)
Depreciation and amortisation expense	5(d)	(39,125)	(38,862)
Finance costs	5(c)	(6,796)	(7,094)
Other expenses		(35,926)	(37,046)
Share of profits of associates	13	123	132
Impairment of intangibles, land and buildings, plant and equipment, trade debtors		-	(115,284)
Profit/(loss) before income tax		9,365	(109,905)
Income tax (expense)/benefit	6	(2,855)	5,730
Profit/(loss) after income tax		6,510	(104,175)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		(25)	1,151
Income tax effect		-	-
		(25)	1,151
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of land and buildings		-	12,767
Income tax effect		-	(3,830)
		-	8,937
Other comprehensive income/(loss) for the period, net of tax		(25)	10,088
Total comprehensive income/(loss) for the period		6,485	(94,087)
Earnings per share (cents per share)	7		
• basic, profit for the year attributable to ordinary equity holders of the parent		5.4	(87.0)
• diluted, profit for the year attributable to ordinary equity holders of the parent		5.4	(87.0)
Dividends per share (cents per share)	8	1.5	1.5

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

financial position STATEMENT OF

AS AT 30 JUNE 2017

		Consolidated	
	Note	2017	2016
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	13,985	7,392
Trade and other receivables	10	88,572	66,632
Inventories	11	4,848	4,229
Income tax receivable	6	-	897
Prepayments		8,894	9,171
Total current assets		116,299	88,321
Non-current assets			
Other receivables	10	1,179	1,509
Investments in associates	13	368	395
Property, plant & equipment	14	350,998	334,365
Intangibles	15	6,301	6,307
Deferred tax assets	6	13,544	14,107
Total non-current assets		372,390	356,683
TOTAL ASSETS		488,689	445,004
LIABILITIES			
Current liabilities			
Trade and other payables	17	81,664	62,274
Interest bearing loans and borrowings	18	34,356	32,238
Income tax payable	6	444	-
Provisions	19	28,833	24,179
Total current liabilities		145,297	118,691
Non-current liabilities			
Interest bearing loans and borrowings	18	88,780	82,069
Deferred tax liabilities	6	33,879	32,061
Provisions	19	15,377	12,795
Total non-current liabilities		138,036	126,925
TOTAL LIABILITIES		283,333	245,616
NET ASSETS		205,356	199,388
EQUITY			
Contributed equity	20	153,951	152,518
Reserves		41,808	41,965
Retained earnings		9,597	4,905
TOTAL EQUITY		205,356	199,388

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

changes in equity STATEMENT OF

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserves \$'000	Forex Translation Reserves \$'000	Common Control Reserves \$'000	Total Equity \$'000
CONSOLIDATED							
At 1 July 2016		152,518	4,905	40,885	1,080	-	199,388
Profit for the year		-	6,510	-	-	-	6,510
Other comprehensive income		-	-	-	(25)	-	(25)
Total comprehensive income/(loss) for the year		-	6,510	-	(25)	-	6,485
Transactions with owners in their capacity as owners:							
Issue of share capital	20	1,433	-	-	-	-	1,433
Changes arising from STI	29	-	-	-	-	(132)	(132)
Dividends paid	8	-	(1,818)	-	-	-	(1,818)
At 30 June 2017		153,951	9,597	40,885	1,055	(132)	205,356
At 1 July 2015							
At 1 July 2015		147,674	115,018	31,948	(71)	-	294,569
Loss for the year		-	(104,175)	-	-	-	(104,175)
Other comprehensive income		-	-	8,937	1,151	-	10,088
Total comprehensive income/(loss) for the year		-	(104,175)	8,937	1,151	-	(94,087)
Transactions with owners in their capacity as owners:							
Issue of share capital	20	4,844	-	-	-	-	4,844
Dividends paid	8	-	(5,938)	-	-	-	(5,938)
At 30 June 2016		152,518	4,905	40,885	1,080	-	199,388

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

cash flows STATEMENT OF

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		807,141	777,135
Cash payments to suppliers and employees		(727,962)	(704,529)
Interest received		20	36
Borrowing costs paid		(6,796)	(7,094)
Income taxes paid		862	(951)
Net goods and services tax paid		(23,900)	(23,475)
Net cash provided by operating activities	9	49,365	41,122
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		6,151	6,744
Payments for property plant & equipment		(12,089)	(10,994)
Dividends received from Associates		150	-
Acquisition of business		-	(6,724)
Acquisition of common controlled entities – cash acquired		1,543	-
Net cash used in investing activities		(4,245)	(10,974)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	537
Proceeds from borrowings		18,000	18,000
Repayments of borrowings		(19,000)	(11,000)
Repayment of lease and hire purchase liabilities		(37,135)	(35,826)
Dividends paid, net of dividend reinvestment plan		(385)	(2,031)
Net cash used in financing activities		(38,520)	(30,320)
Net increase/(decrease) in cash held		6,600	(172)
Cash at the beginning of the financial year		7,392	7,326
Effects of exchange rate variances on cash		(7)	238
Cash at the end of the financial year	9	13,985	7,392

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

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FOR THE YEAR ENDED 30 JUNE 2017

1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of Directors on 21 August 2017.

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 operations 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 *Corporations 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/91 dated 24 March 2016. The Company is an entity to which the legislative instrument 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 2016.

Pronouncement	title	Title	Application date	Impact on Group financial report	Application date for Group
AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	The amendments clarify the principle in AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.	1 Jan 2016	These amendments do not have any impact on the Group.	1 July 2016
AASB 2014-9	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	The amendments to AASB 127 <i>Separate Financial Statements</i> allow an entity to use the equity method as described in AASB 128 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.	1 Jan 2016	These amendments do not have any impact on the Group.	1 July 2016
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i>	The amendments clarify certain requirements in: <ul style="list-style-type: none"> ▶ AASB 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal ▶ AASB 7 Financial Instruments: Disclosures – servicing contracts, applicability of the amendments to AASB 7 to condensed interim financial statements ▶ AASB 119 Employee Benefits – regional market issue regarding discount rate ▶ AASB 134 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report' 	1 Jan 2016	These amendments do not have any impact on the Group.	1 July 2016
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	This Standard amends AASB 101 <i>Presentation of Financial Statements</i> to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their 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.	1 Jan 2016	These amendments do not have any impact on the Group.	1 July 2016

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 2017, are outlined in the table below and on the following pages:

Pronouncement	title	Title	Application date	Impact on Group financial report	Application date for Group
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	This Standard makes amendments to AASB 112 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 Jan 2017	The amendments are not expected to have any impact on the Group's financial report.	1 July 2017
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 Jan 2017	The amendments will likely have an impact. The Group is reviewing the new standard and has not yet determined the extent of the impact of the amendments.	1 July 2017
AASB 2017-2	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.	1 Jan 2017	The amendments are not expected to have any impact on the Group's financial report.	1 July 2017
AASB 9, and relevant amending standards	<i>Financial Instruments</i>	<p>AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	1 Jan 2018	The amendments will likely have an impact. The Group is reviewing the new standard and has not yet determined the extent of the impact of the amendments.	1 July 2018

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2 Summary of Significant Accounting Policies

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

Pronouncement	title	Title	Application date	Impact on Group financial report	Application date for Group
AASB 15, and relevant amending standards	<i>Revenue from Contracts with Customers</i>	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 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 an entity expects to be entitled in exchange for those goods or services.</p> <p>An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> ▶ Step 1: Identify the contract(s) with a customer ▶ Step 2: Identify the performance obligations in the contract ▶ Step 3: Determine the transaction price ▶ Step 4: Allocate the transaction price to the performance obligations in the contract ▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. 	1 Jan 2018	The Group continues to analyse the extent of information required to meet the additional disclosures required under AASB 15, and the extent of impact on the Group's systems, processes and controls.	1 July 2018
AASB Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 Jan 2018	The amendments are not expected to have any impact on the Group's financial report.	1 July 2018
AASB 16	<i>Leases</i>	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	1 Jan 2019	The amendments will likely have an impact. The Group is reviewing the new standard and has not yet determined the extent of the impact of the amendments.	1 July 2019

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	<p>The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> ▶ Whether an entity considers uncertain tax treatments separately ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ▶ How an entity considers changes in facts and circumstances. 	1 Jan 2019	The amendments are not expected to have any impact on the Group's financial report.	1 July 2019

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 at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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2 Summary of Significant Accounting Policies

e) Business combinations continued

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.

When the Group acquires a business under common control, it uses the Pooling of Interests method whereby assets and liabilities shall be transferred at carrying value, with the difference between consideration transferred and the net assets acquired is presented separately in a common control reserve. The Group will reflect a business combination under common control from the date of the combination

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 or 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.

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 recognised as finance costs in the Statement of Comprehensive 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.

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.

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2 Summary of Significant Accounting Policies

n) Impairment of financial assets

Financial assets carried at amortised cost continued

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 to 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.

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.

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2 Summary of Significant Accounting Policies

r) Property, plant and equipment continued

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

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 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.

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2 Summary of Significant Accounting Policies

v) Impairment of assets continued

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 and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave are all measured at nominal values 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 and annual leave

The liability for long service leave and annual 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 yields in high quality corporate 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.

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 fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Lease assets and liabilities are categorised as Level 2, the valuation contains observable Level 2 price inputs. The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2017 was assessed to be insignificant.

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.

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3 Financial Risk Management Objectives and Policies

Risk exposures and responses continued

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. Concentration of credit risk on trade debtors due from customers are: Transport 95% (2016: 94%) and Fuel 5% (2016: 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	
	2017 \$'000	2016 \$'000
Financial assets		
– Cash and cash equivalents	13,985	7,392
Financial liabilities		
– Bank loans	(19,625)	(20,625)
Net exposure	(5,640)	(13,233)

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)		Equity Higher/(Lower)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Consolidated				
+ 1% (100 basis points)	(40)	(93)	(40)	(93)
– 0.5% (50 basis points)	20	46	20	46

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 2017. 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.

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 2017					
Liquid financial assets					
Cash and cash equivalents	13,985	-	-	-	13,985
Trade and other receivables	88,874	301	603	101	89,879
	102,859	301	603	101	103,864
Financial liabilities					
Interest bearing loans and borrowings	(38,936)	(44,720)	(48,348)	-	(132,004)
Trade and other payables	(81,664)	-	-	-	(81,664)
Financial guarantees	(848)	-	-	-	(848)
	(121,448)	(44,720)	(48,348)	-	(214,516)
Net inflow/(outflow)	(18,589)	(44,419)	(47,745)	101	(110,652)
Year ended 30 June 2016					
Liquid financial assets					
Cash and cash equivalents	7,392	-	-	-	7,392
Trade and other receivables	67,006	374	748	135	68,263
	74,398	374	748	135	75,655
Financial liabilities					
Interest bearing loans and borrowings	(36,976)	(43,000)	(42,794)	-	(122,770)
Trade and other payables	(62,274)	-	-	-	(62,274)
Financial guarantees	(14,988)	-	-	-	(14,988)
	(114,238)	(43,000)	(42,794)	-	(200,032)
Net inflow/(outflow)	(39,840)	(42,626)	(42,046)	135	(124,377)

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.

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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 (\$86.3m) and falls within the Australian Transport Segment.

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2017 and 30 June 2016.



4 Operating Segments

	Australian Transport \$'000	Fuel \$'000	New Zealand Transport \$'000	Total \$'000
Year ended 30 June 2017				
Revenue				
External customers	641,963	69,652	43,597	755,212
Finance revenue	6	-	14	20
Inter-segment sales	15	69,108	-	69,123
Total segment revenue	641,984	138,760	43,611	824,355
Results				
Depreciation and amortisation expense	(34,929)	-	(4,196)	(39,125)
Finance costs	(5,635)	-	(1,161)	(6,796)
Share of profits of associates	123	-	-	123
Segment net operating (loss)/profit after tax	1,979	2,065	2,466	6,510
Operating assets	423,063	28,718	45,542	497,323
Operating liabilities	249,430	10,307	11,451	271,188
Other disclosures				
Investments in associate	368	-	-	368
Capital expenditure	(53,858)	-	(5,154)	(59,012)
Inter-segment revenues of \$69,123,000 are eliminated on consolidation				
Year ended 30 June 2016				
Revenue				
External customers	589,109	63,688	35,930	688,727
Finance revenue	17	-	19	36
Inter-segment sales	430	60,101	-	60,531
Total segment revenue	589,556	123,789	35,949	749,294
Results				
Depreciation and amortisation expense	(35,192)	-	(3,670)	(38,862)
Finance costs	(5,853)	-	(1,241)	(7,094)
Share of profits of associates	132	-	-	132
Impairment charges	(115,119)	(165)	-	(115,284)
Segment net operating (loss)/profit after tax	(108,199)	2,161	1,863	(104,175)
Operating assets	381,519	24,320	42,530	448,369
Operating liabilities	212,261	7,973	11,690	231,924
Other disclosures				
Investments in associate	395	-	-	395
Capital expenditure	(44,188)	-	(7,493)	(51,681)
Inter-segment revenues of \$60,531,000 are eliminated on consolidation				

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4 Operating Segments

	Consolidated	
	2017	2016
	\$'000	\$'000
i) Segment revenue reconciliation to the Statement of Comprehensive Income		
Total segment revenue	824,355	749,294
Inter-segment sales elimination	(69,123)	(60,531)
Total revenue	755,232	688,763
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	711,621	652,814
New Zealand	43,611	35,949
Total revenue	755,232	688,763
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 deferred tax assets.		
Reconciliation of segment operating assets to total assets:		
Segment operating assets	497,323	448,369
Inter-segment eliminations	(22,178)	(18,369)
Deferred tax assets	13,544	14,107
Income tax receivable	-	897
Total assets per the Statement of Financial Position	488,689	445,004
The analysis of location of non-current assets excluding deferred tax assets are as follows:		
Australia	313,304	300,046
New Zealand	45,542	42,529
Total assets per the Statement of Financial Position	358,846	342,575
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	271,188	231,924
Inter-segment eliminations	(22,178)	(18,369)
Deferred tax liabilities	33,879	32,061
Income tax payable	444	-
Total liabilities per the Statement of Financial Position	283,333	245,616

	Consolidated	
	2017	2016
	\$'000	\$'000
5 Revenue and Expenses		
a) Revenue		
– Rendering of services	664,521	611,197
– Sale of goods	90,691	77,530
– Finance revenue	20	36
Total revenue	755,232	688,763
b) Other income		
– Net gains on disposal of property, plant and equipment	2,852	2,842
– Other	2,155	2,307
Total other income	5,007	5,149
c) Finance costs		
– Related parties – other	-	-
– Other parties	2,219	1,863
– Finance charges on hire purchase contracts	4,577	5,231
Total finance costs	6,796	7,094
d) Depreciation and amortisation expense		
Depreciation		
– Buildings	2,296	1,901
– Motor vehicles	32,466	31,220
– Plant and equipment	4,363	4,881
Amortisation		
– Customer contracts	-	257
– IT development costs	-	603
Total depreciation and amortisation expense	39,125	38,862
e) Employee expenses		
– Wages and salaries	201,063	180,535
– Workers' compensation costs	7,886	7,971
– Long service leave provision	2,054	1,832
– Annual leave provision	13,050	12,010
– Payroll tax	11,071	10,264
– Defined contribution plan expense	14,638	13,047
– Directors retirement scheme expense	4	20
Total employee expenses	249,766	225,679
f) Operating lease rental expense		
– Property	15,102	14,326
– Plant and equipment	2,404	3,815
Total operating lease rental expense	17,506	18,141

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	Consolidated			
	2017	2016		
	\$'000	\$'000		
6 Income Tax				
The major components of income tax expense are:				
Statement of Comprehensive Income				
Current income tax				
- Current income tax charge	622	252		
- Adjustments in respect of current income tax of previous years	61	(74)		
Deferred income tax				
- Relating to origination and reversal of income tax expense reported in the Statement of Comprehensive Income temporary differences	2,172	(5,908)		
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	2,855	(5,730)		
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	-	3,830		
Income tax expense reported in equity	-	3,830		
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/(loss) before income tax	9,365	(109,905)		
At the Group's statutory income tax rate of 30% (2016: 30%)	2,810	(32,971)		
- Expenditure not allowable for income tax purposes	(16)	27,315		
- Adjustments in respect of current income tax of previous years	61	(74)		
Income tax expense reported in the Statement of Comprehensive Income	2,855	(5,730)		
Consolidated				
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
	Current	Deferred	Current	Deferred
	Income	Income	Income	Income
	Tax	Tax	Tax	Tax
Recognised deferred tax assets and liabilities				
Opening balance	897	(17,954)	(1,302)	(18,537)
Charged to income	(2,786)	(69)	4,970	760
Eliminations	-	-	-	-
DTA recognised on losses	2,178	(2,178)	(3,747)	3,747
Charged to equity	-	-	-	(3,830)
Other payments	(733)	-	976	-
Exchange rate	-	(134)	-	(94)
Closing balance	(444)	(20,335)	897	(17,954)
Tax (benefit)/expense in Statement of Comprehensive Income		2,855		(5,730)
Amounts recognised in the Statement of Financial Position:				
Deferred tax asset		13,544		14,107
Deferred tax liability		(33,879)		(32,061)
		(20,335)		(17,954)

6 Income Tax

Statement of Financial Position

	2017 \$'000	2016 \$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Consolidated		
<i>Deferred tax liabilities</i>		
– Accelerated depreciation for tax purposes	(12,707)	(10,563)
– Revaluation of land and buildings to fair value	(18,023)	(18,023)
– Trade and other receivables not derived for tax purposes	(3,149)	(3,475)
– Intangibles (brands and customer contracts)	-	-
	(33,879)	(32,061)
<i>Deferred tax assets</i>		
– DTA recognised on losses	1,692	3,747
– Accelerated depreciation for accounting purposes	214	744
– Trade and other payables not currently deductible	2,380	1,680
– Trade and other receivables not derived for tax purposes	146	136
– Employee entitlements not currently deductible	9,112	7,800
	13,544	14,107

Tax consolidation

i) Members of the tax consolidated group and the tax sharing arrangement

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.

ii) 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 intercompany assets and liabilities with a consequential adjustment to income tax expense or benefit. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidation group.

The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. In addition to its own current and deferred tax amounts, the head entity also recognises current and deferred tax assets and liabilities arising from unused tax losses and unused tax credits assumed from controlled entities within the tax consolidated group.

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.

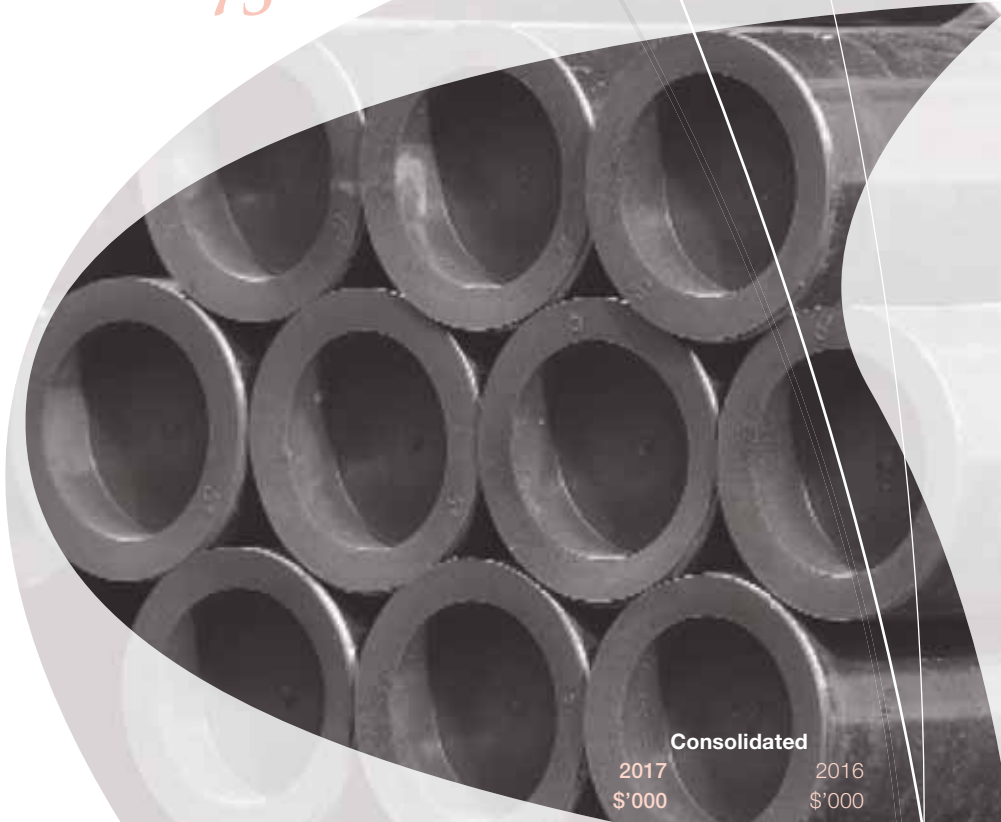
In preparing the accounts for K&S Corporation Limited for the current year, the following amounts have been recognised as tax consolidation adjustments:

	Parent 2017 \$'000	2016 \$'000
Total increase/(reduction) to tax expense of K&S Corporation Ltd	(2,155)	5,205
Total increase/(reduction) to inter-company assets of K&S Corporation Ltd	2,155	(5,205)

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	Consolidated	
	2017	2016
	\$'000	\$'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:		
Net (loss)/profit attributable to ordinary equity holders of the parent from continuing operations	6,510	(104,175)
Net (loss)/profit attributable to ordinary equity holders of the parent	6,510	(104,175)
	2017	2016
	Thousands	Thousands
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	121,411	119,681
Effect of dilution		
– Ordinary shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	121,411	119,681
	Consolidated	
	2017	2016
	\$'000	\$'000
8 Dividends Paid and Proposed		
Declared and paid during the year:		
<i>Dividends on ordinary shares</i>		
Final franked dividend for 2016: Nil (2015: 3.5 cents)	-	4,132
Interim franked dividend for 2017: 1.5 cents (2016: 1.5 cents)	1,818	1,806
	1,818	5,938
Proposed (not recognised as a liability as at 30 June):		
<i>Dividends on ordinary shares</i>		
Final franked dividend for 2017: 2.0 cents (2016: Nil)	2,424	-
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% (2016: 30%)	43,930	46,612
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
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	-	-
	43,930	46,612
Tax rates		
The tax rate at which dividends have been franked is 30% (2016: 30%).		
Dividends proposed will be franked at the rate of 30% (2016: 30%).		



	Consolidated	
	2017 \$'000	2016 \$'000
9 Cash and Cash Equivalents		
Cash	55	56
Cash deposits with banks	13,930	7,336
	13,985	7,392
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
Reconciliation of net profit/(loss) after income tax to net cash flows from operations		
Net profit/(loss) after income tax	6,510	(104,175)
Add/(less) items classified as investing/financing activities:		
– (Profit)/loss on sale of non-current assets	(2,852)	(2,842)
Add/(less) non-cash items:		
– Impairment of intangibles/non-current assets	-	115,284
– Amortisation	-	860
– Amounts set aside to provisions	4,304	(134)
– Depreciation	39,125	38,002
– Share of associates' net profit	(123)	(132)
– Dividends received from associates	-	150
Net cash provided by operating activities before changes in assets and liabilities	46,964	47,013
CHANGE IN ASSETS AND LIABILITIES		
(Increase)/decrease in inventories	(619)	357
(Increase)/decrease in income tax benefit	563	(3,895)
(Increase)/decrease in prepayments	277	(982)
(Increase)/decrease in receivables	(21,669)	8,830
(Decrease)/increase in trade creditors	20,702	(7,414)
(Decrease)/increase in income taxes payable	1,341	(2,204)
(Decrease)/increase in deferred taxes payable	1,818	(562)
Exchange rate changes on opening cash balances	(12)	(21)
Net cash provided by operating activities	49,365	41,122

Disclosure of financing facilities

Refer to Note 18.

Disclosure of non-cash financing and investing activities

Refer to Note 18.

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	Consolidated	
	2017	2016
	\$'000	\$'000
10 Trade and Other Receivables		
Current		
Trade debtors	80,854	59,884
Allowance for impairment loss (a)	(490)	(437)
	80,364	59,447
Sundry debtors	8,208	7,185
	88,572	66,632
Non-current		
Related party receivables		
– Employee share plan loans	1,179	1,509
	1,179	1,509
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:		
At 1 July	437	588
Charge for the year	194	13,284
Amounts written off (b)	(141)	(13,435)
At 30 June	490	437

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**
2017	80,854	49,929	22,521	5,389	-	2,525	490
2016	59,884	42,722	12,409	2,562	-	1,754	437

* 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			
	2017		2016	
	\$'000		\$'000	
11 Inventories				
Consumable stores – at cost	2,556		2,146	
Finished goods – fuel at cost	2,292		2,083	
Total inventories at the lower of cost and net realisable value	4,848		4,229	
a) Inventory expense				
Inventories recognised as an expense for the year ended 30 June 2017 totalled \$77,094,000 (2016: \$67,184,000) for the Group. This expense relates to fuel sold and has been included in the cost of goods sold line item.				
	Parent			
	2017		2016	
	\$'000		\$'000	
12 Other Financial Assets				
Investments controlled entities				
– Shares – unlisted at cost	78,552		78,552	
	78,552		78,552	
	Interest Owned		Investment Carrying Amount Consolidated	
	2017	2016	2017	2016
	%	%	\$'000	\$'000
13 Investment in Associate				
a) Investment details				
Smart Logistics Pty Ltd	50	50	368	395
Investment in associate			368	395
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			
	2017		2016	
	\$'000		\$'000	
Smart Logistics Pty Ltd				
At 1 July	395		413	
Share of profit/(loss) after income tax	123		132	
Dividend payment	(150)		(150)	
At 30 June	368		395	

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13 Investment in Associate

	Consolidated			
	2017	2016		
	\$'000	\$'000		
c) Summarised financial information				
The following table illustrates summarised financial information relating to the Group's associate:				
<i>Extract from the associates' Statement of Financial Position:</i>				
Current assets	5,380	5,526		
Non-current assets	33	46		
	5,413	5,572		
Current liabilities	(4,656)	(4,764)		
Non-current liabilities	(21)	(17)		
	(4,677)	(4,781)		
Net assets	736	791		
Proportion of Group's ownership	50.0%	50.0%		
Share of associate net assets/(liabilities)	368	395		
Carry amount of the Investment	368	395		
<i>Extract from the associates' Statement of Comprehensive Income:</i>				
Revenue	58,821	61,878		
Net profit	251	264		
	Consolidated			
	Freehold Land and Buildings	Motor Vehicles	Plant & Equipment	Total
	\$'000	\$'000	\$'000	\$'000
14 Property, Plant and Equipment				
a) Reconciliation of carrying amounts at the beginning and end of the period:				
Year ended 30 June 2017				
As at 1 July 2016 net of accumulated depreciation and impairment	118,856	198,123	17,386	334,365
Additions	723	54,822	3,467	59,012
Disposals	(17)	(3,133)	(20)	(3,170)
Depreciation charge for the year	(2,296)	(32,466)	(4,363)	(39,125)
Exchange adjustment	-	(51)	(33)	(84)
At 30 June 2017 net of accumulated depreciation and impairment	117,266	217,295	16,437	350,998
At 30 June 2017				
Cost or fair value	125,559	456,852	67,174	649,585
Accumulated depreciation and impairment	(8,293)	(239,557)	(50,737)	(298,587)
Net carrying amount	117,266	217,295	16,437	350,998

14 Property, Plant and Equipment

	Consolidated			Total \$'000
	Freehold Land and Buildings \$'000	Motor Vehicles \$'000	Plant & Equipment \$'000	
a) Reconciliation of carrying amounts at the beginning and end of the period: continued				
Year ended 30 June 2016				
As at 1 July 2015 net of accumulated depreciation and impairment	116,150	195,201	15,491	326,842
Additions	51	44,056	7,574	51,681
Disposals	-	(3,701)	(20)	(3,721)
Revaluation	12,767	-	-	12,767
Impairment	(8,212)	(8,688)	-	(16,900)
Depreciation charge for the year	(1,901)	(31,220)	(4,881)	(38,002)
Exchange adjustment	-	2,475	(778)	1,697
At 30 June 2016 net of accumulated depreciation and impairment	118,856	198,123	17,386	334,365
At 30 June 2016				
Cost or fair value	124,941	430,049	64,438	619,428
Accumulated depreciation and impairment	(6,085)	(231,926)	(47,052)	(285,063)
Net carrying amount	118,856	198,123	17,386	334,365

b) 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. No revaluation of land and buildings was performed in the current financial year. The fair value of land and buildings in 2017 was determined based on the independent valuation undertaken in the prior financial year in March 2016 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. This resulted in an increase to the Asset Revaluation Reserve of \$8.9 million, the revaluation uses a 'fair value hierarchy' of measurement.

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation, the properties fair values are based on valuations performed by Jones Lang LaSalle, an accredited independent valuer.

The Group determines the policies and procedures for both recurring fair value measurement, such as land and buildings. External valuers are involved for valuation of land and buildings. External valuations are performed every three years or less if determined appropriate by the Group. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each valuation, the Group analyses the movements in the values of land and buildings which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with the Group's external valuers, also compares the change in the fair value of land and buildings with relevant external sources to determine whether the change is reasonable.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate, and an opposite change in the long term vacancy rate.

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.

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14 Property, Plant and Equipment

	Consolidated	
	2017	2016
	Freehold Land and Buildings	Freehold Land and Buildings
	\$'000	\$'000
c) 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	87,480	87,449
Accumulated depreciation and impairment	(15,718)	(14,349)
Net carrying amount	71,762	73,100

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

The carrying value of motor vehicles held under hire purchase contracts at 30 June 2017 is \$162,934,451 (2016: \$144,469,694).

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.

	Consolidated				
	IT Development Costs	Goodwill	Brands	Customer Contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
15 Intangible Assets and Goodwill					
Year ended 30 June 2017					
At 1 July 2016 net of accumulated amortisation and impairment	-	6,307	-	-	6,307
Exchange adjustment	-	(6)	-	-	(6)
At 30 June 2017 net of accumulated amortisation and impairment	-	6,301	-	-	6,301
At 30 June 2017					
Cost (gross carrying amount)	-	6,307	-	-	6,307
Accumulated amortisation and impairment	-	(6)	-	-	(6)
Net carrying amount	-	6,301	-	-	6,301
Year ended 30 June 2016					
At 1 July 2015 net of accumulated amortisation and impairment	1,372	81,435	6,209	2,072	91,088
Acquisition	-	2,211	-	-	2,211
Impairment	(769)	(77,790)	(6,209)	(1,815)	(86,583)
Amortisation	(603)	-	-	(257)	(860)
Exchange adjustment	-	451	-	-	451
At 30 June 2016 net of accumulated amortisation and impairment	-	6,307	-	-	6,307
At 30 June 2016					
Cost (gross carrying amount)	4,190	81,435	6,209	2,418	94,252
Accumulated amortisation and impairment	(4,190)	(75,128)	(6,209)	(2,418)	(87,945)
Net carrying amount	-	6,307	-	-	6,307
IT development costs have been capitalised at cost and relate to the development of the Group's core freight system (Panorama).					

16 Impairment Testing of Goodwill

Cash generating units

The Group performs an impairment assessment when there is an indication of a possible impairment of its non-current assets and, in addition, performs an impairment review of goodwill and indefinite life intangibles assets at least annually. An impairment review was undertaken as at 30 June 2017.

For the purpose of impairment testing, goodwill is allocated to cash-generating units ('CGUs') which equate to the Group's reportable segments. CGUs are the smallest group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. Impairment testing has been undertaken on a value-in-use basis whereby the net present value of the future cash flows are compared against the carrying amount of net operating assets. Cash flow projections are based on five year financial forecasts.

The aggregate carrying amounts of goodwill allocated to each CGU after impairment are as follows:

	Goodwill	
	2017	2016
	\$'000	\$'000
Australian Transport	-	-
Fuel	-	-
New Zealand Transport	6,301	6,307
	6,301	6,307

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.

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	
	2017	2016	2017	2016
	%	%	%	%
Australian Transport	13.93	13.93	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 represents 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.

Sensitivity analysis

i) Sensitivity to changes in assumptions

Whilst there are a range of possible outcomes, the modelling shows the recoverable amount of the Australian Transport CGU exceeds its carrying value by \$14.3m. 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 0.33% 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 0.41% 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 0.61% would result in a reduction of the recoverable amount to below the carrying value.
- Budget revenue – a decrease in budget revenue of over 0.20% would result in a reduction of the recoverable amount to below the carrying value.

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16 Impairment Testing of Goodwill

i) Sensitivity to changes in assumptions

Whilst there are a range of possible outcomes, the modelling shows the recoverable amount of the New Zealand Transport CGU exceeds its carrying value by \$11.6m. 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 2.00% 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 2.67% 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 29.07% would result in a reduction of the recoverable amount to below the carrying value.
- Budget revenue – a decrease in budget revenue of over 2.26% would result in a reduction of the recoverable amount to below the carrying value.

	Consolidated	
	2017	2016
	\$'000	\$'000
17 Payables		
Current		
Trade creditors and payables	81,664	62,274
	81,664	62,274

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

	Consolidated	
	2017	2016
	\$'000	\$'000
18 Interest Bearing Loans and Borrowings		
Current		
Hire purchase liabilities – secured	34,356	32,238
	34,356	32,238
Non-current		
Non redeemable preference shares	60	60
Hire purchase liabilities – secured	69,095	61,384
Bank loans – secured	19,625	20,625
	88,780	82,069
Commitments in respect of hire purchase agreements are payable as follows:		
Not later than one year	38,448	36,246
Later than one year but not later than five years	73,443	65,169
	111,891	101,415
Deduct: future finance charges	(8,440)	(7,793)
Total hire purchase liability	103,451	93,622
Current	34,356	32,238
Non-current	69,095	61,384
	103,451	93,622

Fair value disclosures

The carrying amount of the Group's current and non-current borrowings is \$123,136,000, the fair value of these is \$182,559,000.

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

18 Interest Bearing Loans and Borrowings

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 \$162,934,451 (2016: \$144,469,694). The weighted average cost of these facilities was 4.41% (2016: 4.88%).

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 \$108,640,000 (2016: \$110,599,000). The non-current bank loans are subject to annual review.

The Group has bank loan facilities available for a period beyond June 2017. Maturity dates for the Group's facilities are:

Facility amount (\$'000)	Expiry
25,000	4 January 2020
33,000	26 November 2020
40,000	26 November 2019

The facilities bear interest at 2.49% (2016: 3.54%).

	Consolidated	
	2017	2016
	\$'000	\$'000
Financing facilities available		
<i>Total facilities available:</i>		
Bank overdrafts	7,000	7,000
Bank loans	84,000	84,000
Standby letters of credit	848	19,488
	91,848	110,488
Standby letters of credit		
The Group has the following guarantees at 30 June 2017:		
<ul style="list-style-type: none"> Other bank guarantees of \$847,884 have been provided by Westpac to suppliers. 		
<i>Facilities utilised at balance date:</i>		
Bank overdrafts	-	-
Bank loans	19,625	20,625
Standby letters of credit	848	14,988
	20,473	35,613
<i>Facilities not utilised at balance date:</i>		
Bank overdrafts	7,000	7,000
Bank loans	64,375	63,375
Standby letters of credit	-	-
	71,375	70,375
Total facilities	91,848	105,988
Facilities used at balance date	20,473	35,613
Facilities unused at balance date	71,375	70,375

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18 Interest Bearing Loans and Borrowings

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 2017.

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.

	Consolidated	
	2017	2016
	\$'000	\$'000
The carrying amount of assets pledged as security for current and non-current interest bearing liabilities are:		
Non-current		
<i>First mortgage</i>		
– Freehold land and buildings	108,224	110,084
– Plant and equipment	416	515
Total non-current assets pledged as security	108,640	110,599
Non-cash financing and investment activities		
During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of \$46,994,000 (2016: \$36,359,000) and disposed of property, plant and equipment with an aggregate fair value of \$nil (2016: \$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		
Current		
Employee benefits	25,050	20,886
Self insured workers' compensation liability	3,783	3,293
	28,833	24,179
Non-current		
Employee benefits	6,213	4,784
Make good provision	694	367
Directors' retirement allowance	363	359
Self insured workers' compensation liability	8,107	7,285
	15,377	12,795

No dividends have been provided for the year ended 30 June 2017. 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	Self Insured workers' Compensation Liability \$'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 2016	367	359	10,578	11,304
Arising during the year	327	4	1,312	1,643
Utilised	-	-	-	-
At 30 June 2017	694	363	11,890	12,947
Current 2017	-	-	3,783	3,783
Non-current 2017	694	363	8,107	9,164
	694	363	11,890	12,947
Current 2016	-	-	3,293	3,293
Non-current 2016	367	359	7,285	8,011
	367	359	10,578	11,304

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, New South Wales and the Northern Territory 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.

iv) Self insured workers compensation

Workers compensation self insurance liability is based on Actuaries reports prepared in accordance with the K&S Comcare self insurance licence.

	Consolidated	
	2017 \$'000	2016 \$'000
20 Contributed Equity and Reserves		
a) Ordinary shares		
Contributed equity		
122,069,541 (2016: 121,201,356) ordinary shares fully paid	153,951	152,518
	153,951	152,518

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 or 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.

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20 Contributed Equity and Reserves

	Thousands	\$'000
Movements in ordinary shares on issue		
At 1 July 2015	117,617	147,674
Issued through Employee Share Plan – 429,900 ordinary shares at \$1.25	430	537
Issued through Dividend Re-investment Plan – 2,070,245 ordinary shares at \$1.3108	2,070	2,714
Aero Refuellers Purchase – 300,979 ordinary shares at \$1.3289	301	400
Issued through Dividend Re-investment Plan – 783,607 ordinary shares at \$1.5222	784	1,193
At 30 June 2016	121,202	152,518
Issued through Dividend Re-investment Plan – 868,185 ordinary shares at \$1.6501	868	1,433
At 30 June 2017	122,070	153,951
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 2017, the Group paid dividends of \$1,818,000 (2016: \$5,938,000).		
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	
	2017	2016
	\$'000	\$'000
Total interest bearing loans and borrowings	123,136	114,307
Less cash and cash equivalents	(13,985)	(7,392)
Net debt	109,151	106,915
Net debt + Shareholders funds	314,507	306,303
Gearing ratio	34.7%	34.9%
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.		
	Consolidated	
	2017	2016
	\$'000	\$'000
Common control reserve		
STI merger	(132)	-
Refer to <i>Note 29</i> for acquisition entries under common control.		

21 Derivative Financial Instruments

a) Hedging activities

The Group has no interest rate swap agreements in place at 30 June 2017.

b) Interest rate risk

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

	Consolidated	
	2017 \$'000	2016 \$'000
22 Commitments		
The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2017 are:		
Capital expenditure commitments		
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	31,163	28,166
Lease rental commitments		
Operating lease and hire commitments:		
– Not later than one year	13,305	13,953
– Later than one year but not later than five years	21,281	25,778
– Later than five years	5,488	6,998
	40,074	46,729

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 was one of five named defendants to those proceedings. The claims related to property damage sustained in a fire at a DTM warehouse in 2007. The quantum of the claims the subject of those proceedings was \$8.65 million plus interest and costs. As announced on 19 May 2017, the claims were settled with DTM contributing \$1.47 million towards a combined settlement sum and no admissions as to liability. Under the settlement agreement, the legal proceedings were formally dismissed with no orders as to costs on 6 July 2017.

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.

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24 Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 17 December 2016, 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 legislative instrument 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	K&S Group Pty Ltd
Kain & Shelton Pty Ltd	DTM Holdings (No. 2) Pty Ltd
K&S Freighters Pty Ltd	Alento Pty Ltd
K&S Group Administrative Services Pty Ltd	DTM Holdings Pty Ltd
Kain & Shelton (Agencies) Pty Ltd	DTM Pty Ltd
K&S Transport Management Pty Ltd	Regal Transport Group Pty Ltd
Blakistons-Gibb Pty Ltd	Strategic Transport Pty Ltd
K&S Logistics Pty Ltd	Vortex Nominees Pty Ltd
K&S Project Services Pty Ltd	K&S Freighters Limited *
K&S Integrated Distribution Pty Ltd	Cochrane's Transport Limited *
Scott Corporation Pty Ltd	Hyde Park Tank Depot Pty Ltd
Bulktrans Pty Ltd	Energytrans Pty Ltd
Chemtrans 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 2017 is set out below:

	Closed Group	
	2017	2016
	\$'000	\$'000
Statement of Comprehensive Income		
Profit/(loss) before income tax	9,365	(109,905)
Income tax benefit/(expense)	(2,855)	5,730
Profit/(loss) after income tax	6,510	(104,175)
Retained profits at the beginning of the year	4,905	115,018
Transfer asset revaluation reserve	-	-
Dividends provided or paid	(1,818)	(5,938)
Retained earnings at the end of the year	9,597	4,905

24 Deed of Cross Guarantee

	Closed Group	
	2017	2016
	\$'000	\$'000
Statement of Financial Position		
Cash	13,985	7,392
Trade and other receivables	88,572	66,632
Inventories	4,848	4,229
Income tax receivable	-	897
Prepayments	8,894	9,171
Total current assets	116,299	88,321
Other receivables	1,179	1,509
Investment in associate	368	395
Property, plant and equipment	350,998	334,365
Intangibles	6,301	6,307
Deferred tax assets	13,544	14,107
Total non-current assets	372,390	356,683
Total assets	488,689	445,004
Trade and other payables	81,664	62,274
Interest bearing loans and borrowings	34,356	32,238
Current tax liabilities	444	-
Provisions	28,833	24,179
Total current liabilities	145,297	118,691
Interest bearing loans and borrowings	88,780	82,069
Deferred tax liabilities	33,879	32,061
Provisions	15,377	12,795
Total non-current liabilities	138,036	126,925
Total liabilities	283,333	245,616
Net assets	205,356	199,388
Contributed equity	153,951	152,518
Reserves	41,808	41,965
Retained earnings	9,597	4,905
Total equity	205,356	199,388

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	Class of Share	Country of Incorporation	% Equity Interest	
			2017	2016
25 Controlled Entities				
Particulars in relation to controlled entities				
Name				
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, 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
 The Border Watch Pty Ltd
 Scott's Agencies Pty Ltd
 Scott's Transport Industries Pty Ltd
 Scott's Fleet Rentals Pty Ltd
 Smart Logistics Australia Pty Ltd

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

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

26 Related Party Disclosures

	Purchases		Sales	
	2017	2016	2017	2016
	\$	\$	\$	\$
The aggregate amount of dealings with these companies during 2017 were as follows:				
AA Scott Pty. Ltd	2,051,396	588,887	2,037	-
Scott's Transport Industries Pty Ltd	273,484	991,577	601,892	989,191
The Border Watch Pty Ltd	20,269	18,707	779	-
Scott's Fleet Rentals Pty Ltd	3,638,706	-	1,008,100	-
Mr A 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 2017 was \$8,253 (2016: \$31,168) in professional service fees.				
Mr R Smith has an interest as Director of Cleanaway Waste Management Ltd. Transactions with this company during 2017 were sales of \$7,629 (2016: \$Nil) and purchases of \$193,907 (2016: \$88,359).				
			Consolidated	
			2017	2016
			\$'000	\$'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			-	113
Scott's Fleet Rentals Pty Ltd			610	-
Smart Logistics Australia Pty Limited			1,347	1,160
No provision for doubtful debts has been recognised in respect of these balances as they are considered recoverable.				
Current payables (included within trade payables)				
Scott's Transport Industries Pty Ltd			-	79
Cleanaway Waste Management Ltd			7	5
AA Scott Pty Ltd			127	10
Scott's Fleet Rentals Pty Ltd			61	-
Smart Logistics Australia Pty Limited			2	4
Wholly-owned Group				
Details of interests in wholly-owned controlled entities are set out at <i>Note 25</i> .				
			Parent	
			2017	2016
			\$'000	\$'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			79,751	79,080
- Non-current			17,961	17,961
			97,712	97,041

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.

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26 Related Party Disclosures

	Consolidated	
	2017	2016
DIRECTORS' SHARE TRANSACTIONS		
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
– Ordinary shares	1,775,888	1,759,891
– Preference shares	-	-
All share transactions were with the parent Company, K&S Corporation Limited.		
	2017	2016
	\$'000	\$'000
Dividends		
Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:		
– Ordinary shares	27	95
– 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 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 S Hine	Executive General Manager Business Development

	Consolidated	
	2017	2016
	\$	\$
b) Compensation for Key Management Personnel		
Short-term	1,880,038	1,906,094
Long-term	28,871	28,871
Termination payments	-	-
Post employment	157,771	160,863
	2,066,680	2,095,828

28 Events Subsequent to Balance Date

No matters have 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

Merger in 2017

On 30 January 2017, Scott's Transport Industries Pty Ltd (STI) was merged into K&S Corporation Limited via the transfer of certain assets into K&S Corporation's subsidiary, K&S Freighters Pty Ltd. Under the agreement, STI transferred to K&S Freighters its rights and entitlements under its customer contracts and K&S Freighters made offers of employment to transferring employees of STI, also recognising prior periods of service and the value of accrued leave entitlements.

As this transaction involved entities under common control, the Directors have elected for the respective assets and liabilities of STI to be recognised at book value as at 30 January 2017 in the accounts of K&S Corporation Limited. This approach will not give rise to any goodwill on consolidation within the K&S Group or a gain/loss on the transaction, rather this approach resulted in the recognition of a Common Control Reserve within equity of the K&S Corporation Limited consolidated financial statements.

STI was established more than 60 years ago by the late Allan Scott AO and is recognised as one of Australia's largest privately owned transport companies. STI operates a general freight and fuel cartage division, having several blue chip customers within the manufacturing, Fast Moving Consumer Goods and fuel sectors. K&S Corporation views this as an excellent opportunity to further expand its K&S Energy division through increased fuel cartage operations and provide additional volume and competitiveness in its existing intermodal and contract logistics divisions.

K&S took on the employees and their related employee entitlements. The following payments were received by K&S in relation to the employees:

	Book value recognised on acquisition
Assets	
Cash	\$1,675,237
Customer contracts	-
	\$1,675,237
Liabilities	
Employee entitlements	\$1,807,627
	\$1,807,627
Common control reserve arising on merger	\$132,390
Purchase consideration transferred	-

From the date of merger, STI has contributed \$45,783,399 of revenue and \$1,248,710 to the profit before tax from continuing operations of the Group.

Transaction costs of \$60,000 have been expensed and are included in other expenses in the Statement of Comprehensive Income and are part of operating cash flows in the Statement of Cash Flows.

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29 Business Combinations

Acquisitions in 2016

On 2 November 2015, K&S Corporation Limited (K&S) acquired the business and assets of Aero Refuellers ("AR").

AR supplies, manages and operates numerous aviation refuelling facilities, largely at airfields in regional New South Wales and Victoria and in addition supports aerial fire fighting activities in several states.

Goodwill of \$2,211,000 was recorded on acquisition.

The acquisition of Albury-based AR presents significant opportunities for K&S to expand its current transport and fuel operations into the aviation sector. In addition, it is complimentary to K&S' existing service offering and skill-set and operates in a higher value add market sector.

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

	Fair Value at Acquisition Date \$'000	Carrying Value \$'000
Property, plant and equipment	4,328	4,328
Prepayments	59	59
Inventory	623	623
Deferred tax assets	34	34
	5,044	5,044
Provision for employee entitlements	(113)	(113)
Deferred tax liability	(18)	(18)
	(131)	(131)
Fair value of identifiable net assets	4,913	
Goodwill on acquisition	2,211	
	7,124	
Purchase consideration transferred	7,124	
	7,124	
	Consolidated	
	2017	2016
	\$	\$
30 Auditor's Remuneration		
The auditor of K&S Corporation Limited is Ernst & Young.		
Audit services:		
Audit and review of the statutory financial reports	186,000	179,600
	186,000	179,600
Other services:		
Tax software implementation	14,911	17,500
Asset valuation assistance	-	5,900
	14,911	23,400

	Parent	
	2017	2016
	\$'000	\$'000
31 Parent Entity Information		
Current assets	79,751	80,138
Total assets	180,629	182,016
Current liabilities	-	-
Total liabilities	(13,492)	(14,488)
Issued capital	153,951	152,518
Asset revaluation reserve	161	161
Retained earnings	13,025	14,849
Total Shareholders' equity	167,137	167,528
Profit after tax of the parent entity	(5,502)	(2,362)
Total comprehensive income of the parent entity	(5,502)	(2,362)
Guarantees		
Cross guarantees given by the Company and its wholly-owned controlled entities are described in <i>Note 24</i> .		
Contingent liabilities		
Contingent liabilities of the Company and its wholly-owned controlled entities are outlined in <i>Note 23</i> .		

directors' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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 2017.
- 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 Melbourne this 21st day of August 2017.

On behalf of the Board:



Tony Johnson
Chairman



Paul Sarant
Managing Director



Chemtrans
safety • performance • peace of mind

auditor's independence

TO THE DIRECTORS OF K&S CORPORATION LIMITED



Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

As lead auditor for the audit of K&S Corporation Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of K&S Corporation Limited and the entities it controlled during the financial year.


Ernst & Young



Mark Phelps
Partner

Adelaide
21 August 2017

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REPORT

independent auditor's

TO THE MEMBERS OF K&S CORPORATION LIMITED



Ernst & Young
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Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

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Fax: +61 8 8417 1775
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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of K&S Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Merger with Scott's Transport Industries Pty Ltd (STI)

Why significant

The merger with Scott's Transport Industries Pty Ltd was a key audit matter due to the complexity of the transaction.

As disclosed in *Note 29*, STI and K&S are controlled by the same shareholder, and therefore, the merger has been determined to be a business combination under common control. As a result, the pooling of interest method has been applied. The determination of the treatment is subject to judgment.

How our audit addressed the key audit matter

We assessed the appropriateness of the Group using the pooling of interest method and in doing so examined the merger agreement.

We tested whether the assets and liabilities of STI were reflected at their carrying value, and the accounting policies of STI aligned with those of K&S.

We checked that the difference between the consideration transferred by K&S and the equity acquired in STI was appropriately presented in equity by K&S.

We assessed the adequacy of the related disclosures in *Note 29*.

Impairment assessment of intangible assets

Why significant

As at 30 June 2017, there was a deficiency between the Group's net assets and market capitalisation which is an indicator of impairment.

An impairment assessment was carried out on the Group's CGU's as disclosed in *Note 16*. This required the Group to apply judgment around the discount rate applied, forecast cash flows, long term growth rates and allocation of corporate costs.

The uncertainty involved in the forecast of future results for the calculation of impairment has resulted in us considering this a key audit matter.

How our audit addressed the key audit matter

We assessed the Group's assumptions used in the impairment model.

Specifically, we assessed the cash flow projections, discount rate, perpetuity growth rates and sensitivities used, with the assistance of our valuation specialists where appropriate, by considering external market data and assessing the historical accuracy of the Group's forecasting.

Information Other Than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

independent auditor's
TO THE MEMBERS OF K&S CORPORATION LIMITED

Report on the Audit of the Financial Report
Information Other Than the Financial Report and Auditor's Report Thereon

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

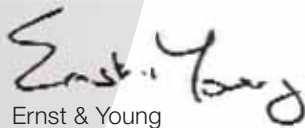
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 32 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of K&S Corporation Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Mark Phelps

Partner

Adelaide

21 August 2017

shareholdings INFORMATION ON

INFORMATION RELATING TO SECURITY HOLDERS AS AT 6 SEPTEMBER 2017

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares

1-1,000 Shares
 1,001 - 5,000 Shares
 5,001 - 10,000 Shares
 10,001 - 100,000 Shares
 100,001 and more Shares

Number of Shareholders

432
 822
 326
 409
 49

2,038

158 shareholders hold less than a marketable parcel (295 shares).

TWENTY LARGEST SHAREHOLDERS

Name	Number of Ordinary Shares Held	%
1 AA Scott Pty Ltd	72,684,023	59.50
2 Linfox Australia Pty Ltd	13,347,156	10.93
3 Bell Potter Nominees Ltd <BB Nominees A/C>	4,814,959	3.94
4 Ascot Media Investments Pty Ltd	2,403,404	1.97
5 Zena Winsor Pty Ltd <The Zena A/C>	1,716,214	1.41
6 Oakcroft Nominees Pty Ltd <Oakcroft Super Fund A/C>	1,176,887	0.90
7 Tribridge Holdings Pty Ltd	750,000	0.61
8 Mr Eric Joseph Roughana	700,000	0.57
9 Mr Barry William Page & Mrs Janice Mary Page <Ardmore Super Fund A/C>	649,456	0.53
10 Winscott Investments Pty Ltd	627,087	0.51
11 Citicorp Nominees Pty Limited	555,870	0.46
12 Tirroki Pty Ltd <AF Johnson Super Fund A/C>	515,984	0.42
13 Kailva Pty Ltd <Superannuation A/C>	400,000	0.33
14 Dixson Trust Pty Ltd	364,430	0.30
15 Collins Rural Superfund Pty Ltd <Collins Family S/F A/C>	355,343	0.29
16 Mr Anthony Victor King & Ms Elina Maria King <King S/F A/C>	345,000	0.28
17 Arcav Air Pty Ltd	303,715	0.25
18 Mr Adrian Keith Crook & Mrs Samantha Jane Crook <Pacific Group Inv Share A/C>	300,000	0.25
19 Maine Pty Ltd <George Sabadin Family A/C>	282,457	0.23
20 Ray Scott Private Pty Ltd <Ray Scott Private A/C>	265,217	0.22
	102,557,202	84.00

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 84.00% 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 6 September 2017

	Number	% of Class
AA Scott Pty Ltd & Associated Companies	78,386,034	64.67
Linfox Australia Pty Ltd	18,331,548	15.02

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

INTERMODAL/BULK

Melbourne

591 Boundary Road
Truganina VIC 3029
Phone: (03) 8744 3700

Portland

53 Fitzgerald Street
Portland VIC 3305
Phone: (03) 5523 4144

Geelong

325 Thompson Road
North Geelong VIC 3215
Phone: (03) 5278 5777

Ballarat

c/o Laminex Industries
16 Trewin Street
Wendouree VIC 3355
Phone: (03) 5338 1710

Kyabram

39 McCormick Road
Kyabram VIC 3620
Phone: (03) 5852 1011

Sydney

1 Hope Street
Enfield NSW 2136
Phone: (02) 9735 2400

Appin

West Cliff Colliery Weighbridge
Wedderburn Road
Wedderburn NSW 2560
Phone: (02) 4640 4109

Port Kembla

Cnr King & Wattle Streets
Port Kembla NSW 2505
Phone: (02) 4267 9200

Brisbane

34 Postle Street
Coopers Plains QLD 4108
Phone: (07) 3137 4400

Bundaberg

Old Quanaba Mill, Grange Road
Bundaberg QLD 4670
Phone: (07) 4159 2150

Roseneath

2-6 Curley Circuit
Roseneath QLD 4811
Phone: (07) 4721 7700

Perth

Lot 1 Kewdale Freight Precinct
Off Fenton Street
Kewdale WA 6105
Phone: (08) 6466 6600

Bunbury

91 Moore Road
Dardanup WA 6236
Phone: (08) 9725 4400

Adelaide

30-32 Francis Street
Port Adelaide SA 5015
Phone: (08) 7224 5400

Mount Gambier

141-147 Jubilee Highway West
Mount Gambier SA 5290
Phone: (08) 8721 1700

Alice Springs

196 North Stuart Highway
Alice Springs NT 0870
Phone: (08) 8952 6422

Darwin

8 College Road
Darwin NT 0828
Phone: (08) 8984 4922

New Zealand

Cambridge

3847 Te Awamutu Road
Cambridge NZ
Phone: (07) 827 6002

Mount Maunganui

35 Portside Drive
Mount Maunganui NZ
Phone: (07) 575 8265

Auckland

4 Tinley Street, Auckland NZ
Phone: (09) 307 0061

Christchurch

40 Braeburn Drive,
Christchurch NZ
Phone: (03) 344 0171

DTM

Sydney

2 Hope Street
Enfield NSW 2136
Phone: (02) 9735 2300

Melbourne

591 Boundary Road
Truganina VIC 3029
Phone: (03) 8744 3509

Adelaide

30-32 Francis Street
Port Adelaide SA 5015
Phone: (08) 7224 5480

Brisbane

34 Postle Street,
Coopers Plains QLD 4108
Phone: (07) 3137 4400

Perth

Lot 1 Kewdale Freight Precinct
Off Fenton Street
Kewdale WA 6105
Phone: (08) 6466 6646

Regal Transport

Perth

160 Lakes Road
Hazelmere WA 6055
Phone: (08) 9376 9600

Broome

18 McDaniel Road
Broome WA 6725
Phone: (08) 9192 6599

Derby

23 Rodgers Street
Derby WA 6728
Phone: (08) 9193 1771

Karratha

Lot 1102 Mooligunn Road
Karratha WA 6725
Phone: (08) 9144 1151

Newman

Lot 1583 Woodstock Street
Newman WA 6753
Phone: (08) 9175 2300

Port Hedland

Lot 2521 Miller Street
Port Hedland WA 6721
Phone: (08) 9140 2778

Onslow

454 Beadon Creek Road
Onslow, WA 6710
Mobile: 0438 354 107

Kununurra

597 Weaver Plain Road
Kununurra WA 6743
Phone: (08) 9169 3333

Carnarvon

9 Bassett Way
Carnarvon WA 6701
Mobile: 0428 663 469

K&S Energy

Altona

25-26 Salta Drive
Altona North VIC 3025
Phone: (03) 9282 2800

Brisbane

34 Postle Street
Coopers Plains QLD 4108
Phone: (07) 3718 4200

Darwin

c/o NTFS
8 College Road
Berrimah NT 0828
Phone: (08) 8995 8100

Padstow

55 Davies Road
Padstow NSW 2211
Phone: (02) 9792 9400

Port Kembla

Cnr King & Wattle Streets
Port Kembla NSW 2505
Phone: (02) 4267 9200

Newcastle

45 Greenleaf Road
Kooragang Island NSW 2304
Phone: (02) 4033 7000

Roseneath

2-6 Curley Circuit
Roseneath QLD 4811
Phone: (07) 4721 7700

Townsville

13 Pilkington Street
Garbutt QLD 4814
Phone: (07) 4431 2000

Gladstone

Lot 152 Red Rover Road
Gladstone QLD 4680
Phone: (07) 4973 1700

Perth

3 Central Avenue
Hazelmere WA 6055
Phone: (08) 6274 9600

K&S Fuels

Mount Gambier

40 Graham Road
Mount Gambier SA 5290
Phone: (08) 8721 1771

Millicent

Cnr Williams & Mt Gambier Roads
Millicent SA 5280
Phone: (08) 8733 3133

Aero Refuellers

ALBURY

Hangar 8-11 Ogden Place
East Albury NSW 2640
Phone: (02) 6041 1599



K&S CORPORATION LIMITED

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