K&S CORPORATION LIMITED

ANNUAL REPORT 2020

OUR VISION
TO BE THE LEADING PROVIDER OF TRANSPORT AND LOGISTICS SOLUTIONS WITHIN OUR TARGET MARKETS IN AUSTRALIA AND NEW ZEALAND.

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FINANCIAL CALENDAR

Annual General Meeting	24 November 2020
Half Year Result	24 February 2021
Full Year Result	25 August 2021
Annual Report to Shareholders	15 October 2021
Annual General Meeting	23 November 2021

CHAIRMAN'S REPORT

On behalf of the Board of K&S Corporation Limited, I am pleased to present the Company's Annual Report for the year ended 30 June 2020.

Trading conditions in the transport and logistics segments and regions that the Company trades in remain challenging.

Operating revenues for the period were $790.6 million, 12.7% lower than the prior corresponding period.

The Company reported a statutory profit after tax of $11.2 million, up 384.1% on the previous year's statutory profit after tax of $2.3 million.

Included in the Group comprising K&S Corporation Limited and its subsidiaries (The Group) statutory result for FY2020 was $12.4 million (before tax) attributable to JobKeeper and $1.3 million (before tax) in NZ wage subsidy, both of which were received in the June 2020 quarter. Offsetting these were a number of other significant items relating to debt refinancing, restructuring and the sale of the WA Regal General Freight business. These items totalled $8.4 million.

After adjusting for the above significant items including government wage subsidies, the current year underlying profit before tax was $12.0 million, an increase of 270.1% on the prior corresponding period. The underlying profit after tax was $8.4 million, up on the prior corresponding period by $6.1 million.

Operating cashflow for the year was $83.1 million, 34.4% higher than for the previous year, which included benefits derived through continued and improved working capital management as well as government wage subsidies.

Safety remains a key focus for the Group. The Group's lost time injury rate improved, reducing from 10.0 at the end of last year to 6.6 in the current year.

The Australian Transport business delivered a strong improvement in results compared to the last year. Full year revenue declined due to a combination of the cessation of contracts, divestment of underperforming business units and customer activity reduction consequent to COVID-19.

The implementation of cost reduction strategies continued across the business, contributing strongly to improved underlying profit. In particular, the Group has focussed on operational efficiencies, supplier renegotiations, cessation of underperforming activities, and the rationalisation and replacement of specific fleet assets that reduced operating costs. Ongoing cost reductions are expected to continue to be accretive in the next year, although these may be offset by possible COVID-19 related impacts.

The New Zealand business produced a sound result in FY2020, despite the Stage 4 COVID-19 lockdowns being put in place from 23 March 2020 to 26 April 2020. The New Zealand business continues to realise growth through the provision of its integrated and value adding service offering, with further business diversification also being achieved.

The fuel trading business has again provided sound financial results, despite demand softening in the June 2020 quarter consequent to COVID-19. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition.

CHAIRMAN'S REPORT

COVID-19

In the June 2020 quarter, the Group experienced reduced revenues in a number of business units in Australia and New Zealand as a result of COVID-19. At a minimum, the Group expects revenues to be adversely impacted by COVID-19 in the first half of FY2021.

With the exception of the Stage 4 lockdown imposed in New Zealand between 23 March 2020 and 26 April 2020, the Group's operations have not been subject to any Government mandated shut-downs or state border closures.

The Group has enacted pandemic protocols to assist manage the safety of employees. The Group has also implemented measures to mitigate potential impacts of COVID-19 upon its continued ability to fulfil core managerial, administrative, operational and customer service functions.

DIVIDEND

The Directors are cognisant of the fact that whilst the statutory earnings for the current year include significant contributions from government wage subsidies, the Group's underlying earnings have also improved significantly compared to the prior year. The final dividend declared was determined with reference to the underlying net profit after tax, as opposed to the statutory profit after tax, and specifically excludes any impact of government wage subsidies from the dividend calculation.

The Directors have declared a fully franked final dividend of 3.0 cents per share (2019: 0.0 cents per share). This follows the fully franked interim dividend of 2.0 cents per share paid in April 2020, making the total fully franked dividend 5.0 cents per share in respect of the year ended 30 June 2020.

The final dividend will be paid on 3 November 2020, with the date for determining entitlements being 20 October 2020. Directors have also elected to suspend the dividend reinvestment plan (DRP) in respect of the final dividend as they believe that it is in the best interests of Shareholders to suspend the DRP as the Group's shares are currently trading at too great a discount to the net tangible asset backing of $1.74 per share and the issuing of shares under the dividend reinvestment plan would be dilutionary to existing shareholders.

MANAGEMENT CHANGES

Wayne Johnston ceased as Chief Financial Officer on 16 December 2019 and Raunak Parikh was appointed to the position of Chief Financial Officer on 1 April 2020.

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

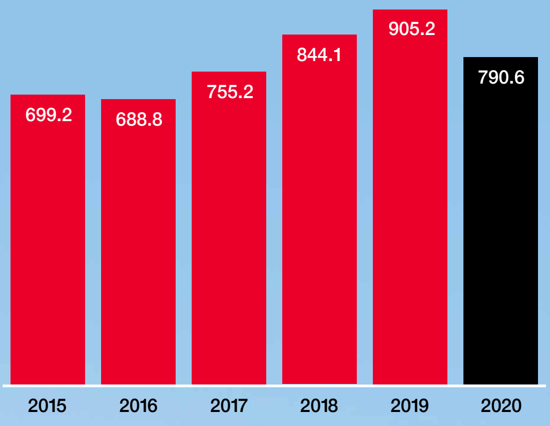
In particular, I thank the senior management team, led by Paul Sarant, for their ongoing commitment and dedication in difficult times.

A J Johnson

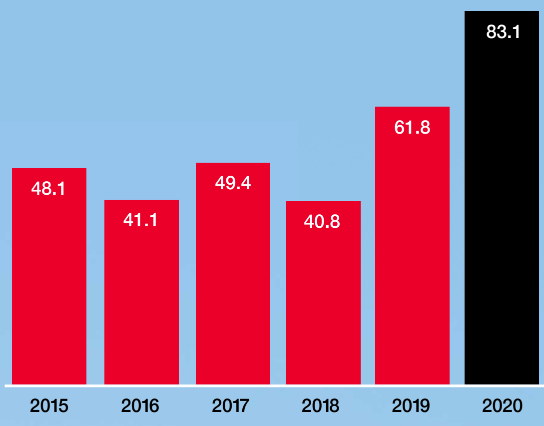
Tony Johnson
Chairman

FINANCIAL OVERVIEW

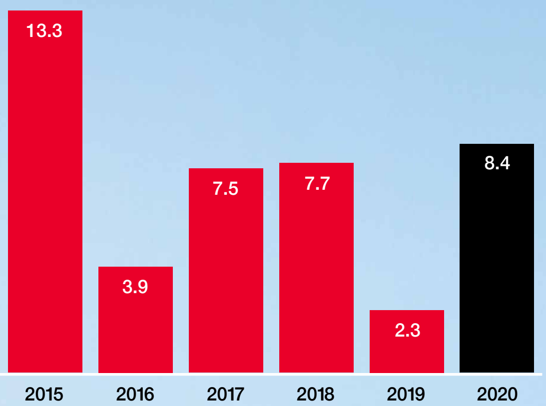
OPERATING REVENUE ($M)



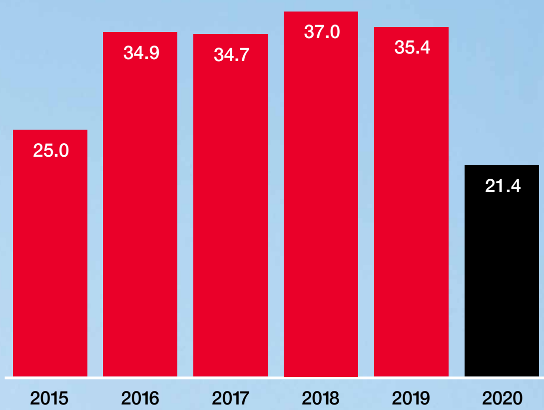
OPERATING CASH FLOW ($M)



UNDERLYING PROFIT AFTER TAX ($M)



GEARING (%)



MANAGING DIRECTOR'S REPORT

Company revenue decreased from the prior corresponding period by 12.7% to $790.6 million.

Underlying Profit before Tax increased to $12.0 million from $3.2 million in the prior year, underpinned by various profit improvement initiatives that were completed in the current year, of which several were commenced in prior periods.

In August 2019, we announced the sale of our Western Australian general freight business, Regal. The business sale was completed on 30 August 2019 and a significant portion of the surplus operating fleet was divested and working capital realised in the current year. Support of the South32 Coal operations also ceased.

The Lost Time Injury Frequency Rate across the K&S Group decreased from 10.0 in the previous year to 6.6 in the current year. In addition, the total reportable injury frequency rate reduced by approximately 20% compared to the previous year. Our improvement of all facets of our safety performance remains a high priority.

SAFETY

The global COVID-19 pandemic has presented the business with a new series of challenges concerning the ongoing safety our employees, contractors, sub-contractors and those who we interact with every day to provide transport and logistics services for our customers and communities.

The engagement, commitment and leadership displayed by all our workers to ensure our workplace remained safe during this pandemic has been of the highest order. As an essential service provider, we have continued to operate throughout the pandemic, albeit with alterations to state and territory border crossing controls, ensuring supply chains remain in place for our customers and the broader community. In the year the Group had no reported COVID-19 cases. We continue to operate with strict control regimes in place. As we exit COVID-19 state based restrictions, our primary concern will remain the welfare of our employees and their extended families.

The Group has continued to invest heavily and proactively in load restraint training. In September 2019, this investment was recognised at the 30th Australian Freight Industry Awards where the group was provided the Investment in People Award. With over 600 training sessions delivered to date using our current methods, manual handling injury rates have declined with an approximate 25% reduction in overall manual handling injuries, and in particular shoulder injuries compared to last year.

ENVIRONMENT

Ongoing fleet upgrades have enabled the Group to continue its emission improvements. During the year vehicle emissions reduction reached 76% of 2003 levels for NOx, up from 74%, and 93% for particulate matter compared with 91% last year.

Carbon dioxide generation for 2018-19 was 180,886 tonnes, down from 199,000 tonnes from the previous year reflecting on business activities for the year.

COMPLIANCE

The Group has maintained ISO 9001:2015 accreditation standards, including other relevant accreditations which included: WA Main Roads, NHVAS Mass, Maintenance and Basic Fatigue Management, accreditation for Food Safety/ HACCP and TruckSafe accreditation.

AUSTRALIAN TRANSPORT

Intermodal and Import/Export

Intermodal operations performed well, particularly on the eastern seaboard. Asset utilisation was further improved in both linehaul road and rail operations.

Intermodal steel and timber volume from our major customers was strong. Major infrastructure projects undertaken by the various State and Federal governments underpinned these activity levels, and despite the recent decline in domestic housing and apartment construction, are forecast to remain the same in the immediate future.

Full year revenue declined due to a combination of the cessation of contracts, divestment of underperforming business units and customer activity reduction consequent to COVID-19. The implementation of cost reduction strategies continued across the business, contributing strongly to improved underlying profit.

Contract & Specialist Logistics

Our contract logistics business has continued the previous trend of year on year growth, with another strong performance.

Diversification and expansion into non-traditional sectors continued, with new contracts being awarded and commenced during the year across the country.

A strong focus on safety, service excellence and differentiation remain core to the business, underpinning the value proposition to customers and establishing long term sustainable partnerships. The core business provides consistent volume activity and financial returns, underpinned by focussed cost management and fleet utilisation.

Heavy Haulage demand was firm throughout the financial year. Fleet upgrades were progressed, with additional assets being added early in FY2021.

Whilst not shielded from the impact of the COVID-19 pandemic, the diversified customer base and industry segments did assist in limiting the direct impact the pandemic has had on the business.

Chemical and Fuel Transport

There has been steady improvement in our chemical and energy transportation businesses in FY2020, with a range of restructuring initiatives having a positive impact over the course of the year.

The improvements were offset by a fall in volumes, especially in the energy business during the COVID-19 period as fuel demand declined significantly in the June 2020 quarter.

Aviation Services

Our specialised aviation refuelling business performed well with strong activity levels in support of regional firefighting efforts. With better than previous year's rainfall, agricultural support also increased.

Consequent to COVID-19, significant volume reductions were experienced in the June 2020 quarter with traffic through many regional airports that we support materially declining.

A new refuelling installation was commissioned at Bathurst Airport in March 2020. Construction of our largest, and most recent installation at Port Hedland International Airport (WA) was commenced, with commissioning anticipated in November 2020.

The fleet upgrade and expansion program has continued with our firefighting capacity increased further.

NEW ZEALAND

Despite the Stage 4 COVID-19 lockdowns put in place from 23 March 2020 to 26 April 2020, which materially impacted our fleet utilisation, our New Zealand operation has realised a solid result in FY2020. Industry segments such as dairy, steel and timber performed strongly this year, underpinning the overall performance.

Operating cashflows remain strong and debt has reduced to record low levels. Further growth and diversification of the revenue base remain key priorities, leveraging the strong and expandable infrastructure that has been put in place over the past 5 years.

FUEL AGENCY

In an exceptionally competitive market, the fuel trading business provided sound financial results. A softening of demand was experienced in the June 2020 quarter consequent to COVID-19.

The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition.

Our South Australian regional network was marginally increased with the addition of a new retail shop and service station at Kingston SA.

HUMAN RESOURCES

Employee engagement and communications programs remain a high priority and area of focus across the business.

Further development of our employee smartphone App was completed to support our training and engagement programs aligned to our core values.

We continue to align the operational and management structures to service the needs of business units and customers, whilst maintaining our strong focus on the retention and development of skilled and qualified employees as K&S' most valuable asset.

OTHER ITEMS

The implementation and realisation of profit and cash improvement and debt reduction strategies has successfully continued across the business, contributing strongly to improved underlying profit in the current year. We remain focussed on improving operational efficiencies, achieving increased benefits through supplier renegotiations, the cessation of underperforming activities, and the rationalisation and replacement of specific fleet assets to realise reduced operating costs. As part of the year's changes we exited eleven externally rented properties.

Ongoing cost reductions are expected to continue to be accretive in FY2021, although as we commence the new period in softer market conditions adversely impacted by COVID-19, these may be offset by other items.

I would like to take this opportunity to thank all employees, and supporters of K&S, who have collectively worked exceptionally hard to continue to improve our Company.

Paul Sarant
Managing Director and CEO

DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial report of the Group comprising K&S Corporation Limited (the "Company") and its subsidiaries, for the year ended 30 June 2020 and the Auditor's Report thereon.

DIRECTORS

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

Tony Johnson Chairman

Age 73, Director since 1986

Tony Johnson BA, LLB, LLM (Companies & Securities) FAICD 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 Chairman of Adelaide Community Healthcare Alliance.

Member of:

– Environmental Committee (Chairman)
– Nomination and Remuneration Committee (Chairman) (appointed 26 November 2019)
– Audit Committee

Paul Sarant Managing Director and Chief Executive Officer

Age 52, Director since 2014

Paul Sarant 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 and Chief Executive Officer. Before that, Mr Sarant occupied a range of senior management roles, including general management and senior manufacturing, engineering and logistics roles in the course of his fifteen years at Amcor Printing Paper Group/PaperlinX and was former General Manager at Spicer Stationery Group.

Member of:

– Environmental Committee

Legh Winser

Age 72, Director since 2013

Legh Winser is a former Managing Director of the Company, a position which he held for 16 years. He has extensive knowledge of the transport and logistics industry with more than 40 years' experience. Mr Winser is also a director of AA Scott Pty Ltd, the largest Shareholder of K&S Corporation Limited.

Member of:

– Environmental Committee
– Nomination and Remuneration Committee

Graham Walters AM (Independent Director)

Age 78, Director since 22 May 2018

Graham Walters AM FCA is an experienced chartered accountant and director of successful public and private companies and associations, with extensive experience in accounting, finance, audit, risk management and corporate governance. Mr Walters AM is a former Chairman of Partners South Australia of KPMG and a former Chairman of Westpac South Australia.

Mr Walters AM is a Director of Adelaide Community Healthcare Alliance and Adelaide Development Company Ltd.

Member of:

– Audit Committee (Chairman) (appointed Chairman 26 November 2019)

Sallie Emmett

Age 55, Director since 24 September 2019

Sallie Emmett LLB GDLP, is a lawyer with over 30 years' experience as a practising solicitor in both legal and management roles. Mrs Emmett is a former partner of national law firm Johnson Winter & Slattery. Mrs Emmett has a broad range of commercial exposure including in workplace relations.

Mrs Emmett operates her own legal and management consulting business and has advised the boards and management of a variety of organisations including private and public companies, government, and educational institutions. Mrs Emmett has significant transport sector experience, having acted for a number of transport companies. Mrs Emmett also sits on the board of a number of not for profit organisations.

Member of:

– Audit Committee (appointed 26 November 2019)

Ray Smith (Independent Director) (Retired on 26 November 2019)

Age 73, Director since 2008

Ray Smith FCPA, FAICD, Dip Com is a Director of listed entity Cleanaway Waste Management Ltd since 2011 and 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 until retirement on 26 November 2019)
– Nomination & Remuneration Committee (Chairman until retirement on 26 November 2019)

SECRETARY

Chris Bright BEc, LLB, Grad Dip CSPM, FCIS

Age 49, Secretary since 2005

Chris Bright has held the position of General Counsel for 18 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.

DIRECTORS' REPORT

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[1]	Audit Committee Meetings	Nomination & Remuneration Committee Meetings	Environmental Committee Meetings
Number of meetings held:	19	6	1	4
Number of meetings attended:				
Mr T Johnson	19	6	1	4
Mr R Smith[2]	8	3	1	–
Mr P Sarant	19	–	–	4
Mr L Winser	17	–	1	4
Mr G Walters AM	19	6	–	–
Mrs S Emmett[3]	13	3	–	–

1. In addition to the eleven scheduled directors' meetings, there were a further eight directors' meetings held in the course of FY2020.
2. Mr Smith ceased to act as a director on 26 November 2019 and attended all of the directors' meetings as well as the audit committee and nomination and remuneration committee meetings in respect of which he was eligible.
3. Mrs Emmett commenced to act as a director on 24 September 2019 and attended all of the directors' meetings and audit committee meetings in respect of which she was eligible.

PRINCIPAL ACTIVITIES

The principal activities of the Group 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 Group during the year.

OPERATING AND FINANCIAL REVIEW

The Board presents the FY2020 Operating and Financial Review, which has been designed to provide Shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and outlook. The review complements the financial report and has been prepared in accordance with the guidelines in ASIC RG247.

The consolidated profit for the year ended 30 June 2020 attributable to the members of K&S Corporation Limited ("K&S") is shown below, along with comparative results for the previous corresponding period:

Financial Overview		2020	2019	% Movement
Operating Revenue	$'000	**790,639**	905,207	**(12.7%)**
Statutory profit after tax	$'000	**11,237**	2,321	**384.1%**
Statutory profit before tax	$'000	**16,090**	3,197	**403.3%**
Earnings before interest and tax (EBIT)	$'000	**26,410**	11,158	**136.7%**
Earnings before interest, tax and depreciation (EBITDA)[2]	$'000	**82,426**	60,515	**36.2%**
Less legal settlement income	$'000	**–**	(9,525)	**(100.0%)**
Less JobKeeper income and NZ wages subsidy	$'000	**(13,731)**	–	**100.0%**
Less other significant items	$'000	**9,648**	9,572	**0.8%**
Underlying profit before interest, tax & depreciation[2]	$'000	**74,758**	60,562	**23.4%**
Underlying profit before interest & tax	$'000	**18,742**	11,205	**67.3%**
Underlying profit before tax[1]	$'000	**12,007**	3,244	**270.1%**
Underlying operating profit after tax[1]	$'000	**8,405**	2,354	**257.1%**
Total assets	$'000	**563,344**	579,778	**(2.8%)**
Net borrowings excluding lease liabilities	$'000	**69,608**	131,605	**(47.1%)**
Shareholders' funds	$'000	**255,367**	240,331	**6.3%**
Finance costs[2]	$'000	**10,320**	7,961	**29.6%**
Depreciation[2]	$'000	**56,016**	49,357	**13.5%**
Dividend per share	cents	**5.0**	2.0	**150.0%**
Net tangible assets per share[3]	$	**1.74**	1.84	**(5.4%)**
Operating cash flow[2]	$'000	**83,074**	61,833	**34.4%**
Return on assets	%	**2.0**	0.4	**398.3%**
Gearing ratio (excluding lease liabilities)	%	**21.4**	35.4	**(39.6%)**
Employee numbers		**2,161**	2,749	**(21.4%)**
Lost time injuries		**31**	57	**(45.6%)**
Lost time injuries frequency rate		**6.6**	10.0	**(34.0%)**

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 primarily include the Government wage subsidies received, redundancies, debt refinancing, COVID-19 related costs, onerous lease expenses and costs associated with the sale of Regal General Freight. 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 audit or review by the auditor.
2. Balances include amounts arising from the adoption of the new leasing accounting standard AASB 16 *Leases* from 1 July 2019, refer to pages 25-26 for further details.
3. The net tangible asset backing per ordinary security has been impacted by the introduction of AASB 16. At 30 June 2020, $26.6 million of lease liabilities were included within the net tangible assets calculation, but $25.7 million of right of use assets have been excluded as they are considered to be of an intangible nature. This has reduced the net tangible asset per security by $0.20.

The Group is a tier one logistics provider, recognised as a leader in the development and provision of specialist logistics solutions for its customers. The Group operates in the Australian and New Zealand markets. The Group's success is underpinned by a strong focus on safety, service and continuous improvement.

The environment for the transport and logistics sector in FY2020 continued to be challenging. The transport and logistics sector continues to experience high levels of competition and pressure on rates, a low growth economic environment and the concentration of bargaining power in large and sophisticated buyers of transport and logistics services. In addition, in the second half of FY2020, the COVID-19 pandemic has impacted economic activity and market sentiment.

Operating revenues decreased by 12.7% to $790.6 million in FY2020.

The Group achieved a statutory profit before tax of $16.1 million, an increase of $12.9 million or 403.3% on the prior corresponding period.

DIRECTORS' REPORT

Included in the Group's statutory result for FY2020 was $12.4 million (before tax) attributable to JobKeeper and $1.3 million (before tax) in NZ wage subsidy, both of which were received in the June 2020 quarter. The Group's statutory result also included $9.6 million of costs treated as significant items. These largely related to hire purchase break costs from the Group's debt refinancing totalling $3.6 million, $3.4 million in redundancy costs and a further $1.4 million of costs associated with the sale of the Western Australia based Regal General Freight business that was concluded in August 2019.

After adjusting for the above significant items including government wage subsidies, the current year underlying profit before tax was $12.0 million, an increase of 270.1% on the prior corresponding period. The underlying profit after tax was $8.4 million, up on the prior corresponding period by $6.1 million.

Operating cashflow for FY2020 was $83.1 million, 34.4% higher than for the previous year, which included benefits derived through continued and improved working capital management as well as government wage subsidies.

Safety remains a key focus for the Group. The Group's lost time injury rate improved, reducing from 10.0 at the end FY2019 to 6.6 in FY2020.

Australian Transport

The overall segment delivered a strong improvement in results compared to FY2019. Full year revenue declined due to a combination of the cessation of contracts, divestment of underperforming business units and customer activity reduction consequent to COVID-19. The implementation of cost reduction strategies continued across the business, contributing strongly to improved underlying profit. In particular, the Group has focussed on operational efficiencies, supplier renegotiations, cessation of underperforming activities, and the rationalisation and replacement of specific fleet assets that reduced operating costs. Ongoing cost reductions are expected to continue to be accretive in FY2021, although these may be offset by possible COVID-19 related impacts.

Intermodal steel and timber volume from our major customers were strong, with major infrastructure projects undertaken by the various state governments underpinning ongoing activity levels, despite the recent decline in domestic housing and apartment construction.

We continue to incur increased costs in our rail transport operations as a result of increased rail network costs.

Our contract logistics business unit again experienced a pleasing FY2020, with both our revenue base and profit contribution increasing. During the COVID-19 period it has proven to be quite resilient, especially in the June 2020 quarter, when some other segments experienced volume reductions.

There has been steady improvement in our chemical and energy transportation businesses in FY2020, with a range of restructuring initiatives having a positive impact over the course of the year. The improvements were offset by a fall in volumes, especially in energy business during the COVID-19 period as fuel demand declined significantly in the June 2020 quarter.

The sale of the Western Australia based Regal General Freight business and certain assets to Centurion Transport Co. Pty Ltd (Centurion) was completed on 30 August 2019. Remaining contributions from Western Australia based heavy haulage and contract logistics were sound with limited impact from COVID-19.

Our specialised aviation refuelling business performed well with strong activity levels in support of regional firefighting efforts. It then subsequently experienced a significant fall in volumes in the June 2020 quarter as a consequence of COVID-19 as our airport refuelling services materially declined. Our specialist business units continue to provide strong diversification in our earnings and provide further strategic growth opportunities.

Fuel Agency

The fuel trading business has again provided sound financial results, despite demand softening in the June 2020 quarter consequent to COVID-19. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition.

New Zealand Transport

The New Zealand business produced a sound result in FY2020, despite the Stage 4 COVID-19 lockdowns being put in place from 23 March 2020 to 26 April 2020. The New Zealand business continues to realise growth through the provision of its integrated and value adding service offering, with further business diversification also being achieved.

Balance Sheet and Funding

The Group successfully completed the refinance of its debt facilities in April 2020. The Group secured a new $200 million debt facility that completely refinanced the previous debt arrangements that included a significant number of hire-purchase lease contracts. Leveraging the Group's sound balance sheet, the new debt facility provides improved terms, liquidity, pricing and debt covenant headroom and does not require any mandatory amortisation in FY2021.

The debt facility comprises funding in three year tranches totalling A$150 million and five year tranches totalling A$50 million, and will be utilised for fleet capex, working capital and general corporate purposes. The debt facility was provided by two of the Group's existing lenders, Westpac and NAB, with the addition of a new lender, Bank of China. Previous funding arrangements with CBA have ceased. The Group incurred a charge of $3.6 million in break costs relating to the refinance.

During the course of the year, the Group acquired fixed assets totalling $20.6 million, well below the prior year amount of $64.9 million. The resulting cashflow savings were used to repay debt.

Based upon independent valuations, the Group increased the carrying value of its freehold property portfolio by $6.7 million. The Group's property portfolio consists of high quality industrial assets that have not been adversely impacted by COVID-19, compared to other commercial property assets.

The Group's gearing ratio (excluding lease liabilities) reduced to 21.4% at 30 June 2020, compared to 35.4% in the prior year.

Business Restructuring

As part of the ongoing cost reduction focus, the Group completed a number of restructuring activities during the year:

- Regal General Freight – The Western Australia based business was sold in August 2019 to Centurion. Under the agreement, Regal transferred to Centurion its rights and entitlements under customer contracts and Centurion made offers of employment to the majority of the employees of K&S working in the Regal General Freight business. The sale was completed on 30 August 2019.
- Bulk transportation – The Port Kembla based bulk transportation business was closed in January 2020 following the exit of the Illawarra Coal contract. The closure of the Port Kembla bulk business resulted in an improvement in Group underlying performance in the second half of FY2020.
- Chemical and energy transportation – A number of underperforming operations were exited during the year.

Each of the above initiatives were accretive to profit in FY2020. The Group recorded a total redundancy expense of $3.4 million in relation to these initiatives.

COVID-19

It is not possible to forecast with any certainty the magnitude of the COVID-19 impact on the Australian and New Zealand economies or upon the Group itself. In the June 2020 quarter the Group experienced reduced revenues in a number of business units in Australia and New Zealand as a result of COVID-19. At a minimum, the Group expects revenues to be adversely impacted by COVID-19 in the first half of FY2021.

With the exception of the Stage 4 lockdown imposed in New Zealand between 23 March 2020 and 26 April 2020, the Group's operations have not been subject to any Government mandated shut downs or state border closures.

The Group has enacted pandemic protocols to assist manage the safety of employees. The Group has also implemented measures to mitigate potential impacts of COVID-19 upon its continued ability to fulfil core managerial, administrative, and operational functions. Pleasingly, for the June 2020 quarter, the Group was able to maintain near pre-COVID-19 levels of workforce participation with nil major stand down actions. The receipt of the JobKeeper wage subsidy has further strengthened the Group's financial position and will assist it to withstand the longer term impacts of COVID-19 on operations.

Safety

Addressing the challenges posed by COVID-19 required considerable resourcing and was the major area of employee welfare and safety focus in the second half of FY2020. Cognisant of the Group's large and mobile workforce which services numerous customer sites, it is pleasing that at this point in time the Group has had nil employee COVID-19 cases.

We continue to invest in our safety management system and in the training of our employees.

Dividend

The Directors are cognisant of the fact that whilst the statutory earnings for FY2020 include significant contributions from government wage subsidies, the Group's underlying earnings have also improved significantly compared to the prior year. The final dividend declared was determined with reference to the underlying net profit after tax, as opposed to the statutory profit after tax, and specifically excludes any impact of government wage subsidies from the dividend calculation.

The Directors have declared a fully franked final dividend of 3.0 cents per share (2019: 0.0 cents per share). This follows the fully franked interim dividend of 2.0 cents per share paid in April 2020, making the total fully franked dividend 5.0 cents per share in respect of the year ended 30 June 2020.

The final dividend will be paid on 3 November 2020, with the date for determining entitlements being 20 October 2020. Directors have elected to suspend the dividend reinvestment plan (DRP) in respect of the final dividend. The Directors believe that it is in the best interests of Shareholders to suspend the DRP as the Group's shares are currently trading at too great a discount to the net tangible asset backing of $1.74 per share and the issuing of shares under the dividend reinvestment plan would be dilutionary to existing shareholders.

Board Composition and Management Changes

Sallie Emmett was appointed as a non-executive director with effect from 24 September 2019. Mrs Emmett is a lawyer with over 30 years' experience as a practising solicitor in both legal and management roles. Mrs Emmett has a broad range of commercial exposure, including to the transport sector, and expertise in workplace relations.

Mr Ray Smith retired as a non-executive director following the conclusion of the Group's annual general meeting on 26 November 2019. Mr Smith made a significant contribution over his eleven years as a non-executive director.

Mr Wayne Johnston ceased as Chief Financial Officer on 16 December 2019. Mr Raunak Parikh was appointed to the position of Chief Financial Officer on 1 April 2020. Mr Parikh previously occupied the position of Group Financial Controller at K&S from May 2019. Prior to commencing with K&S, Mr Parikh held senior audit roles at KPMG.

Outlook

Providing earnings guidance going forward remains difficult, particularly having regard to the uncertainties created by COVID-19.

The Group has secure long term bank facilities and low gearing levels, and will continue to take a conservative approach to financial risk as well as maintaining a strong focus on working capital management and underlying profit improvement. The Group will continue to target organic growth, particularly in market segments such as contract logistics that will deliver stronger returns on investment.

The Group continues to review the industry segments in which it operates as well as the ways it offers services to the market. The Group also continues to review customer accounts that currently do not generate adequate financial returns.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group'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 Group 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 FY2020.

Transport and Warehousing

The transport and warehousing business is subject to the Dangerous Goods Acts in Commonwealth and State Legislation. The Group 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 Group'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 Group 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 2019 was declared on 30 August 2019 and paid on 2 November 2019; and

2 An interim fully franked ordinary dividend (taxed to 30%) of 2.0 cents per share in respect of the year ended 30 June 2020 was declared on 25 February 2020 and paid on 3 April 2020 amounting to $2,545,587.

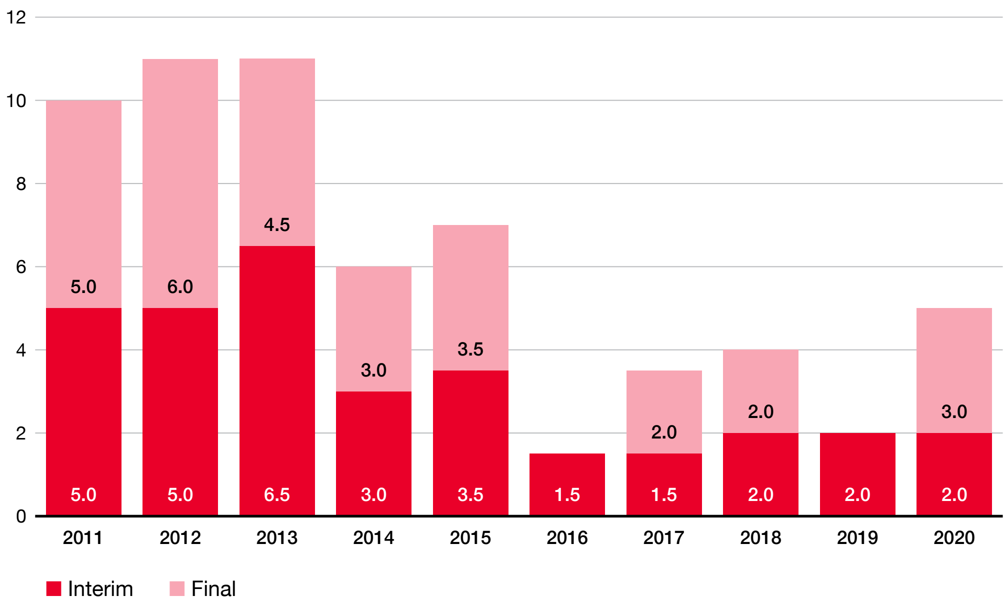
The final dividend declared by the Company for the year ended 30 June 2020 and payable on 3 November 2020 in respect of the year ended 30 June 2020 comprises:

1 A fully franked ordinary dividend (taxed to 30%) of 3.0 cents per share amounting to $3,863,563 (based on the Company's current 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
(cents per share)



EVENTS SUBSEQUENT TO BALANCE DATE

On 28 August 2020, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $3,863,563 which represents a fully franked dividend of 3.0 cents per share. The dividend has not been provided for in the 30 June 2020 financial statements and is payable on 3 November 2020.

No other matters have arisen in the interval between the end of the financial year and the date of this report, including any item, transaction or event of a material and unusual nature which, in the opinion of the Directors of the Company, are likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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 $177,540 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, S Emmett, G Walters AM 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 can be found on this URL on our website: http://www.ksgroup.com.au/corporate-governance/.

ROUNDING

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 Group with an Auditors' Independence Declaration which is on page 58 of this report.

DIRECTORS' INTERESTS

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

	Ordinary Shares
Mr L Winser	43,651
Mr P Sarant	60,000

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

	Ordinary Shares
Mr L Winser	1,252,799
Mr T Johnson	542,967
Mr P Sarant	126,603
Mr G Walters AM	5,252

REMUNERATION REPORT

(AUDITED)

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

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

For the purposes of this report, the term executive encompasses the Managing Director, 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 P Sarant	Managing Director and Chief Executive Officer
Mr R Smith	Non-Executive Director (retired 26 November 2019)
Mr L Winser	Non-Executive Director
Mr G Walters AM	Non-Executive Director
Mrs S Emmett	Non-Executive Director (appointed 24 September 2019)

ii) Key Management Personnel

Mr R Parikh	Chief Financial Officer (appointed 1 April 2020)
Mr W Johnston	Chief Financial Officer (ceased 16 December 2019)
Mr C Bright	Company Secretary

REMUNERATION PHILOSOPHY

The performance of the Group depends upon the quality of its Directors and executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and executives.

To this end, the Group 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 executives.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives 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 executive team, the Board of Directors has ultimate responsibility for determining these amounts.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of Non-Executive Director, Managing Director and other executive 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.

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 FY2020. Each Non-Executive Director receives a fee for being a Director of the Company.

There were no increases in fees payable to Non-Executive Directors in FY2020.

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 2020 is detailed on page 17 of this report.

EXECUTIVE DIRECTOR AND EXECUTIVE 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 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 at the commencement of each financial year.

The Board reviews and considers the fees paid to the Managing Director and other executives 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 the Managing Director and other executives for the year ended 30 June 2020.

As safety performance is a key organisational goal and critical to the ongoing operations of the Group, the Board believes that aligning the payment of short term incentives to reducing lost time injuries is appropriate and in the interests of Shareholders.

As the Company's annual budget for operating profit before 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 also believes that aligning the payment of short term incentives to the attainment of budgeted profit before tax on a normalised basis is appropriate and in the interests of Shareholders. The Board also believes that having all of the Company's executives aligned to the common goal of achieving budgeted operating profit before tax drives positive behaviours amongst the executives in maximising Group wide benefits from operating activities.

For the year ended 30 June 2020, the Board approved the adoption of at risk short term incentives of up to 30% of the base remuneration of the Managing Director and executives. The payment of such short term incentives is settled in cash.

Payment of the short term incentive in respect of the 2020 financial year was conditional upon:

- outperformance of budgeted profit before tax on an underlying basis and excluding any non-trading items (e.g., government wage subsidies or restructuring charges) (but including any non-trading items that have been included in the budget) on a sliding scale up to a maximum of 20% of base remuneration:

	Performance Target										
Profit Before 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%

- the reduction of lost time injuries (LTIs) sustained by employees on a sliding scale up to a maximum of 10% of base remuneration:

% Reduction in LTI	% of Base Remuneration
10% Reduction	2%
20% Reduction	4%
30% Reduction	6%
40% Reduction	8%
50%+ Reduction	10%

The Company's Managing Director and executives qualified for the payment of a short term incentive in respect of the 2020 financial year as follows:

- Between 10% and 20% of base remuneration based on the outperformance compared to divisional and/or Group underlying profit before tax; and
- Between 8% and 9% of base remuneration based on a 45% reduction in LTI compared to the previous financial year.

This will result in the payment to the Managing Director of a total short term incentive of $219,065 and an aggregate payment to the other key management personnel of the Company of $845,083 in each case in respect of FY2020.

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 with an open term. Either of Mr Sarant or 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.

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. At 30 June 2020, the total retirement allowance payable to Mr Johnson was $399,016 (30 June 2019: $382,851).

The expenditure provided (not paid) during the year ended 30 June 2020 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.

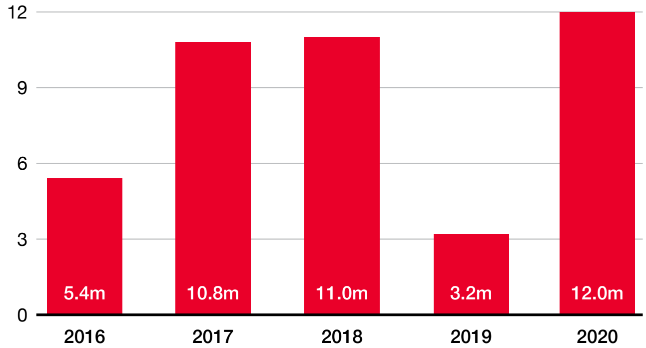
Group Underlying Performance

The graph below shows the performance of the Group, as measured by the Group's underlying profit before tax (PBT). Underlying profit excludes individually significant items.

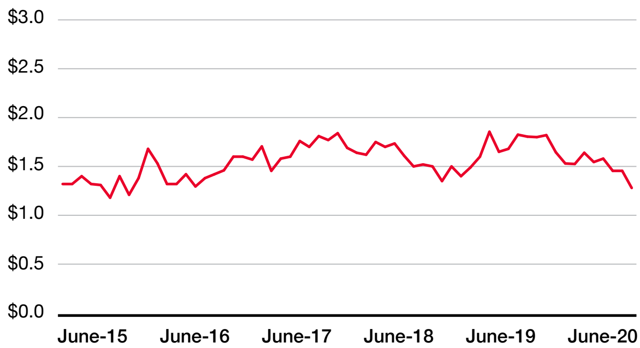
In addition, Dividends paid to Shareholders are disclosed on page 12 of the Directors' report.

The next graph highlights the performance of the share price of K&S Corporation Limited over the past 5 years.

UNDERLYING PROFIT BEFORE TAX
($ millions)



K&S CORPORATION SHARE PRICE 2015–2020



REMUNERATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND THE GROUP

TABLE 1: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2020

	Short-Term			Post Employment		Other Long Term	Total	
	Salary & Fees $	Incentives $	Non-monetary Benefit[1] $	Retirement Benefit $	Super Contribution $	Movements in leave accruals[2] $	$	Performance Related %
T Johnson	133,694	–	–	16,165	14,706	–	164,565	–
R Smith[3]	33,046	–	–	–	3,635	–	36,681	–
L Winser	79,310	–	–	–	8,724	–	88,034	–
G Walters AM	79,310	–	–	–	8,724	–	88,034	–
S Emmett[4]	61,008	–	–	–	6,711	–	67,719	–
Total	**386,368**	**–**	**–**	**16,165**	**42,500**	**–**	**445,033**	**–**
P Sarant	746,410	219,065	38,329	–	25,000	79,293	1,108,097	19.8%
W Johnston[5]	282,223	–	16,212	–	25,000	10,113	333,548	–
C Bright	299,528	89,585	28,196	–	25,000	33,872	476,181	18.9%
R Parikh[6]	64,977	21,798	5,143	–	8,910	16,132	116,960	17.4%
Total Executive KMP	**1,393,138**	**330,448**	**87,880**	**–**	**83,910**	**139,410**	**2,034,786**	**16.2%**
Totals	**1,779,506**	**330,448**	**87,880**	**16,165**	**126,410**	**139,410**	**2,479,819**	**13.3%**

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2019

	Short-Term			Post Employment		Other Long Term	Total	
	Salary & Fees $	Incentives $	Non-monetary Benefit[1] $	Retirement Benefit $	Super Contribution $	Movements in leave accruals[2] $	$	Performance Related %
T Johnson	133,694	–	–	12,154	14,706	–	160,554	–
R Smith	79,310	–	–	–	8,724	–	88,034	–
L Winser	79,310	–	–	–	8,724	–	88,034	–
G Walters AM	79,310	–	–	–	8,724	–	88,034	–
Total	**371,624**	**–**	**–**	**12,154**	**40,878**	**–**	**424,656**	**–**
P Sarant	727,889	–	25,524	–	25,000	69,215	847,628	–
W Johnston	265,000	–	19,657	–	25,000	21,692	331,349	–
C Bright	258,743	–	25,309	–	25,000	28,903	337,955	–
B Walsh	114,978	–	9,732	–	10,340	(17,065)	117,985	–
Total Executive KMP	**1,366,610**	**–**	**80,222**	**–**	**85,340**	**102,745**	**1,634,917**	**–**
Totals	**1,738,234**	**–**	**80,222**	**12,154**	**126,218**	**102,745**	**2,059,573**	**–**

1. Non-monetary benefits included are based on benefits paid in the form of fuel cards, tolls, memberships and motor vehicles.
2. Includes any net changes in the balance of annual leave and long service leave (i.e. leave entitlements that accrued during the year but were not used).
3. Mr Smith retired as a Director on 26 November 2019.
4. Mrs Emmett was appointed as a Director on 24 September 2019.
5. Mr W Johnston ceased as Chief Financial Officer on 16 December 2019.
6. Mr R Parikh was appointed as Chief Financial Officer on 1 April 2020.

REMUNERATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND THE GROUP (CONTINUED)

TABLE 3: LOANS TO KEY MANAGEMENT PERSONNEL

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

Total	Amount at the start of the year $	Amounts written off in the year $	Amount at the end of the year $	Number in Group
2020	**148,940**	**–**	**146,760**	**2**
2019	282,285	–	148,940	2

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. The Plan was suspended in 2016/17 and no loans have been entered into with Key Management Personnel or employees in connection with the Plan following that suspension. No other loans are made to any Key Management Personnel.

TABLE 4: SHAREHOLDING OF KEY MANAGEMENT PERSONNEL

Shares held in K&S Corporation Limited: 30 June 2020	Balance 1 July 2019 Ordinary	Net Change Ordinary	Balance 30 June 2020 Ordinary
Non-Executive Directors			
T Johnson	535,651	7,316	**542,967**
R Smith[2]	44,119	602	**44,721**[2]
L Winser	1,278,982	17,468	**1,296,450**
G Walters AM	5,252	–	**5,252**
S Emmett[1]	–	–	**–**
Executive Director			
P Sarant	186,603	–	**186,603**
Other Key Management Personnel			
W Johnston[3]	–	–	**–**
R Parikh[4]	–	–	**–**
C Bright	51,000	–	**51,000**
Total	2,101,607	25,386	**2,126,993**

TABLE 5: SHAREHOLDING OF KEY MANAGEMENT PERSONNEL

Shares held in K&S Corporation Limited: 30 June 2019	Balance 1 July 2018 Ordinary	Net Change Ordinary	Balance 30 June 2019 Ordinary
Non-Executive Directors			
T Johnson	522,232	13,419	**535,651**
R Smith	43,013	1,106	**44,119**
L Winser	1,246,942	32,040	**1,278,982**
G Walters AM	–	5,252	**5,252**
Executive Director			
P Sarant	186,603	–	**186,603**
Other Key Management Personnel			
W Johnston	–	–	**–**
C Bright	51,000	–	**51,000**
Total	2,049,790	51,817	**2,101,607**

1. Mrs Emmett was appointed as a Director on 24 September 2019.
2. Mr Smith retired as a Director on 26 November 2019. This was the balance at the date Mr Smith ceased to be a Director.
3. Mr Johnston ceased as Chief Financial Officer on 16 December 2019.
4. Mr Parikh was appointed as Chief Financial Officer on 1 April 2020.

REMUNERATION OPTIONS: GRANTED AND VESTED DURING THE YEAR

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

Signed in accordance with a resolution of the Directors.

Tony Johnson
Chairman

28 August 2020

Paul Sarant
Managing Director and Chief Executive Officer

28 August 2020

FINANCIAL REPORT

AS AT 30 JUNE 2020

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue and other income			
Operating revenue	5(a)	**790,639**	905,207
Other income	5(b)	**21,070**	17,645
		811,709	922,852
Expenses			
Changes in inventories of fuel		**(493)**	286
Consumption of fuel held for sale		**(116,713)**	(121,861)
Contractor expenses		**(185,968)**	(218,258)
Employee expenses	5(e)	**(258,054)**	(299,016)
Fleet expenses		**(141,528)**	(176,111)
Depreciation expense[1]	5(d)	**(56,016)**	(49,357)
Finance costs[1]	5(c)	**(10,320)**	(7,961)
Impairment expense	5(f)	**–**	(4,460)
Other expenses[1]		**(26,454)**	(43,040)
		(795,546)	(919,778)
Share of (losses)/profits of associates		**(73)**	123
Profit before income tax		**16,090**	3,197
Income tax expense	6	**(4,853)**	(876)
Profit after income tax		**11,237**	2,321
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries		**(527)**	977
		(527)	977
Items not to be reclassified to profit or loss in subsequent periods:			
Revaluation of freehold land and buildings, net of tax		**4,666**	17,112
Other comprehensive income for the period, net of tax		**4,139**	18,089
Total comprehensive income for the period		**15,376**	20,410
Earnings per share (cents per share)	7		
Basic, profit for the year attributable to ordinary equity holders of the parent		**8.8**	1.8
Diluted, profit for the year attributable to ordinary equity holders of the parent		**8.8**	1.8
Dividends per share (cents per share)	8	**5.0**	2.0

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

1. Balances include amounts arising from the adoption of the new leasing accounting standard AASB 16 *Leases* from 1 July 2019, refer to pages 25-26 for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	17,237	16,564
Trade and other receivables	10	102,116	116,737
Inventories		5,649	6,142
Assets held for sale		2,896	–
Prepayments		9,539	10,185
Total current assets		137,437	149,628
Non-current assets			
Other receivables		4,406	4,933
Investments in associate		–	421
Property, plant & equipment	11	376,514	405,939
Intangibles	12	6,181	6,324
Right of use assets[1]	16	25,708	–
Deferred tax assets	6	13,098	12,533
Total non-current assets		425,907	430,150
TOTAL ASSETS		563,344	579,778
LIABILITIES			
Current liabilities			
Trade and other payables		96,313	95,920
Interest bearing loans and borrowings	13	–	39,743
Lease liabilities[1]	16	7,691	–
Income tax payable	6	2,079	1,596
Provisions	14	29,345	33,332
Total current liabilities		135,428	170,591
Non-current liabilities			
Trade and other payables		–	650
Interest bearing loans and borrowings	13	86,845	108,426
Lease liabilities[1]	16	18,915	–
Deferred tax liabilities	6	45,964	41,342
Provisions	14	20,825	18,438
Total non-current liabilities		172,549	168,856
TOTAL LIABILITIES		307,977	339,447
NET ASSETS		255,367	240,331
EQUITY			
Contributed equity	15(a)	164,613	162,408
Reserves		63,182	59,043
Retained earnings		27,572	18,880
TOTAL EQUITY		255,367	240,331

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

1. Balances include amounts arising from the adoption of the new leasing accounting standard AASB 16 *Leases* from 1 July 2019, refer to pages 25-26 for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Issued Capital $'000	Retained Earnings $'000	Asset Revaluation Reserve $'000	Forex Translation Reserve $'000	Common Control Reserve $'000	Total Equity $'000
CONSOLIDATED							
At 1 July 2019		**162,408**	**18,880**	**57,997**	**1,359**	**(313)**	**240,331**
Profit for the year		**–**	**11,237**	**–**	**–**	**–**	**11,237**
Other comprehensive income		**–**	**–**	**4,666**	**(527)**	**–**	**4,139**
Total comprehensive income for the year		**–**	**11,237**	**4,666**	**(527)**	**–**	**15,376**
Transactions with owners in their capacity as owners:							
Issue of share capital	**15(a)**	**2,205**	**–**	**–**	**–**	**–**	**2,205**
Dividends paid	**8**	**–**	**(2,545)**	**–**	**–**	**–**	**(2,545)**
At 30 June 2020		**164,613**	**27,572**	**62,663**	**832**	**(313)**	**255,367**
At 1 July 2018		**158,099**	**21,814**	**40,885**	**382**	**(313)**	**220,867**
Effect of adoption of new accounting standards	**2(c)(i)**	–	(247)	–	–	–	(247)
At 1 July 2018 (restated)		158,099	21,567	40,885	382	(313)	220,620
Profit for the year		–	2,321	–	–	–	2,321
Other comprehensive income		–	–	17,112	977	–	18,089
Total comprehensive income for the year		–	2,321	17,112	977	–	20,410
Transactions with owners in their capacity as owners:							
Issue of share capital	**15(a)**	4,309	–	–	–	–	4,309
Dividends paid	**8**	–	(5,008)	–	–	–	(5,008)
At 30 June 2019		**162,408**	**18,880**	**57,997**	**1,359**	**(313)**	**240,331**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**910,963**	1,043,051
Cash payments to suppliers and employees		**(821,114)**	(968,369)
Interest received		**10**	42
Government wage subsidies received		**6,758**	–
Lease payments (interest component)[1]		**(791)**	–
Borrowing costs paid		**(10,502)**	(7,952)
Income taxes paid		**(2,250)**	(4,939)
Net cash provided by operating activities	**9**	**83,074**	61,833
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant, property and equipment		**12,452**	6,211
Payments for property plant & equipment		**(19,938)**	(17,768)
Dividends received from associates		**349**	100
Net cash used in investing activities		**(7,137)**	(11,457)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**176,502**	–
Repayments of borrowings		**(118,904)**	(5,625)
Repayment of hire purchase liabilities		**(120,364)**	(43,485)
Lease payments (principal component)[1]		**(12,135)**	–
Dividend paid net of reinvestment plan		**(341)**	(701)
Net cash used in financing activities		**(75,242)**	(49,811)
Net increase in cash held		**695**	565
Cash at the beginning of the financial year		**16,564**	15,946
Effects of exchange rate variances on cash		**(22)**	53
Cash at the end of the financial year	**9**	**17,237**	16,564

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

1. Balances arise due to adoption of the new leasing accounting standard AASB 16 *Leases* from 1 July 2019, refer to pages 25-26 for further transition details.

1. CORPORATE INFORMATION

This is the financial report of K&S Corporation Limited (the "Company") and its controlled entities (together, the "Group"). The financial report for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of Directors on 28 August 2020.

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.

Registered Office:

141–147 Jubilee Highway West
Mount Gambier SA 5290
PO Box 567
Mount Gambier SA 5290

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 freehold land and buildings which have been measured at fair value.

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 2016/191 dated 24 March 2016. The Company is an entity to which the legislative instrument applies.

The consolidated financial statements have been prepared on a going concern basis.

As at 30 June 2020, the Consolidated Statement of Financial Position reflected an excess of current assets over current liabilities of $2.0 million (2019: excess of current liabilities over assets of $21.0 million).

b) Compliance with IFRS

The financial report complies with the International Financial Reporting Standards (IFRS) 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 described below.

New Accounting Standards

AASB 16 *Leases* – effective from 1 July 2019

AASB 16 introduced a single, on-balance sheet accounting model for lessees, which replaced AASB 117 *Leases and Interpretation 4 Determining Whether an Arrangement contains a Lease*. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying asset, and lease liabilities, representing its obligation to make lease payments. AASB 16 was adopted from 1 July 2019.

a) Types of leases

The Group has entered into non-cancellable leases on certain properties, motor vehicles and other items of plant and equipment. Leases vary in contract term, with renewal at the option of the Group.

b) Impact on comparatives

The Group has opted to take the modified retrospective approach to transition, which requires no restatement of comparative information.

c) Changes to accounting policy

i) In general

This standard requires recognition of a right of use asset and lease liability based on the present value of future lease payments. For the Group's leases, the nature and structure of the lease portfolio is such that the interest rate implicit in the leases is not readily determinable and therefore, the Group uses the Incremental Borrowing Rate (IBR) for terms which approximate the lease term to discount the future value of lease payments.

The right-of-use asset is initially measured to be equal to the lease liability and adjusted for any lease incentives received, initial direct costs and estimates of costs to dismantle or remove the underlying leased asset. Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Lease payments, previously expensed on a straight-line basis, are replaced in the Statement of Comprehensive Income by the straight-line depreciation of the right of use asset and an interest expense on the lease liability. As the lease liability is carried at present value, an interest expense arises over the duration of the lease term.

The principal component of lease payments is reclassified in the statement of cash flows from operating to financing activities.

The Group uses the practical expedient allowed under AASB 16 to account for short term and low value asset leases using the previous method of accounting (in accordance with recognition exemption provided in the standard), whereby the sum of lease payments is recognised on a straight-line basis over the lease term in the Income Statement. Short term leases are those with terms equal to or less than 12 months and do not contain a purchase option, and low value assets may include tablet and personal computers, small items of office furniture and telephones.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Transition

The opening lease liabilities balance has been determined as the present value of future lease payments, discounted using incremental borrowing rates for terms which approximate the remaining lease term as at the date of initial application.

Practical expedients included in the standard for transition that have been applied by the Group are as follows:

- Exclusion of leases with remaining terms of less than 12 months from the new accounting requirements
- Use of hindsight in determining the lease term where lease contracts include options to extend or terminate the lease
- Elected to use the assessment of whether the contracts are a lease or not based on the AASB 117 and Interpretation 4 guidance; and
- Excluding indirect costs from measurement of right of use assets

The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.3%.

d) Financial impacts

Impacts on the financial statements and notes as at 1 July 2019 and for the year ended 30 June 2020 are shown throughout this report. As at the date of transition the impact of the new standard is summarised below as increases/decreases in the noted items:

Balance sheet as at 1 July 2019	$'000
Right of use assets	35,382
Lease liabilities	36,171
Deferred rental incentive liability	(789)

A reconciliation of total undiscounted operating lease commitments as at 30 June 2019 (as disclosed in the FY2019 financial report) to the opening lease liability, as above, is shown below:

Opening lease liability reconciliation	
Operating lease commitments as at 30 June 2019[1]	45,775
Adjusted for impact of discounting using the group's incremental borrowing rate at date of initial application	(5,342)
Commitments relating to short-term leases	(4,262)
Lease liability as at 1 July 2019	36,171

The Group's income statement was impacted as follows:

Income statement (continuing operations) for the year ended 30 June 2020	
Operating lease expenses (previous lease accounting)[2]	12,904
Depreciation of right of use assets[2]	(12,195)
Net finance costs	(790)
Loss before income tax	(81)
Income tax benefit	24
Loss for the year	(57)

1. Represents the undiscounted sum of committed future lease payments.
2. Under the previous standard, operating lease expenses were recognised within other expenses. Under the new standard, lease expenses are recognised in the income statement as depreciation of right of use assets and interest expenses arising from lease liabilities.

AASB Interpretation 23 – *Uncertainty over income tax*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes*. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by tax authorities
- How an entity determines table profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers change in facts and circumstances.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, and the Interpretation did not have an impact on the consolidated financial statements of the Group.

(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 2020, outlined below.

		Effective Date
AASB 1060 *General Purpose Financial Statements – Simplified Disclosure For-Profit and Not-for-Profit Tier 2 Entities*	No Impact on the Group	1 July 2021
AASB 2020-2 *Amendments to AASs – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*	No Impact on the Group	1 July 2021

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 lost. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 Consolidated 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;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Derecognises the cumulative translation differences, recorded in equity and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or transfer directly to retained earnings as appropriate.

e) 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.

f) Revenue

Provision of transportation services – These services are provided individually on a per-run basis to customers. The performance obligation related to transport revenue is satisfied over time as the goods are delivered and the service is provided to the customer based on the agreed transaction price.

Sale of fuel – The Group's contracts with customers for the sale of fuel generally include one performance obligation. The Group recognises revenue from the sale of fuel at the point in time when control of the fuel is transferred to the customer, generally on delivery of the fuel product.

Commission from fuel sales – Commission earned from fuel sales under agency arrangements is recognised on a net basis when the fuel is delivered to customers.

Rental income – Rental income is recognised as other income on a straight-line basis over the lease term.

Interest income – Interest income is recognised using the effective interest method.

Financing component – As the Group does not have any contracts where the period between the provision of the promised service or sale of fuel to the customer and payment by the customer exceeds one year, it does not adjust any of the transaction prices for the time value of money.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in value.

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

h) Trade and other receivables

For trade receivables, the Group has adopted a simplified approach when calculating an expected credit loss (ECL) provision by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

i) 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.

j) Financial Instruments

Initial Recognition

Financial Assets

Trade receivables are initially recognised when there is an unconditional right to receive consideration. Other financial assets/liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables are initially measured at the transaction price as defined in AASB 15 *Revenue from Contracts with Customers*. Financial assets/liabilities are initially measured at fair value (together with any transaction costs which are directly attributable to the acquisition of the asset, or cost of the liability).

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Classification and subsequent measurement

Financial Assets

AASB 9 *Financial Instruments* contains three principal classification categories for financial assets:

(i) Measured at amortised cost

(ii) Fair value other comprehensive income (FVOCI); and

(iii) Fair value through profit or loss (FVTPL)

The following table illustrates the measurement requirements of AASB 9:

	Initial recognition	Subsequent measurement
Amortised cost	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at amortised cost using the effective interest rate method and reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
FVTPL	Measured at fair value. Any transaction costs of acquisition are recognised in the profit or loss.	These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.
FVOCI	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at fair value. Net gains and losses are recognised in other comprehensive income ('OCI'). For equity instruments, these are never reclassified to profit or loss. For debt instruments, they are reclassified to profit or loss upon de-recognition of the asset.

Financial Liabilities

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability at fair value through profit or loss.

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ('EIR') method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Impairment

AASB 9 replaced the incurred loss model from AASB 139 *Financial Instruments* with an ECL model. The ECL model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI. Measurement under ECLs is based on the anticipated impact of default events arising either in the 12 months after reporting date or the entire lifetime of the asset.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its Consolidated Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

k) 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$).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

l) 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.

m) 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 for 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 difference 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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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.

n) Property, plant and equipment

i) Initial measurement and depreciation

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

Freehold 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	2.5–10% p.a.
Motor vehicles	7–20% p.a.
Plant and equipment	15–40% p.a.
IT equipment	25–33% p.a.

ii) Revaluations

Following initial recognition at cost, freehold 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 Consolidated 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.

o) Goodwill and intangibles

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 *Operating Segments*.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

p) Impairment of non-financial 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 or CGU. 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). Fair value is determined in accordance with AASB 13 *Fair Value Measurement*.

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

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

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

q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value net of directly attributable costs.

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. Interest expense is recorded in profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

r) 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.

s) 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.

t) Employee benefits

i) Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long service and annual leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using 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.

u) 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.

v) Earnings per share

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

- 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.

w) Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring and non-recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

x) Government Grants

Government grants have been received by the Group in relation to the JobKeeper program and NZ wage subsidies in support of the effect of COVID-19. There are no unfilled conditions or contingencies attached to these grants. The grants are recognised as income over the period to match the Group's expenses the grants intend to compensate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Significant accounting 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 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.

Impairment testing

The Group determines whether goodwill and other non-current assets are 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 or where there is an impairment trigger. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 12.

Workers' compensation provision

The Group maintains a self-insurance provision for future workers' compensation claims. The provision is determined based on actuarial estimates of future claim rates and is discounted back to its present value. The related carrying amounts are disclosed in Note 14.

Valuation of freehold land and buildings

The Group's policy is to carry its freehold land and buildings at their fair values. Determining the fair values requires significant estimation and judgements including on current market rental rates etc. Refer to Note 11 for further information.

Provision for expected credit loss of trade receivables

The Group uses a provision matrix to calculate the expected credit loss for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The Group has reviewed these measures and increased its provision to consider the uncertainty and potential impact associated with the COVID-19 pandemic.

Leasing

Determination of the lease term is a key judgement exercised by management on a recurring basis. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank bill facilities, overdrafts and cash deposits. The fair value of these bank bills are described in Note 13. The carrying amount of cash, trade and other receivables, and trade and other payables approximates their fair values.

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 main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Group's exposure to currency risk is minimal.

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

Risk exposures and responses

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

While the Group 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 92% (2019: 92%) and Fuel 8% (2019: 8%). The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Trade receivables are non-interest bearing and are generally on 14–90 day terms. The allowance for credit loss is measured using the simplified expected credit loss model, using an average loss rate %. Set out below is the ageing of receivables at the end of the reporting date that were not impaired:

	2020 $'000	2019 $'000
Neither past due nor impaired	**69,107**	69,894
Past due 0–30 days	**14,873**	26,051
Past due 31–60 days	**1,973**	5,476
Past due 61–90 days	**835**	4,011
Past due 91 days	**1,477**	2,138

Movements in the provision for impairment loss were as follows:

	2020 $'000	2019 $'000
At 1 July	**510**	235
Charge for the year	**1,189**	275
Amounts written off	**–**	–
At 30 June	**1,699**	510

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 13.

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 Higher/(Lower)	
2020	2019	2020 $'000	2019 $'000
Consolidated			
+ 0.5% (50 basis points)	+ 1% (100 basis points)	**(304)**	(94)
- 0.15% (15 basis points)	- 0.5% (50 basis points)	**91**	47

Liquidity risk

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

In addition, the Group maintains access to short and long term funding facilities which are drawn upon as required. These are disclosed in Note 13.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Exposures to liquidity risk

The following liquidity risk disclosure reflect all contractually fixed repayments and interest resulting from recognised financial liabilities as of 30 June 2020. 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.

Year ended 30 June 2020	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Greater than 5 years $'000	Total $'000
Financial liabilities					
Interest bearing loans and borrowings[1]	**(88,202)**	**–**	**–**	**–**	**(88,202)**
Lease Liabilities	**(7,691)**	**(7,278)**	**(11,586)**	**(204)**	**(26,759)**
Trade and other payables	**(96,313)**	**–**	**–**	**–**	**(96,313)**
	(192,206)	**(7,278)**	**(11,586)**	**(204)**	**(211,274)**
Year ended 30 June 2019					
Financial liabilities					
Interest bearing loans and borrowings	(44,838)	(64,954)	(48,461)	–	(158,253)
Trade and other payables	(95,920)	–	–	–	(95,920)
	(140,758)	(64,954)	(48,461)	–	(254,173)

1. Loans consist of commercial bills. The Group expects to and has the discretion to refinance or rollover the bank loans for at least 12 months after the end of the reporting period under the existing banking facilities.

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 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 logistics 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 logistics 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.

Major customer

The entity has one customer which contributes greater than 10% of total revenue ($95.1 million) and falls within the Australian Transport Segment (2019: $90.5 million).

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2020 and 30 June 2019.

Year ended 30 June 2020	Australian Transport $'000	Fuel $'000	New Zealand Transport $'000	Total $'000
Revenue				
External customers	**623,989**	**112,281**	**54,359**	**790,629**
Finance revenue	**6**	**–**	**4**	**10**
Inter-segment sales	**753**	**67,312**	**–**	**68,065**
Total segment revenue	**624,748**	**179,593**	**54,363**	**858,704**
Depreciation and amortisation expense	**(50,508)**	**–**	**(5,508)**	**(56,016)**
Finance costs	**(9,492)**	**–**	**(828)**	**(10,320)**
Share of profit/(losses) of associates	**(73)**	**–**	**–**	**(73)**
Segment net operating profit/(loss) after tax	**5,624**	**3,130**	**2,483**	**11,237**
Operating assets	**499,658**	**37,538**	**40,884**	**578,080**
Operating liabilities	**265,949**	**9,893**	**11,926**	**287,768**
Other disclosures				
Capital expenditure*	**(15,962)**	**–**	**(3,678)**	**(19,640)**

Inter-segment revenues of $68.1 million are eliminated on consolidation.

Year ended 30 June 2019	Australian Transport $'000	Fuel $'000	New Zealand Transport $'000	Total $'000
Revenue				
External customers	723,059	130,275	51,831	905,165
Finance revenue	30	–	12	42
Inter-segment sales	1,593	90,839	–	92,432
Total segment revenue	724,682	221,114	51,843	997,639
Depreciation and amortisation expense	(44,014)	–	(5,343)	(49,357)
Finance costs	(7,232)	–	(729)	(7,961)
Share of profits of associates	123	–	–	123
Segment net operating profit/(loss) after tax	(3,489)	3,220	2,590	2,321
Operating assets	511,238	39,692	44,198	595,128
Operating liabilities	296,792	15,177	12,423	324,392
Other disclosures				
Investments in associate	421	–	–	421
Capital expenditure*	(58,924)	–	(6,073)	(64,997)

Inter-segment revenues of $92.4 million are eliminated on consolidation.

* Capital expenditure includes assets acquired through hire-purchase arrangements.

4. OPERATING SEGMENTS CONTINUED

i) Segment assets reconciliation to the Consolidated Statement of Financial Position

Segment assets are those operating assets of the entity that the executive 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:

	Consolidated	
	2020 $'000	**2019 $'000**
Segment operating assets	**578,080**	595,128
Inter-segment eliminations	**(27,834)**	(27,883)
Deferred tax assets	**13,098**	12,533
Total assets per the Consolidated Statement of Financial Position	**563,344**	579,778
The analysis of location of non-current assets excluding deferred tax asset are as follows:		
Australia	**383,163**	382,395
New Zealand	**29,646**	35,222
Total non-current assets per the Consolidated Statement of Financial Position	**412,809**	417,617

ii) Segment liabilities reconciliation to the Consolidated 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 debt for each segment in the monthly Board meetings.

Reconciliation of segment operating liabilities to total liabilities.

	Consolidated	
	2020 $'000	**2019 $'000**
Segment operating liabilities	**287,768**	324,392
Inter-segment eliminations	**(27,834)**	(27,883)
Deferred tax liabilities	**45,964**	41,342
Income tax payable	**2,079**	1,596
Total liabilities per the Consolidated Statement of Financial Position	**307,977**	339,447

5. REVENUE AND EXPENSES

	Consolidated 2020 $'000	Consolidated 2019 $'000
a) Revenue		
Rendering of services	**650,780**	765,709
Sale of goods	**139,531**	139,138
Agency commission from fuel sales	**318**	318
Finance revenue	**10**	42
Total revenue	**790,639**	905,207

Key information relating to the Group's financial performance is detailed below. In accordance with AASB 15, the table disaggregates revenue by operating segments that correspond to the internal reports reviewed by management.

	For the year ended 30 June 2020			
Segments	Australian Transport $'000	New Zealand Transport $'000	Fuels $'000	Total $'000
Type of service				
Transport Services	**596,421**	**54,359**	**–**	**650,780**
Sale of Fuel (including agency commissions)	**–**	**–**	**139,849**	**139,849**
Total revenue from contracts with customers	**596,421**	**54,359**	**139,849**	**790,629**
Geographical markets				
Australia	**596,421**	**–**	**139,849**	**736,270**
New Zealand	**–**	**54,359**	**–**	**54,359**
	596,421	**54,359**	**139,849**	**790,629**
Total revenue from contracts with customers				
Timing of revenue recognition				
Services transferred over time	**596,421**	**54,359**	**–**	**650,780**
Goods transferred at a point in time	**–**	**–**	**139,849**	**139,849**
Total revenue from contracts with customers	**596,421**	**54,359**	**139,849**	**790,629**

	For the year ended 30 June 2019			
Segments	Australian Transport $'000	New Zealand Transport $'000	Fuels $'000	Total $'000
Type of service				
Transport Services	713,878	51,831	–	765,709
Sale of Fuel (including agency commissions)	9,181	–	130,275	139,456
Total revenue from contracts with customers	723,059	51,831	130,275	905,165
Australia	723,059	–	130,275	853,334
New Zealand	–	51,831	–	51,831
	723,059	51,831	130,275	905,165
Total revenue from contracts with customers				
Timing of revenue recognition				
Services transferred over time	723,059	51,831	–	774,890
Goods transferred at a point in time	–	–	130,275	130,275
Total revenue from contracts with customers	723,059	51,831	130,275	905,165

5. REVENUE AND EXPENSES CONTINUED

	Consolidated 2020 $'000	Consolidated 2019 $'000
b) Other income		
– Net gains on disposal of property, plant and equipment	**3,435**	2,709
– Government wage subsidies received	**13,731**	–
– Other	**3,904**	14,936[1]
Total other income	**21,070**	17,645
c) Finance costs		
– Other parties	**2,482**	2,598
– Finance charges on hire purchase contracts	**7,048**	5,363
– Right of use asset	**790**	–
Total finance costs	**10,320**	7,961
d) Depreciation expense		
– Buildings	**2,083**	2,649
– Motor vehicles	**37,626**	41,936
– Plant and equipment	**4,112**	4,772
– Right of use asset	**12,195**	–
Total depreciation expense	**56,016**	49,357
e) Employee expenses		
– Wages and salaries	**207,464**	240,325
– Workers' compensation costs	**10,335**	12,325
– Long service leave expense	**350**	1,514
– Annual leave expense	**13,613**	14,443
– Payroll tax	**11,301**	13,451
– Defined contribution plan expense	**14,967**	16,954
– Directors retirement scheme expense	**24**	4
Total employee expenses	**258,054**	299,016
f) Individually significant items		
– Government wage subsidies received[2]	**13,731**	–
– Prior year indirect tax matters	**–**	(375)
– Redundancy costs[3]	**(3,350)**	–
– Debt refinance costs[4]	**(3,585)**	–
– COVID-19 costs relating to NZ operations[5]	**(957)**	–
– Net costs relating to the sale of Regal General Freight	**(1,350)**	(1,853)
– Onerous lease provisions	**(406)**	(2,884)
– Aurizon legal settlement[1]	**–**	9,525
– Impairment expense[6]	**–**	(4,460)
Total significant items pre-tax	**4,083**	(47)
Tax impact on significant items	**(1,225)**	14
Total significant items, net of tax	**2,858**	(33)

1. Included in other income is $9.5m from the Group's former rail provider, Aurizon, for the resolution of claims against it by the Group arising out of the closure of Aurizon's intermodal business in December 2017.
2. Includes amounts received in Australia under the JobKeeper scheme ($12,375,000) and in New Zealand under the Government Wage Subsidy Scheme ($1,356,000).
3. Redundancy charges relate to the sale of Regal General Freight in August 2019 as well as the closure of a number of unprofitable operations.
4. These charges mainly relate to break costs incurred as part of the Group's debt refinance process, whereby the Group exited its hire purchase lease contracts (being fixed rate instruments) and replaced them with a more flexible revolving credit/bank loan facility.
5. These costs related to the unavoidable costs incurred as a result of the mandatory Stage 4 lockdown from 23 March–26 April 2020, which resulted in a number of customers being unable to operate during the shutdown period.
6. Following a strategic review of the Company's Western Australian general freight business, an assessment of the carrying value of the motor vehicle and plant and equipment assets specific to this business was performed. The recoverable amount of motor vehicles was determined from market prices from auctions and then cost to dispose. The recoverable amount of plant and equipment was based on the highest and best use (fair value) and expected to be obsolete. As a result, the Directors elected to raise an impairment in relation to these assets of $4,460,000 in the prior period.

6. INCOME TAX

	Consolidated 2020 $'000	Consolidated 2019 $'000
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
– Current income tax charge	**2,689**	6,008
– Adjustments in respect of current income tax of previous years	**(9)**	(190)
Deferred income tax		
– Relating to origination and reversal of Income tax expense reported in the Statement of Comprehensive Income temporary differences	**2,173**	(4,942)
Income tax expense reported in the Statement of Comprehensive Income	**4,853**	876
Consolidated Statement of Changes in Equity		
Deferred income tax related to items charged or credited directly to equity		
– Net gain on revaluation of freehold land and buildings	**2,000**	7,333
Income tax expense reported in equity	**2,000**	7,333
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**16,090**	3,197
At the Group's statutory income tax rate of 30% (2019: 30%)	**4,827**	959
– Permanent differences	**35**	107
– Adjustments in respect of current income tax of previous years	**(9)**	(190)
Income tax expense reported in the Statement of Comprehensive Income	**4,853**	876

Recognised deferred tax assets and liabilities

	Consolidated 2020 $'000 Current income tax	2020 $'000 Deferred income tax	2019 $'000 Current income tax	2019 $'000 Deferred income tax
Opening balance	**(1,596)**	**(28,809)**	(686)	(26,418)
Charged to income	**(2,689)**	**(2,173)**	(6,008)	4,942
Over provision in relation to prior year	**9**	**–**	190	–
Charged to equity	**–**	**(2,000)**	–	(7,333)
Payments	**2,250**	**–**	4,842	–
Other movements	**(53)**	**116**	66	–
Closing balance	**(2,079)**	**(32,866)**	(1,596)	(28,809)
Tax expense in Statement of Comprehensive Income		**4,853**		876
Amounts recognised in the Consolidated Statement of Financial Position:				
Deferred tax assets		**13,098**		12,533
Deferred tax liabilities		**(45,964)**		(41,342)
		(32,866)		(28,809)

6. INCOME TAX CONTINUED

	Consolidated Statement of Financial Position	
	2020 $'000	**2019 $'000**
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
CONSOLIDATED		
Deferred tax liabilities		
– Property, plant and equipment	**(39,869)**	(33,662)
– Trade and other receivables not derived for tax purposes	**(6,095)**	(7,680)
	(45,964)	(41,342)
Deferred tax assets		
– Property, Plant and Equipment	**270**	–
– Trade and other payables not currently deductible	**1,723**	2,683
– Provisions not currently deductible	**11,105**	9,850
	13,098	12,533

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 Consolidated 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	
	2020 $'000	**2019 $'000**
Total (reduction) to tax expense of K&S Corporation Ltd	**(1,086)**	(6,350)
Total increase to inter-company assets of K&S Corporation Ltd	**1,086**	6,350

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:

	Consolidated	
	2020 $	2019 $
Basic earnings per share	**$0.088**	$0.018
Diluted earnings per share	**$0.088**	$0.018
Net profit attributable to ordinary equity holders of the parent from continuing operations	**11,237,256**	2,321,641
Net profit attributable to ordinary equity holders of the parent	**11,237,256**	2,321,641

	2020 Thousands	2019 Thousands
Weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share	**127,646**	125,760

8. DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2020 $'000	2019 $'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final franked dividend for 2019: $Nil (2018: 2.0 cents)	**–**	2,491
Interim franked dividend for 2020: 2.0 cents (2019: 2.0 cents)	**2,545**	2,517
	2,545	5,008
Proposed (not recognised as a liability as at 30 June):		
Dividends on ordinary shares		
Final franked dividend for 2020: 3.0 cents (2019: $Nil cents)	**3,864**	–
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% (2019: 30%)	**44,790**	44,617
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	**448**	1,596
The amount of franking credits available for future reporting periods:		
– impact on franking account of dividends proposed but not recognised as a distribution to equity holders during the period	**(1,656)**	–
	43,582	46,213

Tax rates

– The tax rate at which dividends have been franked is 30% (2019: 30%)

– Dividends proposed will be Fully franked (2019: Fully franked)

9. CASH AND CASH EQUIVALENTS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash	**51**	54
Cash deposits with banks	**17,186**	16,510
	17,237	16,564

Cash deposits with banks earn interest at floating rates based on daily bank deposit rates.

	2020 $'000	2019 $'000
Reconciliation of net profit/(loss) after income tax to net cash flows from operations		
Net profit after income tax	**11,237**	2,321
Less items classified as investing/financing activities:		
– Profit on sale of non-current assets	**(3,394)**	(1,899)
Add/(less) non-cash items:		
– Impairment of non-current assets	**–**	4,460
– Increment in right of use asset/lease liabilities	**898**	–
– Amounts set aside to provisions	**1,697**	5,611
– Depreciation expense	**56,016**	49,357
– Share of associates' net loss/(profit)	**73**	(123)
Net cash provided by operating activities before changes in assets and liabilities	**66,527**	59,727
CHANGE IN ASSETS AND LIABILITIES		
Decrease/(increase) in inventories	**493**	(286)
(Increase) in future income tax benefit	**(566)**	(1,832)
(Increase) in prepayments	**(49)**	(114)
Decrease in receivables	**14,914**	13,746
(Decrease) in trade creditors	**(256)**	(6,060)
Increase in income taxes payable	**483**	910
Increase/(decrease) in deferred taxes payable	**2,622**	(3,109)
Exchange rate differences	**(1,094)**	(1,149)
Net cash provided by operating activities	**83,074**	61,833

10. TRADE AND OTHER RECEIVABLES

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current		
Trade debtors	**88,265**	107,740
Allowance for impairment loss	**(1,699)**	(510)
	86,566	107,230
Sundry debtors	**8,576**	9,507
Wage subsidy receivable	**6,974**	–
Total trade and other receivables	**102,116**	116,737

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Freehold Land and Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Total $'000
a) Reconciliation of carrying amounts at the beginning and end of the period:				
Year ended 30 June 2020				
As at 1 July 2019, net of accumulated depreciation and impairment	**149,789**	**239,471**	**16,679**	**405,939**
Additions	**38**	**16,028**	**4,570**	**20,636**
Disposals	**–**	**(9,305)**	**(132)**	**(9,437)**
Revaluation	**6,666**	**–**	**–**	**6,666**
Transfers	**53**	**–**	**(53)**	**–**
Assets held for resale	**–**	**(2,896)**	**–**	**(2,896)**
Impairment	**–**	**–**	**–**	**–**
Depreciation charge for the year	**(2,083)**	**(37,626)**	**(4,112)**	**(43,821)**
Exchange adjustment	**–**	**(544)**	**(29)**	**(573)**
At 30 June 2020, net of accumulated depreciation and impairment	**154,463**	**205,128**	**16,923**	**376,514**
At 30 June 2020				
Cost or fair value	**161,183**	**470,905**	**81,629**	**713,717**
Accumulated depreciation and impairment	**(6,720)**	**(265,777)**	**(64,706)**	**(337,203)**
Net carrying amount	**154,463**	**205,128**	**16,923**	**376,514**
Year ended 30 June 2019				
As at 1 July 2018, net of accumulated depreciation and impairment	121,291	235,077	17,184	373,552
Additions	6,731	52,482	5,784	64,997
Disposals	–	(4,202)	(77)	(4,279)
Revaluation	24,471	–	(27)	24,444
Transfers	(56)	570	(514)	–
Impairment	–	(3,500)	(960)	(4,460)
Depreciation charge for the year	(2,649)	(41,936)	(4,772)	(49,357)
Exchange adjustment	1	980	61	1,042
At 30 June 2019, net of accumulated depreciation and impairment	149,789	239,471	16,679	405,939
At 30 June 2019				
Cost or fair value	156,269	512,087	77,708	746,064
Accumulated depreciation and impairment	(6,480)	(272,616)	(61,029)	(340,125)
Net carrying amount	149,789	239,471	16,679	405,939

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 initially recorded at cost. A revaluation was performed in the current year by an independent valuer, Jones Lang LaSalle resulting in an increase to the asset revaluation reserve of $6.7 million (pre-tax) (2019: $24.4 million (pre-tax)).

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 the freehold land and buildings measured at fair value contains unobservable price inputs, they are designated as a Level 3 valuation. The most significant unobservable inputs are:

– Rental capitalisation rates between 6.5% and 9.5%; and

– Future rental growth rates ranging from 2.5% – 3.5%.

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. The rates applied are consistent with the prior year.

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.

11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

c) Carrying amounts if freehold land and buildings were measured at cost less accumulated depreciation and impairment

If freehold land and buildings were measured using the cost model the carrying amounts would be as follows:

	Consolidated	
	2020 Freehold land and buildings $'000	2019 Freehold land and buildings $'000
Cost	**104,016**	104,050
Accumulated depreciation and impairment	**(21,481)**	(19,590)
Net carrying amount	**82,535**	84,460

12. INTANGIBLE ASSETS

Cash generating units

For the purpose of impairment testing, goodwill is allocated to cash-generating units ('CGUs') which equate to the Group's reportable segments being Australian Transport, Fuels and New Zealand Transport. The Group's goodwill balance of $6.2 million (2019: $6.3 million) is solely allocated to the New Zealand Transport CGU.

Impairment testing

Following an impairment assessment at 30 June 2020, the recoverable amount for all CGUs exceeded their carrying values and no impairment was recognised (2019: Nil). The recoverable amounts were determined through a fair value less costs of disposal calculation. Key estimates and judgements included:

Cashflow forecasts

The cash flow forecasts are based on financial budgets approved by the Board for FY2021 and then projected over a five-year period using short and long-term growth rates specific to market and economic conditions. These cash flow forecasts are based on level 3 fair value inputs.

Terminal growth rates and discount rates

The Group applied post-tax discount rates to post-tax cash flows as this approximates applying pre-tax discount rates to pre-tax cash flows. The discount rates incorporate a risk adjustment relative to the risks associated with the net post-tax cash flows being achieved. Adjustments are made including the addition of a cost to sell and other adjustments per the view of a market participant in line with the fair value method.

The following discount and terminal growth rates were applicable for each CGU:

	Pre-tax discount rate		Terminal growth rate	
	2020 %	2019 %	2020 %	2019 %
Australian Transport	**11.21**	12.33	**2.5**	2.5
Fuel	**11.21**	12.33	**2.5**	2.5
New Zealand Transport	**10.93**	11.82	**2.5**	2.5

Sensitivity analysis

Increases in discount rates or changes in other assumptions such as operating performance may cause the recoverable amount to fall below carrying value. Based on current economic conditions, and CGU performances, there were no reasonably possible changes to key assumptions used in the determination of CGU recoverable amounts that would result in a material impairment to the Group.

13. INTEREST BEARING LOANS AND BORROWINGS

	2020 $'000	2019 $'000
Current		
Hire purchase liabilities – secured	**–**	39,743
Bank loans – secured	**–**	–
	–	39,743
Non-current		
Non redeemable preference shares	**60**	60
Hire purchase liabilities – secured	**–**	78,366
Bank loans – secured	**87,944**	30,000
Directly attributable transaction costs	**(1,159)**	–
	86,845	108,426

Summary of financing arrangements

Credit facilities are provided as part of the overall debt funding structure of the Group. During the year, the Group refinanced its bank bill facilities. The revised maturity dates as well as the drawn component of each facility is shown below:

Facility and limit	Maturity	Interest rate	Amounts drawn 2020 $'000	Amounts drawn 2019 $'000
$150m bank bill facility[1,2]	April 2023	BBSY + margin	**67,944**	–
$50m bank bill facility[1]	April 2025	BBSY + margin	**20,000**	–
$25m bank bill facility[1,2]	February 2021	BBSY + margin	**–**	24,000
$33m bank bill facility[1]	November 2020	BBSY + margin	**–**	6,000
$40m bank bill facility[1]	April 2021	BBSY + margin	**–**	–
$7m bank overdraft facility[1]	On demand	BBSY + margin	**–**	–
Hire purchase facility[3]	1–60 months	4.57%[4]	**–**	118,109
Total interest bearing liabilities			**87,944**	148,109

1. The bank loans are secured by fixed and floating charges over the assets of the Group. Bank loans are also secured by registered mortgages over a number of freehold properties of the Group.
2. $1m of this facility is a bank guarantee facility.
3. Hire purchase liabilities are secured by the relevant assets.
4. This represents the weighted average interest rate across all of the Group's hire purchase liabilities.

The carrying values of the bank bill facilities approximate the fair values as they bear a fully variable interest rate.

30-Jun-20

	1 July 2019 $'000	Cash Flows $'000	For. Ex. Movement $'000	New Agreements $'000	Other $'000	30 June 2020 $'000
Hire purchase liabilities	**118,109**	**(132,499)**	**1,056**	**3,820**	**9,514**	**–**
Non-redeemable preference shares	**60**	**–**	**–**	**–**	**–**	**60**
Bank loans – secured	**30,000**	**57,935**	**9**	**–**	**–**	**87,944**
Total liabilities from financing activities	**148,169**	**(74,564)**	**1,065**	**3,820**	**9,514**	**88,004**

30-Jun-19

	1 July 2018 $'000	Cash Flows $'000	For. Ex. Movement $'000	New Agreements $'000	Other $'000	30 June 2019 $'000
Hire purchase liabilities	110,225	(43,485)	681	50,688	–	118,109
Non-redeemable preference shares	60	–	–	–	–	60
Bank loans – secured	35,625	(5,625)	–	–	–	30,000
Total liabilities from financing activities	145,910	(49,110)	681	50,688	–	148,169

14. PROVISIONS

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current		
Employee benefits	**24,632**	26,156
Self insured workers' compensation liability	**4,308**	4,292
Onerous lease provision	**405**	2,884
	29,345	33,332
Non-current		
Employee benefits	**5,263**	5,805
Make good provision	**2,437**	290
Directors' retirement allowance	**399**	383
Self insured workers' compensation liability	**12,726**	11,960
	20,825	18,438

a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits and make good provisions, are set out below:

	Make Good Provision $'000	Onerous Lease Provision $'000	Directors Retirement Allowance $'000	Self insured Workers' Compensation Liability $'000	Total $'000
CONSOLIDATED					
At 1 July 2019	290	2,884	383	16,252	19,809
Arising during the year	2,075	406	16	12,294	14,791
Transfers	389	(389)	–	–	–
Utilised	(317)	(2,496)	–	(11,512)	(14,325)
At 30 June 2020	**2,437**	**405**	**399**	**17,034**	**20,275**

b) Nature and timing of provisions

i) Make good provision

In accordance with various lease agreements, the Group must restore leased premises 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 2s(ii) for the relevant accounting policy applied in the measurement of this provision.

iii) Directors retirement allowance

Refer to Note 2s(iv) for the relevant accounting policy applied in the measurement of this provision.

iv) Self Insured Workers Compensation

Workers compensation self insurance liability is based on actuarial assessments prepared in accordance with the Group's self insurance licence.

v) Onerous lease provision

The onerous lease provision relates to a property rental arrangement in Victoria. This has been recognised where the contractual costs to fulfil the rental obligation exceeds the economic benefits derived from the rental property.

15. CONTRIBUTED EQUITY AND RESERVES

	Consolidated	
	2020 $'000	2019 $'000
a) Ordinary shares		
Contributed Equity		
128,785,433 (2019: 127,279,339) ordinary shares fully paid	**164,613**	162,408
	164,613	162,408

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.

	Thousands	$'000
Movements in ordinary shares on issue		
At 1 July 2018	124,529	158,099
Issued through Dividend Re-investment Plan – 1,354,321 ordinary shares at $1.5806	1,354	2,141
Issued through Dividend Re-investment Plan – 1,396,110 ordinary shares at $1.5530	1,396	2,168
At 30 June 2019	127,279	162,408
Issued through Dividend Re-investment Plan – 1,506,094 ordinary shares at $1.4643	**1,506**	**2,205**
At 30 June 2020	**128,785**	**164,613**

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 FY2020, the Group paid dividends of $2,545,587 (2019: $5,008,243).

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

	Consolidated	
	2020 $'000	2019 $'000
Gross debt (excluding lease liabilities)	**86,845**	148,169
Less cash and cash equivalents	**(17,237)**	(16,564)
Net debt	**69,608**	131,605
Net debt + Shareholders funds	**324,975**	371,936
Gearing ratio	**21.4%**	35.4%

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of freehold 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.

Common control reserve

The common control reserve was created to record a gain in relation to a transaction with the Group's major shareholder.

16. LEASES

a) Right of use assets

The Group enters non-cancellable leases on properties, motor vehicles and other items of plant and equipment. Lease terms vary in length and generally, when approaching expiry, are either extended at the option of the Group or are renegotiated. Our leases mainly relate to properties in Australia and New Zealand.

	'000 Property	'000 Plant and equipment	'000 Total
Cost	30,869	7,034	37,903
Accumulated depreciation	(7,561)	(4,634)	(12,195)
As at 30 June 2020	**23,308**	**2,400**	**25,708**
Movement:			
Opening balances arising from adoption of AASB 16	30,354	5,028	35,382
Additions	1,022	2,006	3,028
Depreciation	(7,561)	(4,634)	(12,195)
Terminations	(688)	–	(688)
Other movements	181	–	181
At 30 June 2020	**23,308**	**2,400**	**25,708**

b) Lease liabilities

Movement:	
Opening balances arising from adoption of AASB 16	36,171
Additions	3,028
Interest	790
Repayments	(12,926)
Terminations	(670)
Other movements	213
At 30 June 2020	**26,606**
Current liabilities	7,691
Non-current liabilities	18,915
At 30 June 2020	**26,606**

c) Short-term leases

As allowed by the Standard, there is no change to the recognition and measurement of short-term and variable leases. Short-term leases are those with terms equal to or less than 12 months. The amounts recognised in EBIT for these leases are:

Short term leases	**9,672**

17. COMMITMENTS

The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2020 are:

	Consolidated	
	2020 $'000	2019 $'000
Capital expenditure commitments		
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	**19,640**	4,286

18. CONTINGENT LIABILITIES

From time to time the Group is party to claims from customers and suppliers arising from operations in the ordinary course of business. At the date of this report there are no claims or contingent liabilities that are expected to materially impact, either individually or in aggregate, the Group's financial position or results from operations.

19. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 17 December 2016, the wholly owned subsidiaries disclosed in Note 20 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 entities within the Deed of Cross Guarantee are referred to in Note 20. 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 2020 is set out below:

	Closed Group	
	2020 $'000	**2019 $'000**
Consolidated Statement of Comprehensive Income		
Profit/(loss) before income tax	**12,698**	(264)
Income tax (expense)/benefit	**(3,854)**	(5)
Profit/(loss) after income tax	**8,844**	(269)
Retained profits at the beginning of the year	**5,754**	11,279
Transfer from reserves	**–**	(248)
Dividends provided or paid	**(2,545)**	(5,008)
Retained earnings at the end of the year	**12,053**	5,754

19. DEED OF CROSS GUARANTEE CONTINUED

	Closed Group	
	2020 $'000	**2019 $'000**
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	**14,297**	13,985
Trade and other receivables	**94,113**	110,801
Inventories	**5,649**	6,142
Assets held for resale	**2,896**	–
Prepayments	**9,245**	9,724
Total current assets	**126,200**	140,652
Non-current assets		
Other receivables	**4,406**	4,933
Investment in subsidiary	**9,625**	10,046
Property, plant and equipment	**353,049**	377,041
Right of use assets	**20,169**	–
Deferred tax assets	**12,812**	12,533
Total non-current assets	**400,061**	404,553
TOTAL ASSETS	**526,261**	545,205
LIABILITIES		
Current liabilities		
Trade and other payables	**91,914**	98,884
Interest bearing loans and borrowings	**–**	34,353
Lease liabilities	**5,400**	–
Income tax payable	**1,111**	993
Provisions	**28,496**	25,434
Total current liabilities	**126,921**	159,664
Non-current liabilities		
Trade and other payables	**–**	650
Interest bearing loans and borrowings	**78,932**	100,133
Lease liabilities	**15,577**	–
Deferred tax liabilities	**44,434**	39,895
Provisions	**20,825**	18,498
Total non-current liabilities	**159,768**	159,176
TOTAL LIABILITIES	**286,689**	318,840
NET ASSETS	**239,572**	226,365
EQUITY		
Contributed equity	**164,613**	162,408
Reserves	**62,906**	58,203
Retained earnings	**12,053**	5,754
TOTAL EQUITY	**239,572**	226,365

20. CONTROLLED ENTITIES

	Class of Share	Country of Incorporation	% Equity Interest 2020	2019
Particulars in relation to controlled entities				
Name				
K&S Corporation Limited				
Controlled Entities[1]				
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

1. All wholly owned Australian entities in this table are part of the Deed of Cross Guarantee.

21. 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 T Johnson, L Winser, G Walters AM, P Sarant and S Emmett.

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

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies as noted below:

- Mr Winser is a Director of several companies (including AA Scott Pty Ltd, The Border Watch Pty Ltd, Scott's Fleet Rentals Pty Ltd, Sneaths Freightlines Pty Ltd, and Northfuels Pty Ltd);
- Mr Johnson has an interest as a Director of AA Scott Pty Ltd;
- Mr Sarant is a Director of Smart Logistics Pty Ltd.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

From time to time Directors of the Group, or their related entities, may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group customers.

The aggregate amount of dealings with these companies during 2020 were as follows:

	Purchases		Sales		Receivables		Payables	
	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
AA Scott Pty. Ltd[1]	**140,426**	2,179,181	**7,057**	5,195	**613**	2,537	**6,652**	75,559
The Border Watch Pty Ltd[1]	**15,609**	19,401	**56,576**	65,458	**2,882**	5,422	**700**	1,764
Smart Logistics Pty Ltd[4]	**–**	–	**9,650,686**	17,961,346	**–**	1,026,582	**–**	–
Scott's Fleet Rentals Pty Ltd[1]	**6,943,077**	8,247,277	**2,108,103**	1,472,865	**35,208**	685,189	**1,185,506**	978,213
Ray Scott Pastoral Pty Ltd[3]	**–**	–	**19,385**	881	**–**	969	**–**	–
Raymond Scott Pty Ltd[3]	**–**	592,337	**867,794**	256,294	**–**	134,532	**–**	–
AA Scott Jubilee Hwy (209) Pty Ltd[1]	**723,209**	–	**–**	–	**–**	–	**–**	–
AA Scott Bowyer Rd (19-33) Pty Ltd[1]	**674,725**	–	**–**	–	**–**	–	**–**	–
Ascot Cartage Contractors Pty Ltd[1]	**1,096,901**	1,098,280	**6,476**	–	**–**	–	**–**	28,835
Ascot Haulage (Int) Pty Ltd[1]	**345,772**	348,879	**–**	–	**–**	–	**–**	8,647
Sneaths Freightlines Pty Ltd[1]	**–**	41,246	**–**	–	**–**	–	**–**	–
Fairfield Industries Pty Ltd[1]	**–**	1,770	**–**	–	**–**	–	**–**	–
Northfuels Pty Ltd[1]	**–**	28,457	**–**	–	**–**	–	**–**	–
Kindaruar Pastoral Company[3]	**–**	–	**8,366**	–	**–**	–	**–**	–
Cleanaway Waste Management Ltd[2]	**117,853**	235,803	**479,091**	1,034,471	**–**	122,606	**–**	44,796

1. These entities are related parties of the Group's majority shareholders.
2. Cleanaway Waste Management Ltd ceased to be a related party on 26th November 2019 due to the retirement of Ray Smith.
3. These entities ceased to have a related party interest on 16th December 2019.
4. Smart Logistics ceased to be a related party on 29th February 2020.

No provision for doubtful debts has been recognised in respect of these balances as they are considered recoverable.

Other related party arrangements

The Group also has an agreement to rent equipment from Scott's Fleet Rentals Pty Ltd which expires in January 2022. Under this agreement, the amounts payable to Scott's Fleet Rentals Pty Ltd are determined on the number of kilometres travelled during the year. In addition, the Group also has the option to de-hire at its sole discretion, any equipment by providing 30 days' notice to Scott's Fleet Rentals Pty Ltd. The amounts paid in 2020 and 2019 are noted in the table above.

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.

Directors' Share Transactions

	Consolidated 2020	Consolidated 2019
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
– Ordinary shares	**1,844,669**	1,864,004
– Preference shares	**–**	–

All share transactions were with the parent Company, K&S Corporation Limited.

Dividends	**$'000**	**$'000**
Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:		
– Ordinary shares	**36**	73

Directors' transactions in shares and share options

Purchases of shares by Directors and Director related entities are set out in the Director's 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.

Compensation for Key Management Personnel

	Consolidated 2020 $	Consolidated 2019 $
Short-term	**2,197,834**	1,818,456
Long-term	**139,410**	102,745
Post employment	**142,575**	138,372
	2,479,819	2,059,573

Loans with Key Management Personnel

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

Total	Amount at the start of the year $	Amounts written off in the year $	Amount at the end of the year $	Number in Group
2020	**148,940**	**–**	**146,760**	**2**
2019	282,285	–	148,940	2

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.

22. EVENTS SUBSEQUENT TO BALANCE DATE

On 28 August 2020, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $3,863,563 which represents a fully franked dividend of 3.0 cents per share. The dividend has not been provided for in the 30 June 2020 financial statements and is payable on 3 November 2020.

No other matters have arisen in the interval between the end of the financial year and the date of this report, including any item, transaction or event of a material and unusual nature which, in the opinion of the Directors of the Company, are likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

23. AUDITORS' REMUNERATION

The auditor of K&S Corporation Limited is Ernst & Young.

	Consolidated	
	2020 $	**2019 $**
Audit Services:		
Audit and review of the statutory financial reports	**345,330**	295,721
	345,330	295,721

24. PARENT ENTITY INFORMATION

	2020 $'000	**2019 $'000**
Current assets	**147,730**	99,148
Total assets	**245,767**	197,246
Current liabilities	**(1,111)**	(1,073)
Total liabilities	**(80,510)**	(31,577)
Issued capital	**164,613**	162,408
Retained earnings	**644**	3,261
Total Shareholders' equity	**165,257**	165,669
Loss after tax of the parent entity	**(73)**	(6)
Total comprehensive loss of the parent entity	**(73)**	(6)

Guarantees

Cross guarantees given by the Company and its wholly owned controlled entities are described in Note 19.

Contingent liabilities

Contingent liabilities of the Company and its wholly owned controlled entities are outlined in Note 18.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020

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 Group 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 2020 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 2020.

e) As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 19 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 28th day of August 2020.

On behalf of the Board:

A J Johnson

Tony Johnson
Chairman

Paul Sarant

Paul Sarant
Managing Director and Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION

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

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Fax: +61 8 8417 1775
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Auditor's Independence Declaration to the Directors of K&S Corporation Limited

As lead auditor for the audit of the financial report of K&S Corporation Limited for the financial year ended 30 June 2020, 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

Ernst & Young

David Sanders
Partner
Adelaide
28 August 2020

121 King William Street
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Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
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Independent Auditor's Report to the Members of K&S Corporation Limited

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 2020, 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 2020 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 (including Independence Standards)* (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.

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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.

Impairment assessment of intangible assets and property, plant and equipment

Why significant	How our audit addressed the key audit matter
As at 30 June 2020, the value of the Group's net assets exceeded its market capitalisation. This was considered by the Group to be an indicator of impairment. An impairment assessment of intangible assets and property, plant and equipment was carried out by the Group as disclosed in Note 12 of the financial report using a fair value less costs to sell approach. This required the Group to apply judgments in relation to forecast cash flows, long term growth rates, the allocation of corporate costs to the Group's cash generating units (CGUs) and the application of an appropriate discount rate. Freehold land and buildings are recorded in the financial statements at fair value. A valuation was performed in the current year by an independent valuation specialist, which resulted in an increase to the asset revaluation reserve of $6.7 million, before tax. Given the uncertainties involved in the forecast of future results used in the impairment assessment and developing uncertainties within the property market in light of the COVID-19 pandemic, we considered this to be a key audit matter.	We assessed the appropriateness of the key assumptions used by the Group in their impairment testing model. Specifically, we assessed the cash flow projections, discount rates, long term growth rates and sensitivities used, with the assistance of our valuation specialists where appropriate. We considered external market data and assessed the historical accuracy of the Group's forecasting and ensured that the forecast cash flows were consistent with the most recent board-approved cash flow forecasts. We considered the qualifications, competency and objectivity of the Group's independent valuation specialist. Our real estate specialists assessed the work of the valuer. We assessed the appropriateness of the recognition of the increase to the asset revaluation reserve and associated disclosures at 30 June 2020. We also assessed the adequacy of the disclosures associated with the impairment assessment.

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 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' that is 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, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information 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:

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- 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, actions taken to eliminate threats or safeguards applied.

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 14 to 19 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of K&S Corporation Limited for the year ended 30 June 2020, 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

Ernst & Young

David Sanders
Partner
Adelaide
28 August 2020

INFORMATION ON SHAREHOLDINGS

Information relating to security holders as at 28th September 2020

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares	Number of Shareholders
1–1,000 Shares	422
1,001–5,000 Shares	671
5,001–10,000 Shares	249
10,001–100,000 Shares	314
100,001 and more Shares	43
	1,699

179 shareholders hold less than a marketable parcel (399 shares).

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Ordinary Shares Held	%
1	AA Scott Pty Ltd	77,905,262	60.49
2	Linfox Australia Pty Ltd	18,299,696	14.21
3	Bell Potter Nominees Ltd <BB Nominees A/C>	5,125,532	3.98
4	Ascot Media Investments Pty Ltd	2,558,428	1.99
5	Zena Winser Pty Ltd <The Zena A/C>	2,038,885	1.58
6	PS Super Nominee Pty Limited <Shadbolt Future Fund A/C>	1,269,720	0.98
7	Oakcroft Nominees Pty Ltd <Oakcroft Super Fund A/C>	1,252,799	0.97
8	Mr Eric Joseph Roughana	700,000	0.54
9	Ardmore Super Pty Ltd <Ardmore Super Fund A/C>	682,032	0.53
10	Winscott Investments Pty Ltd	667,536	0.52
11	Tirroki Pty Ltd <AF Johnson Super Fund A/C>	542,967	0.42
12	Kailva Pty Ltd <Superannuation A/C>	420,000	0.33
13	Dixson Trust Pty Ltd	364,430	0.28
14	Collins Rural Superfund Pty Ltd <Collins Family S/F A/C>	355,343	0.28
15	Mr Anthony Victor King & Ms Elina Maria King <King S/F A/C>	350,000	0.27
16	Ray Scott Private Pty Ltd <Ray Scott Private A/C>	292,721	0.23
17	Maine Pty Ltd <George Sabadin Family A/C>	282,457	0.22
18	Mrs Edna Grace Scott	241,925	0.19
19	Mr Raymond Walter Scott	241,664	0.19
20	Mr Bruce Grubb & Mrs Valerie Grubb <Grubb Family Super Fund A/C>	215,837	0.17
		110,812,872	88.37

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 88.37% 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 28th September 2020:-

	Number	% of Class
AA Scott Pty Ltd & Associated Companies	83,067,544	65.26
Linfox Australia Pty Ltd	22,977,255	18.05

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

K&S Corporation Limited's shares are quoted on the Australian Securities Exchange (ASX code: KSC).

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.au

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

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

Townsville
677 Ingham Road
MountSaint John QLD 4818
Phone: (07) 4431 2070

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
28 Barcoo Close
Dardanup West WA 6236
Phone: (08) 9725 4400

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

Mount Gambier
209 Jubilee Highway West
Mount Gambier SA 5290
Phone: (08) 8721 2941

Alice Springs
5827 Dalgety Road
Alice Springs NT 0870
Phone: (08) 8950 8701

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
126 Kerwyn Ave
Highbrook
Auckland NZ
Phone: (09) 307 0061

Christchurch
55 Lunns Rd
Middleton
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 5400

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

K&S Heavy Haulage

Perth
Part 460 Bushmead Road
Hazelmere WA 6055
Phone: (08) 9376 9600

K&S Energy/Chemtrans

Brisbane
34 Postle Street
Coopers Plains QLD 4108
Phone: (07) 3718 4221

Darwin
8 College Road
Berrimah NT 0828
Phone: (08) 8995 8100

Sydney
1 Hope Street
Enfield NSW 2135
Phone: (02) 9735 2346

Adelaide
19 Bowyer Rd
Wingfield SA 5013
Phone: (08) 8347 3449

Melbourne
591 Boundary Road
Truganina VIC 3029
PO Box 57
Laverton VIC 3028
Phone: (03) 8744 3700

Mackay
112 Spiller Avenue
Mackay QLD 4740
Phone: (07) 4431 2040

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

Perth
Cnr Beard and Morley Streets
Naval Base WA 6165
Phone: 0417 046 786

K&S Fuels

Mount Gambier
40 Graham Road
Mount Gambier SA 5290
Phone: (08) 8721 1774

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

Enfield
1 Hope Street
Enfield NSW 2135
Phone: (02) 9735 2392

Thurgoona
22 Hoffmann Road
Thurgoona NSW 2640
Phone: (02) 6054 2200

K&S CORPORATION LIMITED

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